

Hercules Capital, Inc.
Form 497
June 22, 2016
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**Filed Pursuant to Rule 497
Registration No. 333-203511**

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 22, 2016

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated November 3, 2015)

\$

6.25% Notes due 2024

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

We are offering \$ in aggregate principal amount of 6.25% notes due 2024, or the Notes. The Notes offered hereby will be a further issuance of, rank equally in right of payment with, and form a single series for all purposes under the indenture governing the Notes including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with each of the \$103,000,000 and \$72,945,050 aggregate principal amount of 6.25% notes due 2024 initially issued by us on July 14, 2014 and May 2, 2016, respectively, or the Existing Notes. The Existing Notes and the Notes will mature on July 30, 2024. We will pay interest on the Notes on January 30, April 30, July 30 and October 30 of each year, beginning on July 30, 2016. We may redeem the Notes in whole or in part at any time or from time to time, at the redemption price set forth under Specific Terms of the Notes and the Offering Optional Redemption in this prospectus supplement. The Notes will be issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

The Notes will be our direct unsecured obligations and rank *pari passu*, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by Hercules Capital, Inc.

The Existing Notes are listed on the New York Stock Exchange, or the NYSE, and trade on the NYSE under the symbol HTGX. We intend to list the Notes offered hereby on the NYSE under the same trading symbol. The Notes are expected to trade flat, which means that purchasers in the secondary market will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not reflected in the trading price.

An investment in the Notes involves risks that are described in the Supplementary Risk Factors section beginning on page S-14 in this prospectus supplement and the Risk Factors section beginning on page 11 of the accompanying prospectus.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in the Notes. Please read this prospectus supplement and the accompanying prospectus before investing and keep it for future reference. 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.htgc.com. The information on the websites referred to herein is not incorporated by reference into this prospectus supplement or the accompanying prospectus. The SEC also maintains a website at www.sec.gov that contains information about us.

	Per Note	Total
Public offering price ⁽¹⁾	\$	\$
Sales load (underwriting discounts and commissions)	\$	\$
Proceeds to us (before expenses) ⁽²⁾	\$	\$

(1) Plus accrued interest from April 30, 2016.

(2) Before deducting expenses payable by us related to this offering, estimated at \$500,000. See Underwriting in this prospectus supplement for complete details of underwriters' compensation.

The underwriters may also purchase up to an additional \$ total aggregate principal amount of Notes offered hereby, to cover overallocments, if any, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be \$, the total sales load (underwriting discounts and commissions) paid by us will be \$, and total proceeds, before expenses, will be \$.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

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.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about June , 2016.

Joint Book-Running Managers

Keefe, Bruyette & Woods

A Stifel Company

Morgan Stanley

Lead Manager

Wells Fargo Securities

Janney Montgomery Scott

Co-Managers

BB&T Capital Markets

JMP Securities

Ladenburg Thalmann

Piper Jaffray

Wunderlich

The date of this prospectus supplement is June , 2016.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement or such prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. 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. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading, Available Information before investing in our Notes.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus and the documents that are referenced in this prospectus supplement and the accompanying prospectus, together with any accompanying supplements. In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, the Company, Hercules Capital, Hercules, we, us and our refer to Hercules Capital, Inc., formerly known as Hercules Technology Growth Capital, Inc., and our wholly-owned subsidiaries. On July 14, 2014, we and U.S. Bank National Association (the Trustee) entered into the Third Supplemental Indenture to the Indenture (the Third Supplemental Indenture), between us and the Trustee, dated March 6, 2012, relating to our issuance, offer and sale of the Existing Notes. We will issue the Notes offered hereby under the same Third Supplemental Indenture. The Notes offered hereby will be a further issuance of, rank equally in right of payment with, and form a single series for all purposes with the Existing Notes. Unless otherwise indicated, the Notes offered hereby and the Existing Notes are collectively referred to herein as the Notes. The Notes offered hereby and the Existing Notes will be treated as a single series for all purposes under the Indenture and the Third Supplemental Indenture including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting.

Our Company

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a broadly diversified variety of technology, life sciences and sustainable and renewable technology industries. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our warrant and equity-related investments. We are an internally-managed, non-diversified closed-end investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. Effective January 1, 2006, we elected to be treated for tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of March 31, 2016, our total assets were approximately \$1.3 billion, of which our investments comprised \$1.3 billion at fair value and \$1.3 billion at cost. Since inception through March 31, 2016, we have made debt and equity commitments of over \$5.9 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly-owned small business investment companies, or SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$111.6 million and \$289.1 million in assets, respectively, and accounted for approximately 6.6% and 17.1% of our total assets, respectively, prior to consolidation at March 31, 2016. As of March 31, 2016, the maximum statutory limit on the dollar amount of combined outstanding Small Business Administration, or SBA, guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at March 31, 2016, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

As of March 31, 2016, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 34 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or

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acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

Our Market Opportunity

We believe that technology-related companies compete in one of the largest and most rapidly growing sectors of the U.S. economy and that continued growth is supported by ongoing innovation and performance improvements in technology products as well as the adoption of technology across virtually all industries in response to competitive pressures. We believe that an attractive market opportunity exists for a specialty finance company focused primarily on investments in structured debt with warrants in technology-related 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 due to the complexity of evaluating risk in these investments; and

structured debt with warrants products are less dilutive and complement equity financing from venture capital and private equity funds.

Technology-Related Companies are 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 because traditional lenders have continued to consolidate and have adopted a more risk-averse approach to lending. More importantly, we believe traditional lenders are typically unable to underwrite the risk associated with these companies effectively.

The unique cash flow characteristics of many technology-related companies typically 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 these 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 generally refrain from entering the structured debt financing marketplace, instead preferring the risk-reward profile of asset based lending. 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.

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 is a function of the level of annual venture equity investment activity.

We believe that demand for structured debt financing is currently underserved. The venture capital market for the technology-related companies in which we invest has been active. Therefore, to the extent we have capital available, we believe this is an opportune time to be active in the structured lending market for technology-related companies.

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Structured Debt with Warrants 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 debt with warrants product provides access to growth capital 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 many technology-related companies at all stages of development 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 reached a more mature stage prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period sometimes required prior to liquidity events.

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.

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 warrant and 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, and on select investment 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.

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.

Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, including select publicly listed companies and select special opportunity lower middle market companies that require additional capital to fund acquisitions, recapitalizations and refinancings and established-stage companies.

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 investment funds, which typically have a limited life. In addition, because of our access to the equity markets, we believe that we may benefit from a lower cost of capital than that available to private investment funds.

Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive structured query language-based (SQL) database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance.

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Recent Developments

Restricted Stock Award Grants

In January 2016, we granted approximately 536,250 restricted stock awards pursuant to the 2004 Equity Incentive Plan and 2006 Non-Employee Incentive Plan (collectively, the Plans).

Dividend Declaration

On May 23, 2016, we paid a cash dividend of \$0.31 per share to shareholders of record as of May 16, 2016. This dividend represents our forty-third consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$11.85 per share.

Corporate Rebranding

On February 25, 2016, we changed our name to Hercules Capital, Inc. , from Hercules Technology Growth Capital, Inc. Our common stock will continue to trade on the NYSE under the HTGC ticker symbol.

Share Repurchase Program

On February 24, 2015, the Company's board of directors (the Board of Directors) approved a \$50.0 million open market share repurchase program and on February 17, 2016, the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in our then most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. Subsequent to December 31, 2015 and as of June 14, 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of June 14, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

ATM Program

On March 7, 2016, we entered into an amended and restated equity distribution agreement relating to the offer and sale from time to time of up to 8,000,000 shares of our common stock. As of June 14, 2016, the Company has sold 2.5 million shares of common stock for total accumulated net proceeds of approximately \$30.4 million, including 650,000 shares for total accumulated net proceeds of approximately \$9.5 million during the year ended December 31, 2014 and 1.8 million shares for total accumulated net proceeds of approximately \$20.9 million during 2016 as of June 14, 2016. As of June 14, 2016, approximately 5.5 million shares remain available for issuance and sale under the amended and restated equity distribution agreement.

Amendments to Wells Facility

On March 8, 2016, through a special purpose wholly-owned subsidiary, Hercules Funding II LLC (Hercules Funding II), we entered into the Second Amendment (the Second Wells Facility Amendment) to Amended and Restated Loan and Security Agreement, dated as of June 29, 2015 (as amended from time to time, the Wells Facility) with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent (the Administrative Agent), and the lenders party thereto (the Lenders) from time to time. The Second Wells Facility Amendment amends certain provisions of the Wells Facility, to, among other things, (i) modify one of the concentration limits in relation to eligible notes receivable and (ii) adjust the method for calculating interest coverage ratio.

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On April 7, 2016, through Hercules Funding II, we entered into the Third Amendment (the Third Wells Facility Amendment) to the Wells Facility. The Third Wells Facility Amendment amends certain provisions of the Wells Facility to, among other things, (i) permit two or more Lenders holding more than fifty percent (50%) of the commitments under the Wells Facility, rather than the Administrative Agent, to waive the eligibility criteria and (ii) modify the definition of Required Lenders.

Entry into the MUFG Union Bank Facility

On May 5, 2016, Hercules, through a special purpose wholly-owned subsidiary, Hercules Funding III, LLC (Hercules Funding III), as borrower, entered into the Loan and Security Agreement (the MUFG Union Bank Facility) with MUFG Union Bank, N.A. (MUFG Union Bank), as the arranger and administrative agent, and the lenders party thereto from time to time. Under the MUFG Union Bank Facility, MUFG Union Bank has made commitments of \$75.0 million, which can be increased to \$200.0 million subject to customary conditions. In connection with entering into the MUFG Union Bank Facility, on May 19, 2016, the Company terminated the Second Amended and Restated Loan and Security Agreement (the Union Bank Facility), by and among the Company, as borrower, MUFG Union Bank, as a lender and agent, and the other lenders party thereto from time to time, dated as of August 14, 2014. The MUFG Union Bank Facility replaced the Union Bank Facility.

In connection with the MUFG Union Bank Facility, the Company and Hercules Funding III also entered into the Sale and Servicing Agreement, dated as of May 5, 2016 (the Sale Agreement), by and among Hercules Funding III, as borrower, the Company, as originator and servicer, and MUFG Union Bank, as agent.

Closed and Pending Commitments

As of June 14, 2016, we have:

Closed debt and equity commitments of approximately \$304.4 million to new and existing portfolio companies and funded approximately \$231.5 million.

Pending commitments (signed non-binding term sheets) of approximately \$250.0 million.

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

Closed Commitments and Pending Commitments (in millions)	
Closed Commitments (as of June 14, 2016) ^(a)	\$ 304.4
Pending Commitments (as of June 14, 2016) ^(b)	\$ 250.0
Closed and Pending Commitments as of June 14, 2016	\$ 554.4

Notes:

- Closed Commitments may include renewals of existing credit facilities. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.
- Not all pending commitments (signed non-binding term sheets) are expected to close and they do not necessarily represent any future cash requirements.

Portfolio Company Developments

As of June 14, 2016, we held warrants or equity positions in five companies that filed registration statements on Form S-1 with the Securities and Exchange Commission (the SEC) in contemplation of potential initial public offerings. All five companies filed confidentially under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

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Corporate Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, McLean, VA, Santa Monica, CA and Hartford, CT. We maintain a website on the Internet at www.htgc.com. We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained in our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, which we refer to as the Exchange Act. This information is available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC's public reference room by calling the SEC at (202) 551-8090. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

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This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. On July 14, 2014, we and the Trustee entered into the Third Supplemental Indenture to the Indenture, between us and the Trustee, dated March 6, 2012, relating to our issuance, offer and sale of the Existing Notes. We will issue the Notes offered hereby under the same Third Supplemental Indenture. The Notes offered hereby will be a further issuance of, rank equally in right of payment with, and form a single series for all purposes with the Existing Notes. Unless otherwise indicated, the Notes offered hereby and the Existing Notes are collectively referred to herein as the Notes. The Notes offered hereby and the Existing Notes will be treated as a single series for all purposes under the Indenture and the Third Supplemental Indenture including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes in the accompanying prospectus under the heading Description of Our Debt Securities before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.

Issuer	Hercules Capital, Inc.
Title of the securities	6.25% Notes due 2024
Aggregate principal amount being offered	\$
Overallotment option	The underwriters may also purchase from us up to an additional \$ aggregate principal amount of Notes to cover overallotments, if any, within 30 days of the date of this prospectus supplement.
Initial public offering price	% of the aggregate principal amount, plus accrued interest from April 30, 2016.
Principal payable at maturity	% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Trustee in The City of New York or at such other office designated by the Trustee.
Type of Note	Fixed rate note
Listing	The Existing Notes are listed on the NYSE and trade on the NYSE under the symbol HTGX. We intend to list the Notes offered hereby on the NYSE under the same trading symbol.
Interest rate	6.25% per year
Day count basis	360-day year of twelve 30-day months

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Original issue date of the Notes June , 2016

Stated maturity date July 30, 2024

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Date interest starts accruing on the Notes	April 30, 2016
Interest payment dates for the Notes	Each January 30, April 30, July 30, and October 30, commencing July 30, 2016. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Interest periods for the Notes	The initial interest period will be the period from and including April 30, 2016, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.
Regular record dates for interest	Each January 15, April 15, July 15 and October 15.
Specified currency	U.S. Dollars
Place of payment	New York City or such other office designated by the Trustee
Ranking of Notes	<p>The Notes will be our general unsecured obligations and will rank:</p> <p><i>pari passu</i> with our other outstanding and future unsecured indebtedness, including, without limitation, the approximately \$64.5 million of 7.00% Senior Notes due April 30, 2019 (the April 2019 Notes); the approximately \$45.9 million of 7.00% Senior Notes due September 30, 2019 (the September 2019 Notes and together with the April 2019 Notes, the 2019 Notes); and the approximately \$175.9 million of Existing Notes, each as of June 14, 2016.</p> <p>senior to any of our future indebtedness that expressly provides it is subordinated to the Notes.</p> <p>effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the MUFG Union Bank Facility.</p> <p>structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including, without limitation, the indebtedness of HT II and HT III, borrowings under the Wells Facility, borrowings under the MUFG Union Bank Facility and the approximately \$129.3 million of fixed-rate asset-backed notes (the Asset-Backed Notes), each as of June 14, 2016. Note that there were no borrowings outstanding under the Wells Facility or MUFG Union Bank Facility as of June 14, 2016.</p>

Denominations

We will issue the Notes in denominations of \$25 and integral multiples of \$25 in excess thereof.

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Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City, or in such other place of payment designated by the Trustee, are authorized or required by law or executive order to close.
Optional redemption	<p>We may redeem in whole or in part at any time, or from time to time, at our option on or after July 30, 2017 upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption.</p> <p>You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes. Any exercise of our option to redeem the Notes will be done in compliance with the indenture and the 1940 Act.</p> <p>If we redeem only some of the Notes, the Trustee or The Depository Trust Company, or DTC, as applicable, will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture and the 1940 Act, in each case, to the extent applicable. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.</p>
Sinking fund	The Notes will not be subject to any sinking fund.
Repayment at option of Holders	Holdings will not have the option to have the Notes repaid prior to the stated maturity date.
Defeasance and covenant defeasance	<p>The Notes are subject to defeasance by us.</p> <p>The Notes are subject to covenant defeasance by us.</p>
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. Except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations which are participants in DTC.
Trustee, Paying Agent and Security Registrar	U.S. Bank National Association

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Other covenants

In addition to the covenants described in the prospectus attached to this prospectus supplement, the following covenants shall apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. See Risk Factor Risks Related to our Business Structure Legislation may allow us to incur additional leverage , in the accompanying prospectus.

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another BDC (or to us if we determine to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act in order to maintain the BDC s status as a regulated investment company under Subchapter M of the Code. Currently, these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase.

If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles, as applicable.

Modifications to events of default

The following events of default, as described in the prospectus attached to this prospectus supplement:

We do not pay the principal of, or any premium on, a debt security of the series on its due date, and do not cure this default within 5 days.

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On the last business day of each of 24 consecutive calendar months, we have an asset coverage of less than 100%.

with respect to the Notes has been revised to read as follows:

We do not pay the principal of, or any premium on, any Note on its due date.

On the last business day of each of 24 consecutive calendar months, we have an asset coverage of less than 100%, giving effect to any exemptive relief granted to us by the SEC.

Global Clearance and Settlement Procedures

Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the issuer, the Trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Further issuances

We have the ability to issue additional debt securities under the indenture with terms different from the Notes and, without the consent of the holders thereof, to reopen the Notes and issue additional Notes.

Use of Proceeds

We estimate that the net proceeds we receive from the sale of the \$ million aggregate principal amount of Notes in this offering will be approximately \$ million (or approximately \$ million if the underwriters fully exercise their overallotment option) after deducting the underwriting discount of approximately \$ million (or approximately \$ million if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately \$500,000 payable by us. We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objective and for other general corporate purposes.

Governing Law

The Notes and the indenture are governed by and construed in accordance with the laws of the State of New York.

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FORWARD-LOOKING STATEMENTS

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

our future operating results;

our business prospects and the prospects of our prospective portfolio companies;

the impact of investments that we expect to make;

our informal relationships with third parties including in the venture capital industry;

the expected market for venture capital investments and our addressable market;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

our ability to operate as a BDC, a SBIC and a RIC;

the adequacy of our cash resources and working capital;

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the timing of cash flows, if any, from the operations of our portfolio companies;

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and

our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus supplement and the accompanying prospectus, please see the discussion under **Supplementary Risk Factors** in this prospectus supplement and **Risk Factors** in the accompanying prospectus.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made and are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, or the Securities Act.

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Industry and Market Data

We have compiled certain industry estimates presented in this prospectus supplement and the accompanying prospectus from internally generated information and data. While we believe our estimates are reliable, they have not been verified by any independent sources. The estimates are based on a number of assumptions, including increasing investment in venture capital and private equity-backed companies. Actual results may differ from projections and estimates, and this market may not grow at the rates projected, or at all. If this market fails to grow at projected rates, our business and the market price of our securities, including the Notes, could be materially adversely affected.

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SUPPLEMENTARY RISK FACTORS

Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our securities. The risks set out below and in the accompanying prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected which could materially adversely affect our ability to repay principal and interest on the Notes. In addition, the market price of the Notes and our net asset value could decline, and you may lose all or part of your investment. The risk factors described below, together with those set forth in the accompanying prospectus, are the principal risk factors associated with an investment in our securities, including the Notes, as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

Risks Related to the Notes

The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of June 14, 2016, we had no outstanding borrowings under our MUFU Union Bank Facility, which is secured by debt investments in our portfolio companies and related assets, and no outstanding borrowings under our Wells Facility, which is secured by loans in the borrowing base for the Wells Facility.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of Hercules Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A significant portion of the indebtedness required to be consolidated on our balance sheet is held through our SBIC subsidiaries. For example, at June 14, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources in the accompanying prospectus for more detail on the SBA-guaranteed debentures.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors), if any, of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise.

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As of June 14, 2016, we had approximately no outstanding borrowings under our Wells Facility, no outstanding borrowings under our MUFU Union Bank Facility and approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, HT II and HT III. All of such indebtedness would be structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

The indenture under which the Notes will be issued will contain limited protection for holders of the Notes.

The indenture under which the Notes will be issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries' ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect to any exemptive relief granted to us by the SEC (currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings);

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, in each case other than dividends, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another BDC (or to us if we determine to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act in order to maintain the BDC's status as a regulated investment company under Subchapter M of the Code (currently, these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase);

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

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In addition, the indenture will not require us to offer to purchase the Notes in connection with a change of control or any other event.

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Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Certain of our current debt instruments include more protections for their holders than the indenture and the Notes. See Risk Factors. In addition to regulatory requirements that restrict our ability to raise capital, our Credit Facilities (as defined below), the Convertible Senior Notes (as defined below), the 2019 Notes and the Existing Notes contain various covenants which, if not complied with, could accelerate repayment under the facility or require us to repurchase the Convertible Senior Notes, the 2019 Notes and the Existing Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay dividends in the accompanying prospectus. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for, and trading levels and prices of, the Notes.

Our amount of debt outstanding may increase as a result of this offering. Our current indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

The use of debt could have significant consequences on our future operations, including:

making it more difficult for us to meet our payment and other obligations under the Notes and our other outstanding debt;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our financing arrangements, which event of default could result in substantially all of our debt becoming immediately due and payable;

reducing the availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our financing arrangements; and

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

Our ability to meet our payment and other obligations under our financing arrangements depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our financing arrangements or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt.

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The optional redemption provision may materially adversely affect your return on the Notes.

The Notes will be redeemable in whole or in part upon certain conditions at any time or from time to time at our option. We may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate paid on the Notes. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed.

An active trading market for the Notes may not develop or be maintained, which could limit the market price of the Notes or your ability to sell them.

Although the Existing Notes are listed on the NYSE under the trading symbol HTGX , and we intend to list the Notes offered hereby under the same trading symbol, we cannot provide any assurances that an active trading market will develop or be maintained for the Notes or that you will be able to sell your Notes. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop or be maintained for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop or is not maintained, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

A downgrade, suspension or withdrawal of a credit rating assigned by a rating agency to us or our unsecured debt, if any, or change in the debt markets could cause the liquidity or market value of the Notes to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agencies if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

If we Default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the MUFU Union Bank Facility, the 2019 Notes and the Asset-Backed Notes or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could

elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid

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interest, the lenders under the Wells Facility and the MUFU Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the Wells Facility or MUFU Union Bank Facility or the required holders of our 2019 Notes, Asset-Backed Notes or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Wells Facility, MUFU Union Bank Facility, the 2019 Notes, or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Wells Facility or MUFU Union Bank Facility, the 2019 Notes, the Asset-Backed Notes or other debt, as applicable, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Wells Facility and the MUFU Union Bank Facility, could proceed against the collateral securing the debt. Because the Wells Facility and the MUFU Union Bank Facility have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Wells Facility, MUFU Union Bank Facility, the 2019 Notes, or the Asset-Backed Notes or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. See Specific Terms of the Notes and the Offering in this prospectus supplement.

Risks Related to our Business Structure

Because we have substantial indebtedness, there could be increased risk in investing in our company.

Lenders have fixed dollar claims on our assets that are superior to the claims of stockholders, and we have granted, and may in the future grant, lenders a security interest in our assets in connection with borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. In addition, borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets increases, then leverage would cause the net asset value, or NAV, attributable to our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause the NAV attributable to our common stock to decline more than it otherwise would have had we not used leverage. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on common stock. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. We and, indirectly, our stockholders will bear the cost associated with our leverage activity. If we are not able to service our substantial indebtedness, our business could be harmed materially.

Our secured credit facilities, the Wells Facility and MUFU Union Bank Facility (collectively, our Credit Facilities), our 2019 Notes, our Existing Notes and our 2021 Asset-Backed Notes (as defined below) contain financial and operating covenants that could restrict our business activities, including our ability to declare dividends if we default under certain provisions.

As of June 14, 2016, we had no outstanding borrowings under our Credit Facilities. As of June 14, 2016, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$110.4 million in aggregate principal amount of the 2019 Notes, approximately \$175.9 million in aggregate principal amount of Existing Notes and approximately \$129.3 million in aggregate principal amount of Asset-Backed Notes issued in November 2014 (the 2021 Asset-Backed Notes) in connection with our \$237.4 million debt securitization.

There can be no assurance that we will be successful in obtaining any additional debt capital on terms acceptable to us or at all. If we are unable to obtain debt capital, then our equity investors will not benefit from

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the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

As a BDC, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. As of March 31, 2016 our asset coverage ratio under our regulatory requirements as a BDC was 270.5% excluding our SBIC debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. See Risk Factor Risks Related to our Business Structure Legislation may allow us to incur additional leverage, in the accompanying prospectus.

Based on assumed leverage equal to 85.1% of our net assets as of March 31, 2016, our investment portfolio would have been required to experience an annual return of at least 2.5% to cover annual interest payments on our additional indebtedness.

Our portfolio investments may present special tax issues.

Investments in below-investment grade debt instruments and certain equity securities may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount, or OID, or market discount, when and to what extent deductions may be taken for bad debts or worthless debt in equity securities, how payments received on obligations in default should be allocated between principal and interest income, as well as whether exchanges of debt instruments in a bankruptcy or workout context are taxable. Such matters could cause us to recognize taxable income for U.S. federal income tax purposes, even in the absence of cash or economic gain, and require us to make taxable distributions to our stockholders to maintain our ability to be subject to taxation as a RIC or preclude the imposition of either U.S. federal corporate income or excise taxation. Additionally, because such taxable income may not be matched by corresponding cash received by us, we may be required to borrow money or dispose of other investments to be able to make distributions to our stockholders. These and other issues will be considered by us, to the extent determined necessary, in order that we minimize the level of any U.S. federal income or excise tax that we would otherwise incur. See Certain United States Federal Income Tax Considerations in this prospectus supplement and in the accompanying prospectus.

We may be subject to restrictions on our ability to pay dividends and other distributions.

Restrictions imposed on the declaration of dividends or other distributions to holders of our common stock, by both the 1940 Act and by requirements imposed by rating agencies, might impair our ability to be subject to U.S. federal income taxation as a RIC. While we intend to prepay our Notes and other debt to the extent necessary to enable us to distribute our income as required to maintain our ability to be subject to U.S. federal income taxation as a RIC, there can be no assurance that such actions can be effected in time to satisfy the requirements set forth in the Code.

Legislative or regulatory tax changes could adversely affect you.

At any time, the federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or of you as a stockholder. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments.

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SBA regulations limit the outstanding dollar amount of SBA guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to \$150.0 million or to a group of SBICs under common control to \$350.0 million.

An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of June 14, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries, which is the maximum combined capacity for our SBIC subsidiaries under our existing licenses. During times that we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital is likely to increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Moreover, the current status of our SBIC subsidiaries as SBICs does not automatically assure that our SBIC subsidiaries will continue to receive SBA-guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon our SBIC subsidiaries continuing to be in compliance with SBA regulations and policies and available SBA funding. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by our SBIC subsidiaries.

The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. Our SBIC subsidiaries will need to generate sufficient cash flow to make required interest payments on the debentures. If our SBIC subsidiaries are unable to meet their financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to our SBIC subsidiaries' assets over our stockholders in the event we liquidate our SBIC subsidiaries or the SBA exercises its remedies under such debentures as the result of a default by us.

We incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC.

Risks Related to our Investments

Our investments are concentrated in certain industries and in a number of technology-related companies, which subjects us to the risk of significant loss if any of these companies default on their obligations under any of their debt securities that we hold, or if any of the technology-related industry sectors experience a downturn.

We have invested and intend to continue investing in a limited number of technology-related companies. A consequence of this limited number of investments is that the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Beyond the asset diversification requirements to which we are subject as a BDC and a RIC, we do not have fixed guidelines for diversification or limitations on the size of our investments in any one portfolio company and our investments could be concentrated in relatively few issuers. In addition, we have invested in and intend to continue investing, under normal circumstances, at least 80% of the value of our total assets (including the amount of any borrowings for investment purposes) in technology-related companies.

As of March 31, 2016, approximately 63.1% of the fair value of our portfolio was composed of investments in four industries: 24.9% was composed of investments in the drug discovery and development industry, 13.8%

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was comprised of investments in the sustainable and renewable technology industry, 12.2% was composed of investments in the software industry, and 12.2% was composed of investments in the drug delivery industry.

As a result, a downturn in technology-related industry sectors and particularly those in which we are heavily concentrated could materially adversely affect our financial condition.

Sustainable and renewable technology companies are subject to extensive government regulation and certain other risks particular to the sectors in which they operate and our business and growth strategy could be adversely affected if government regulations, priorities and resources impacting such sectors change or if our portfolio companies fail to comply with such regulations.

As part of our investment strategy, we plan to invest in portfolio companies in sustainable and renewable technology sectors that may be subject to extensive regulation by foreign, U.S. federal, state and/or local agencies. Changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, or new laws, rules or regulations could have an adverse impact on the business and industries of our portfolio companies. In addition, changes in government priorities or limitations on government resources could also adversely impact our portfolio companies. We are unable to predict whether any such changes in laws, rules or regulations will occur and, if they do occur, the impact of these changes on our portfolio companies and our investment returns. Furthermore, if any of our portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Our portfolio companies may be subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace.

In addition, there is considerable uncertainty about whether foreign, U.S., state and/or local governmental entities will enact or maintain legislation or regulatory programs that mandate reductions in greenhouse gas emissions or provide incentives for sustainable and renewable technology companies. Without such regulatory policies, investments in sustainable and renewable technology companies may not be economical and financing for sustainable and renewable technology companies may become unavailable, which could materially adversely affect the ability of our portfolio companies to repay the debt they owe to us. Any of these factors could materially and adversely affect the operations and financial condition of a portfolio company and, in turn, the ability of the portfolio company to repay the debt they owe to us.

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at March 31, 2016 that represent greater than 5% of our net assets:

(in thousands)	March 31, 2016	
	Fair Value	Percentage of Net Assets
Machine Zone, Inc.	\$ 101,469	14.1%
Sungevity Development, LLC.	\$ 64,573	9.0%
Actifio, Inc.	\$ 39,964	5.6%

Machine Zone, Inc. is a technology company that is best known for building mobile Massively Multiplayer Online games with a focus on community-based gameplay.

Sungevity Development, LLC. is a global residential solar energy provider focused on making it easy and affordable for homeowners to benefit from solar power.

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Actifio, Inc. is a software company that helps global enterprise customers and service provider partners virtualize their data in order to improve their data resiliency, agility, and mobility while reducing cost and operational complexity.

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

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity, and rising interest rates may make it more difficult for portfolio companies to make periodic payments on their loans.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity. This risk and the risk of default is increased to the extent that the loan documents do not require the portfolio companies to pay down the outstanding principal of such debt prior to maturity. In addition, if general interest rates rise, there is a risk that our portfolio companies will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Any failure of one or more portfolio companies to repay or refinance its debt at or prior to maturity or the inability of one or more portfolio companies to make ongoing payments following an increase in contractual interest rates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The disposition of our investments may result in contingent liabilities.

We currently expect that a portion of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

The potential inability of our portfolio companies in the healthcare industry to charge desired prices with respect to prescription drugs could impact their revenues and in turn their ability to repay us.

Some of our portfolio companies in the healthcare industry are subject to risks associated with the pricing for prescription drugs. It is uncertain whether customers of our healthcare industry portfolio companies will continue to utilize established prescription drug pricing methods, or whether other pricing benchmarks will be adopted for establishing prices within the industry. Legislation may lead to changes in the pricing for Medicare and Medicaid programs. Regulators have conducted investigations into the use of prescription drug pricing methods for federal program payment, and whether such methods have inflated drug expenditures by the Medicare and Medicaid programs. Federal and state proposals have sought to change the basis for calculating payment of certain drugs by the Medicare and Medicaid programs. Any changes to the method for calculating prescription drug costs may reduce the revenues of our portfolio companies in the healthcare industry which could in turn impair their ability to timely make any principal and interest payments owed to us.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the \$ million aggregate principal amount of Notes in this offering will be approximately \$ million, (or approximately \$ million if the underwriters fully exercise their overallotment option) based on a public offering of % of par, after deducting the underwriting discount of approximately \$ million (or approximately \$ million if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately \$500,000 payable by us.

We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objective and for working capital and other general corporate purposes.

We intend to seek to invest the net proceeds received in this offering as promptly as practicable after receipt thereof consistent with our investment objective. We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within three to six months, depending on market conditions. We anticipate that the remainder will be used for working capital and general corporate purposes, including potential payments or distributions to shareholders. Pending such use, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objective.

The amount of net proceeds may be more or less than the amount described in this preliminary prospectus supplement depending on the amount of Notes we sell in the offering, which will be determined at pricing. To the extent that we receive more than the amount described in this preliminary prospectus supplement, we intend to use the net proceeds for investment in portfolio companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. To the extent we receive less, the amount we have available for such purposes will be reduced.

Table of ContentsIndex to Financial Statements**SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2015, 2014, 2013, 2012 and 2011 and the financial statement of operations data for fiscal 2015, 2014, 2013, 2012 and 2011 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, but not all of which are presented in this prospectus supplement. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the three months ended March 31, 2016 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2016.

(in thousands, except per share amounts)	For the Three Months Ended March 31, (unaudited)			For the Year Ended December 31,			
	2016	2015	2015	2014	2013	2012	2011
Investment income:							
Interest	\$ 36,474	\$ 30,559	\$ 140,266	\$ 126,618	\$ 123,671	\$ 87,603	\$ 70,346
Fees	2,465	1,935	16,866	17,047	16,042	9,917	9,509
Total investment income	38,939	32,494	157,132	143,665	139,713	97,520	79,855
Operating expenses:							
Interest	7,018	7,854	30,834	28,041	30,334	19,835	13,252
Loan fees	988	1,513	6,055	5,919	4,807	3,917	2,635
General and administrative	3,580	3,618	16,658	10,209	9,354	8,108	7,992
Employee Compensation:							
Compensation and benefits	4,685	3,796	20,713	16,604	16,179	13,326	13,260
Stock-based compensation	2,571	2,719	9,370	9,561	5,974	4,227	3,128
Total employee compensation	7,256	6,515	30,083	26,165	22,153	17,553	16,388
Total operating expenses	18,842	19,500	83,630	70,334	66,648	49,413	40,267
Loss on debt extinguishment (Long-term Liabilities - Convertible Senior Notes)		(1)	(1)	(1,581)			
Net investment income	20,097	12,993	73,501	71,750	73,065	48,107	39,588
Net realized gain on investments	(4,468)	3,312	5,147	20,112	14,836	3,168	2,741
Net change in unrealized appreciation (depreciation) on investments	(1,334)	5,614	(35,732)	(20,674)	11,545	(4,516)	4,607
Total net realized and unrealized gain (loss)	(5,802)	8,926	(30,585)	(562)	26,381	(1,348)	7,348
Net increase in net assets resulting from operations	\$ 14,295	\$ 21,919	\$ 42,916	\$ 71,188	\$ 99,446	\$ 46,759	\$ 46,936
Change in net assets per common share (basic)	\$ 0.20	\$ 0.33	\$ 0.60	\$ 1.12	\$ 1.67	\$ 0.93	\$ 1.08
Cash dividends declared per common share	\$ 0.31	\$ 0.31	\$ 1.24	\$ 1.24	\$ 1.11	\$ 0.95	\$ 0.88

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(in thousands, except per share amounts)	For the Three Months Ended March 31, (unaudited)			For the Year Ended December 31,			
	2016	2015	2015	2014	2013	2012	2011
Balance sheet data:							
Investments, at value	\$ 1,291,310	\$ 1,161,421	\$ 1,200,638	\$ 1,020,737	\$ 910,295	\$ 906,300	\$ 652,870
Cash and cash equivalents	13,478	171,756	95,196	227,116	268,368	182,994	64,474
Total assets	1,331,815	1,387,088	1,334,761	1,299,223	1,221,715	1,123,643	747,394
Total liabilities	613,435	623,762	617,627	640,359	571,708	607,675	316,353
Total net assets	718,380	763,326	717,134	658,864	650,007	515,968	431,041
Other Data:							
Total debt investments, at value	1,205,673	1,058,032	1,110,209	923,906	821,988	827,540	585,767
Total warrant investments, at value	23,496	30,938	22,987	25,098	35,637	29,550	30,045
Total equity investments, at value	62,141	72,451	67,442	71,733	52,670	49,210	37,058
Unfunded Commitments ⁽²⁾	64,640	145,113	75,402	147,689	69,091	19,265	76,128
Net asset value per share ⁽¹⁾	\$ 9.81	\$ 10.47	\$ 9.94	\$ 10.18	\$ 10.51	\$ 9.75	\$ 9.83

(1) Based on common shares outstanding at period end

(2) Amount represents unfunded commitments, including undrawn revolving facilities, which are available at the request by the portfolio company.

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2015 and the quarter ending March 31, 2016. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(in thousands, except per share data)	March 31, 2016
Total investment income	\$ 38,939
Net investment income before investment gains and losses	20,097
Net increase (decrease) in net assets resulting from operations	14,295
Change in net assets per common share (basic)	\$ 0.20

(in thousands, except per share data)	Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Total investment income	\$ 32,494	\$ 38,126	\$ 47,132	\$ 39,380
Net investment income before investment gains and losses	12,993	16,781	23,590	20,137
Net increase (decrease) in net assets resulting from operations	21,919	2,752	4,075	14,170
Change in net assets per common share (basic)	\$ 0.33	\$ 0.03	\$ 0.05	\$ 0.20

(in thousands, except per share data)	Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Total investment income	\$ 35,770	\$ 34,001	\$ 37,019	\$ 36,875
Net investment income before investment gains and losses	18,304	18,551	18,995	15,899
Net increase (decrease) in net assets resulting from operations	22,185	13,191	15,177	20,635
Change in net assets per common share (basic)	\$ 0.36	\$ 0.21	\$ 0.24	\$ 0.32

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The following table sets forth (i) our actual capitalization as of March 31, 2016, and (ii) our capitalization as adjusted to give effect to the sale of \$ million aggregate principal amount of Notes in this offering (assuming no exercise of the overallotment option), excluding accrued interest, after deducting the underwriting discounts and commissions of approximately \$ million payable by us and estimated offering expenses of approximately \$500,000 payable by us. You should read this table together with the Use of Proceeds section and our statement of assets and liabilities included elsewhere in this prospectus supplement.

	As of March 31, 2016	
	Actual	As Adjusted
	(in thousands)	
Investments at fair value	\$ 1,291,310	\$
Cash and cash equivalents	\$ 13,478	\$
Debt:		
Accounts payable and accrued liabilities	\$ 12,086	
Long-term SBA debentures	186,997	
Long-term Liabilities (Convertible Senior Notes)	17,572	
Wells Facility	61,003	
2019 Notes	108,339	
Existing Notes	100,211	
Asset-Backed Notes	127,227	
Notes offered hereby		
Total debt	\$ 613,435	\$
Stockholders' equity:		
Common stock, par value \$0.001 per share; 100,000,000 shares authorized; shares issued and outstanding	\$ 74	\$
Capital in excess of par value	761,565	
Unrealized (depreciation) on investments	(54,142)	
Accumulated realized gains on investments	23,525	
Undistributed net investment income	(12,642)	
Total stockholders' equity	\$ 718,380	\$
Total capitalization	\$ 1,331,815	\$

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Information about our senior securities is shown in the following table for the periods as of December 31, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 and as of March 31, 2016. The information as of December 31, 2015, 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2015 is attached as an exhibit to the registration statement of which this prospectus is a part. The indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities ⁽¹⁾	Asset Coverage per Unit ⁽²⁾	Average Market Value per Unit ⁽³⁾
Securitized Credit Facility with Wells Fargo Capital Finance LLC			
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 79,200,000	\$ 6,755	N/A
December 31, 2008	\$ 89,582,000	\$ 6,689	N/A
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
December 31, 2011	\$ 10,186,830	\$ 73,369	N/A
December 31, 2012 ⁽⁶⁾			N/A
December 31, 2013 ⁽⁶⁾			N/A
December 31, 2014 ⁽⁶⁾			N/A
December 31, 2015	\$ 50,000,000	\$ 26,352	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 61,003,303	\$ 21,800	N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
December 31, 2011 ⁽⁶⁾			N/A
December 31, 2012 ⁽⁶⁾			N/A
December 31, 2013 ⁽⁶⁾			N/A
December 31, 2014 ⁽⁶⁾			N/A
December 31, 2015 ⁽⁶⁾			N/A
December 31, 2016 (as of March 31, 2016, unaudited) ⁽⁶⁾			N/A
Small Business Administration Debentures (HT II)⁽⁴⁾			
December 31, 2007	\$ 55,050,000	\$ 9,718	N/A
December 31, 2008	\$ 127,200,000	\$ 4,711	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 150,000,000	\$ 3,942	N/A
December 31, 2011	\$ 125,000,000	\$ 5,979	N/A
December 31, 2012	\$ 76,000,000	\$ 14,786	N/A
December 31, 2013	\$ 76,000,000	\$ 16,075	N/A
December 31, 2014	\$ 41,200,000	\$ 31,535	N/A
December 31, 2015	\$ 41,200,000	\$ 31,981	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 41,200,000	\$ 32,278	N/A
Small Business Administration Debentures (HT III)⁽⁵⁾			
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A
December 31, 2011	\$ 100,000,000	\$ 7,474	N/A
December 31, 2012	\$ 149,000,000	\$ 7,542	N/A
December 31, 2013	\$ 149,000,000	\$ 8,199	N/A
December 31, 2014	\$ 149,000,000	\$ 8,720	N/A

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December 31, 2015	\$ 149,000,000	\$	8,843	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 149,000,000	\$	8,925	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
Senior Convertible Notes			
December 31, 2011	\$ 75,000,000	\$ 10,623	\$ 885
December 31, 2012	\$ 75,000,000	\$ 15,731	\$ 1,038
December 31, 2013	\$ 75,000,000	\$ 16,847	\$ 1,403
December 31, 2014	\$ 17,674,000	\$ 74,905	\$ 1,290
December 31, 2015	\$ 17,604,000	\$ 74,847	\$ 1,110
December 31, 2016 (as of March 31, 2016, unaudited) ⁽⁹⁾	\$ 17,604,000	\$ 75,543	\$ 1,086
April 2019 Notes			
December 31, 2012	\$ 84,489,500	\$ 13,300	\$ 986
December 31, 2013	\$ 84,489,500	\$ 14,460	\$ 1,021
December 31, 2014	\$ 84,489,500	\$ 15,377	\$ 1,023
December 31, 2015	\$ 64,489,500	\$ 20,431	\$ 1,017
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 64,489,500	\$ 20,621	\$ 1,024
September 2019 Notes			
December 31, 2012	\$ 85,875,000	\$ 13,086	\$ 1,003
December 31, 2013	\$ 85,875,000	\$ 14,227	\$ 1,016
December 31, 2014	\$ 85,875,000	\$ 15,129	\$ 1,026
December 31, 2015	\$ 45,875,000	\$ 28,722	\$ 1,009
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 45,875,000	\$ 28,989	\$ 1,013
Existing Notes			
December 31, 2014	\$ 103,000,000	\$ 12,614	\$ 1,010
December 31, 2015	\$ 103,000,000	\$ 12,792	\$ 1,014
December 31, 2016 (as of March 31, 2016, unaudited) ⁽¹⁰⁾	\$ 103,000,000	\$ 12,911	\$ 1,005
2017 Asset-Backed Notes			
December 31, 2012	\$ 129,300,000	\$ 8,691	\$ 1,000
December 31, 2013	\$ 89,556,972	\$ 13,642	\$ 1,004
December 31, 2014	\$ 16,049,144	\$ 80,953	\$ 1,375
December 31, 2015			
December 31, 2016 (as of March 31, 2016, unaudited)			
2021 Asset-Backed Notes			
December 31, 2014	\$ 129,300,000	\$ 10,048	\$ 1,000
December 31, 2015	\$ 129,300,000	\$ 10,190	\$ 996
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 129,300,000	\$ 10,285	\$ 991
Total Senior Securities⁽⁷⁾			
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 134,250,000	\$ 3,985	N/A
December 31, 2008	\$ 216,782,000	\$ 2,764	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 170,000,000	\$ 3,478	N/A
December 31, 2011	\$ 310,186,830	\$ 2,409	N/A
December 31, 2012	\$ 599,664,500	\$ 1,874 ⁽⁸⁾	N/A
December 31, 2013	\$ 559,921,472	\$ 2,182	N/A
December 31, 2014	\$ 626,587,644	\$ 2,073	N/A
December 31, 2015	\$ 600,468,500	\$ 2,194	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 611,471,803	\$ 2,175	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, including senior securities not subject to asset coverage requirements

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under the 1940 Act due to exemptive relief from the SEC, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage per Unit.

- (3) Not applicable because senior securities are not registered for public trading.
- (4) Issued by HT II, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (5) Issued by HT III, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (6) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
- (7) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of March 31, 2016 our asset coverage ratio under our regulatory requirements as a BDC was 270.5% excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.
- (8) As noted in footnote 7 above, the total senior securities and Asset Coverage per Unit shown does not represent the asset coverage ratio requirement under the 1940 Act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. Including our SBA debentures, in accordance with our exemption order from the SEC, our asset coverage ratio as of December 31, 2012 was 296.8%.
- (9) The Convertible Senior Notes were convertible into shares of the Company's common stock beginning October 15, 2015 until the close of business on the scheduled trading day immediately preceding the April 15, 2016 maturity date. Subsequent to March 31, 2016, approximately \$17.4 million of the Convertible Senior Notes were converted pursuant to the conversion procedures as set forth in the indenture governing the Convertible Senior Notes and were settled in April 2016 with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 137,854 shares of the Company's common stock. The remaining Convertible Senior Notes outstanding were fully repaid at maturity on April 15, 2016.
- (10) On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of its 6.25% unsecured notes due 2024.

Table of Contents**Index to Financial Statements****RATIO OF EARNINGS TO FIXED CHARGES**

The following contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus supplement:

	For the three months ended March 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Earnings to Fixed Charges ⁽¹⁾	2.79	2.16	3.10	3.83	2.97	3.95

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in stockholders' equity resulting from operations plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement and the accompanying prospectus. In addition to historical information, the following discussion and other parts of this prospectus supplement and the accompanying prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under **Supplementary Risk Factors** in this prospectus supplement and **Risk Factors**, and **Forward-Looking Statements** appearing elsewhere herein and the accompanying prospectus. Capitalized terms used and not otherwise defined herein have the meaning given in the accompanying prospectus.

Overview

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a broadly diversified variety of technology, life sciences, and sustainable and renewable technology industries. We source our investments through our principal office located in Palo Alto, CA, as well as through our additional offices in Boston, MA, New York, NY, McLean, VA, Santa Monica, CA and Hartford, CT.

Our goal is to be the leading structured debt financing provider for venture capital-backed companies in technology-related industries requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology and to offer a full suite of growth capital products. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We invest primarily in private companies but also have investments in public companies.

We use the term **structured debt with warrants** to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or other rights to purchase common or preferred stock. Our structured debt with warrants investments typically are secured by some or all of the assets of the portfolio company.

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our warrant and equity-related investments. Our primary business objectives are to increase our net income, net operating income and NAV by investing in structured debt with warrants and equity of venture capital-backed companies in technology-related industries with attractive current yields and the potential for equity appreciation and realized gains. Our equity ownership in our portfolio companies may exceed 25% of the voting securities of such companies, which represents a controlling interest under the 1940 Act. In some cases, we receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. Capital that we provide directly to venture capital-backed companies in technology-related industries is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

We also make investments in qualifying small businesses through our two wholly-owned SBICs. Our SBIC subsidiaries, HT II and HT III, hold approximately \$111.6 million and \$289.1 million in assets, respectively, and accounted for approximately 6.6% and 17.1% of our total assets, respectively, prior to consolidation at March 31, 2016. As of March 31, 2016, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at March 31, 2016, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2

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million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We have qualified as and have elected to be treated for tax purposes as a RIC under Subchapter M of the Code. Pursuant to this election, we generally will not have to pay corporate-level taxes on any income and gains that we distribute as dividends to our stockholders. However, our qualification and election to be treated as a RIC requires that we comply with provisions contained in Subchapter M of the Code. For example, as a RIC we must earn 90% or more of our gross income for each taxable year from qualified earnings, typically referred to as good income, as well as satisfy certain quarterly asset diversification and annual income distribution requirements.

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

Our portfolio is comprised of, and we anticipate that our portfolio will continue to be comprised of, investments primarily in technology related companies at various stages of their development. Consistent with requirements under the 1940 Act, we invest primarily in United-States based companies and to a lesser extent in foreign companies.

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

Portfolio and Investment Activity

The total fair value of our investment portfolio was \$1.3 billion at March 31, 2016, as compared to \$1.2 billion at December 31, 2015. The fair value of our debt investment portfolio at March 31, 2016 was approximately \$1.2 billion, compared to a fair value of approximately \$1.1 billion at December 31, 2015. The fair value of the equity portfolio at March 31, 2016 was approximately \$62.1 million, compared to a fair value of approximately \$67.4 million at December 31, 2015. The fair value of the warrant portfolio at March 31, 2016 was approximately \$23.5 million, compared to a fair value of approximately \$23.0 million at December 31, 2015.

Portfolio Activity

Our investments in portfolio companies take a variety of forms, including unfunded contractual commitments and funded investments. From time to time, unfunded contractual commitments depend upon a portfolio company reaching certain milestones before the debt commitment is available to the portfolio company, which is expected to affect our funding levels. These commitments are subject to the same underwriting and ongoing portfolio maintenance as the on-balance sheet financial instruments that we hold. Debt commitments

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generally fund over the two succeeding quarters from close. Not all debt commitments represent future cash requirements. Similarly, unfunded contractual commitments may expire without being drawn and thus do not represent future cash requirements.

Prior to entering into a contractual commitment, we generally issue a non-binding term sheet to a prospective portfolio company. Non-binding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

Our portfolio activity for the three months ended March 31, 2016 and the year ended December 31, 2015 was comprised of the following:

(in millions)	March 31, 2016	December 31, 2015
Debt Commitments⁽¹⁾		
New portfolio company	\$ 204.5	\$ 544.0
Existing portfolio company	15.4	181.7
Total	\$ 219.9	\$ 725.7
Funded and Restructured Debt Investments⁽³⁾		
New portfolio company	\$ 146.0	\$ 352.5
Existing portfolio company	23.9	341.6
Total	\$ 169.9	\$ 694.1
Funded Equity Investments		
New portfolio company	\$ 1.0	\$ 1.0
Existing portfolio company	1.0	17.6
Total	\$ 1.0	\$ 18.6
Unfunded Contractual Commitments⁽²⁾		
Total	\$ 64.6	\$ 75.4
Non-Binding Term Sheets		
New portfolio company	\$ 45.5	\$ 81.0
Existing portfolio company	15.0	5.0
Total	\$ 60.5	\$ 86.0

(1) Includes restructured loans and renewals in addition to new commitments.

(2) Amount represents unfunded commitments, including undrawn revolving facilities, which are available at the request of the portfolio company and unencumbered by milestones.

(3) Funded amounts include borrowings on revolving facilities.

We receive payments in our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the three months ended March 31, 2016, we received approximately \$76.4 million in aggregate principal repayments. Of the approximately \$76.4 million of aggregate principal repayments, approximately \$21.4 million were scheduled principal payments and approximately \$55.0 million were early principal repayments related to 16 portfolio companies. Of the approximately \$55.0 million early principal repayments, none were early repayments due to merger and acquisition transactions or initial public

offerings, or IPOs.

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Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, escrow receivables and Citigroup warrant participation) as of and for the three months ended March 31, 2016 and the year ended December 31, 2015 was as follows:

(in millions)	March 31, 2016	December 31, 2015
Beginning portfolio	\$ 1,200.6	\$ 1,020.7
New fundings and restructures	170.9	712.3
Warrants not related to current period fundings	0.1	0.1
Principal payments received on investments	(21.4)	(115.1)
Early payoffs	(55.0)	(388.5)
Accretion of loan discounts and paid-in-kind principal	10.1	31.7
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(1.1)	(1.7)
New loan fees	(2.5)	(9.5)
Warrants converted to equity		0.4
Sale of investments	(2.4)	(5.2)
Loss on investments due to write offs	(6.7)	(7.5)
Net change in unrealized depreciation	(1.3)	(37.1)
Ending portfolio	\$ 1,291.3	\$ 1,200.6

The following table shows the fair value of our portfolio of investments by asset class as of March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 1,007,751	78.0%	\$ 961,464	80.1%
Senior Secured Debt	221,418	17.1%	171,732	14.3%
Preferred Stock	35,542	2.8%	35,245	2.9%
Common Stock	26,599	2.1%	32,197	2.7%
Total	\$ 1,291,310	100.0%	\$ 1,200,638	100.0%

A summary of our investment portfolio as of March 31, 2016 and December 31, 2015 at value by geographic location is as follows:

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,243,362	96.3%	\$ 1,167,281	97.2%
Netherlands	20,158	1.6%	20,112	1.7%
England	18,553	1.4%	8,884	0.8%
Canada	5,507	0.4%	595	0.0%
Israel	3,730	0.3%	3,764	0.3%
India		0.0%	2	0.0%
Total	\$ 1,291,310	100.0%	\$ 1,200,638	100.0%

As of March 31, 2016, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. All four companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all.

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Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$25.0 million, although we may make investments in amounts above or below that range. As of March 31, 2016, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from approximately 4.0% to approximately 15.0%. In addition to the cash yields received on our debt investments, in some instances, our debt investments may also include any of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees, payment-in-kind, or PIK, provisions or prepayment fees which may be required to be included in income prior to receipt.

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

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately \$26.8 million of unamortized fees at March 31, 2016, of which approximately \$24.3 million was included as an offset to the cost basis of our current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2015 we had approximately \$26.1 million of unamortized fees, of which approximately \$23.6 million was included as an offset to the cost basis of our current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone.

Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At March 31, 2016 we had approximately \$26.0 million in exit fees receivable, of which approximately \$20.8 million was included as a component of the cost basis of our current debt investments and approximately \$5.2 million was a deferred receivable related to expired commitments. At December 31, 2015 we had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included as a component of the cost basis of our current debt investments and approximately \$5.3 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to taxation as a RIC, this non-cash source of income must be paid out to stockholders with other sources of income in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately \$1.7 million and \$907,000 in PIK income in the three months ended March 31, 2016 and 2015, respectively.

The core yield on our debt investments, which excludes any benefits from the fees and income related to early loan repayment acceleration of unamortized fees and income as well as prepayment of fees and includes income from expired commitments, was 12.9% and 12.8% during the three months ended March 31, 2016 and 2015, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time event fees, was

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13.2% and 12.9% for the three months ended March 31, 2016 and 2015, respectively. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders.

The total return for our investors was approximately 1.2% and -7.4% during the three months ended March 31, 2016 and 2015, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See Note 9 Financial Highlights.

Portfolio Composition

Our portfolio companies are primarily privately held companies and public companies which are active in the drug discovery and development, sustainable and renewable technology, software, drug delivery, medical devices and equipment, media/content/info, internet consumer and business services, specialty pharmaceuticals, communications and networking, consumer and business products, semiconductors, healthcare services, surgical devices, electronics and computer hardware, biotechnology tools, information services, and diagnostic industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value for companies in these sectors is often vested in intangible assets and intellectual property.

As of March 31, 2016, approximately 63.1% of the fair value of our portfolio was composed of investments in four industries: 24.9% was composed of investments in the drug discovery and development industry, 13.8% was comprised of investments in the sustainable and renewable technology industry, 12.2% was composed of investments in the software industry, and 12.2% was composed of investments in the drug delivery industry.

The following table shows the fair value of our portfolio by industry sector at March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 321,359	24.9%	\$ 284,266	23.7%
Sustainable and Renewable Technology	178,532	13.8%	159,487	13.3%
Software	157,769	12.2%	147,237	12.3%
Drug Delivery	157,756	12.2%	164,665	13.7%
Medical Devices & Equipment	110,312	8.6%	90,560	7.5%
Media/Content/Info	106,652	8.3%	95,488	7.9%
Internet Consumer & Business Services	102,571	8.0%	88,377	7.4%
Specialty Pharmaceuticals	50,416	3.9%	52,088	4.3%
Communications & Networking	25,055	1.9%	33,213	2.8%
Consumer & Business Products	23,016	1.8%	26,611	2.2%
Semiconductors	16,711	1.3%	22,705	1.9%
Healthcare Services, Other	15,289	1.2%	15,131	1.3%
Surgical Devices	10,874	0.8%	11,185	0.9%
Electronics & Computer Hardware	6,936	0.5%	6,928	0.6%
Biotechnology Tools	6,690	0.5%	719	0.1%
Information Services	1,308	0.1%	1,657	0.1%
Diagnostic	64	0.0%	321	0.0%
Total	\$ 1,291,310	100.0%	\$ 1,200,638	100.0%

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

For the three months ended March 31, 2016 and the year ended December 31, 2015, our ten largest portfolio companies represented approximately 31.6% and 32.1% of the total fair value of our investments in portfolio companies, respectively. At March 31, 2016 and December 31, 2015, we had three and two investments, respectively, that represented 5% or more of our net assets. At March 31, 2016, we had four equity investments representing approximately 53.6% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2015, we had four equity investments which represented approximately 53.2% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of March 31, 2016, approximately 93.1% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR-based interest rate floor. As a result, we believe we are well positioned to benefit should market interest rates rise in the near future.

As of March 31, 2016, 91.8% of our debt investments were in a senior secured first lien position with the remaining 8.2% secured by a senior second priority security interest in all of the portfolio company's assets, other than intellectual property. In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property. At March 31, 2016, of the approximately 91.8% of our debt investments in a senior secured first lien position, 40.4% were secured by a first priority security in all of the assets of the portfolio company, including its intellectual property; 48.1% were secured by a first priority security in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property, or subject to a negative pledge; and 3.3% were secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, with a second lien on the portfolio company's cash and accounts receivable. At March 31, 2016 we had no equipment only liens on material investments in our portfolio companies.

Our investments in senior secured debt with warrants have detachable equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. These features are treated as OID and are accreted into interest income over the term of the loan as a yield enhancement. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of March 31, 2016, we held warrants in 135 portfolio companies, with a fair value of approximately \$23.5 million. The fair value of our warrant portfolio increased by approximately \$509,000, as compared to a fair value of \$23.0 million at December 31, 2015 primarily related to the addition of warrants in 10 new and 4 existing portfolio companies during the period.

Our existing warrant holdings would require us to invest approximately \$91.8 million to exercise such warrants as of March 31, 2016. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. Of the warrants that we have monetized since inception, we have realized multiples in the range of approximately 1.02x to 14.93x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control, which, in general, includes a company in which we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated

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companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more, but generally less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on affiliate investments for the three months ended March 31, 2016 and 2015. We did not hold any Control investments at either March 31, 2016 or March 31, 2015.

(in thousands)

Portfolio Company	Type	Fair Value at March 31, 2016	Investment Income	For the Three Months Ended March 31, 2016		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation / (Depreciation)	Realized Gain/ (Loss)
Optiscan BioMedical, Corp.	Affiliate	\$ 6,991	\$ 7	\$ (413)	\$	\$
Stion Corporation	Affiliate	1,106	58	539		
Total		\$ 8,097	\$ 65	\$ 126	\$	\$

(in thousands)

Portfolio Company	Type	Fair Value at March 31, 2015	Investment Income	For the Three Months Ended March 31, 2015		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation / (Depreciation)	Realized Gain/ (Loss)
Gelesis, Inc.	Affiliate	\$ 2,414	\$	\$ 2,087	\$	\$
Optiscan BioMedical, Corp.	Affiliate	6,768		695		
Stion Corporation	Affiliate	1,600	101	(469)		
Total		\$ 10,782	\$ 101	\$ 2,313	\$	\$

As of December 31, 2015, changes to the capitalization structure of the portfolio company Gelesis, Inc. reduced the Company's investment below the threshold for classification as an affiliate investment.

Portfolio Grading

We use an investment grading system, which grades each debt investment on a scale of 1 to 5 to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of March 31, 2016 and December 31, 2015, respectively:

Investment Grading	Number of Companies	March 31, 2016		Number of Companies	December 31, 2015	
		Debt Investments at Fair Value	Percentage of Total Portfolio		Debt Investments at Fair Value	Percentage of Total Portfolio
1	16	\$ 287,343	23.8%	18	\$ 215,202	19.4%
2	47	636,013	52.7%	47	759,274	68.4%
3	16	202,243	16.8%	6	44,837	4.0%
4	5	40,391	3.4%	4	34,153	3.1%
5	8	39,683	3.3%	10	56,743	5.1%

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92	\$	1,205,673	100.0%	85	\$	1,110,209	100.0%
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As of March 31, 2016, our debt investments had a weighted average investment grading of 2.17, as compared to 2.16 at December 31, 2015. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve.

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The change in weighted average investment grading at March 31, 2016 from December 31, 2015 is primarily due to the addition of fourteen new portfolio investments at a 2 rating per our policy, offset by the downgrade of twelve existing portfolio companies to a 3 rating primarily due to impending capital needs.

At March 31, 2016, we had four debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$49.8 million and \$27.2 million, respectively. At December 31, 2015, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively. In addition, at December 31, 2015, we had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest was on non-accrual. During the three months ended March 31, 2016, we recognized a realized loss of approximately \$6.2 million on the settlement of one debt investment that was on non-accrual at December 31, 2015. In addition, we recognized a realized loss of \$430,000 on the partial write off of one debt investment that was on non-accrual as of December 31, 2015.

Results of Operations

Comparison of the three months ended March 31, 2016 and 2015

Investment Income

Total investment income for the three months ended March 31, 2016 was approximately \$38.9 million as compared to approximately \$32.5 million for the three months ended March 31, 2015.

Interest income for the three months ended March 31, 2016 totaled approximately \$36.5 million as compared to approximately \$30.6 million for the three months ended March 31, 2015. The increase in interest income for the three months ended March 31, 2016 as compared to the same period ended March 31, 2015 is primarily attributable to debt investment portfolio growth, specifically an increase in the weighted average principal outstanding between the periods.

Of the \$36.5 million in interest income for the three months ended March 31, 2016, approximately \$35.8 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$728,000 represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$30.3 million and \$294,000, respectively, of the \$30.6 million interest income for the three months ended March 31, 2015.

Income from commitment, facility and loan related fees for the three months ended March 31, 2016 totaled approximately \$2.5 million as compared to approximately \$1.9 million for the three months ended March 31, 2015. The increase in fee income for the three months ended March 31, 2016 is primarily attributable to an increase in normal fee amortization due to a higher debt investment portfolio between the periods.

Of the \$2.5 million in income from commitment, facility and loan related fees for the three months ended March 31, 2016, approximately \$2.2 million represents income from recurring fee amortization and approximately \$275,000 represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$1.4 million and \$525,000, respectively, of the \$1.9 million income for the three months ended March 31, 2015.

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The following table shows the PIK-related activity for the three months ended March 31, 2016 and 2015, at cost:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Beginning PIK loan balance	\$ 5,149	\$ 6,250
PIK interest income during the period	1,709	907
PIK capitalized to principal but not recorded as income	550	
Payments received from PIK loans	(20)	(1,356)
Realized loss	(266)	
 Ending PIK loan balance	 \$ 7,122	 \$ 5,801

The decrease in payments received from PIK loans and increase in PIK interest income during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015 is due to an increase in the weighted average principal outstanding for loans which bear PIK interest and a reduction in the number of PIK loans which paid off during the period.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three months ended March 31, 2016 or 2015.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$18.8 million and \$19.5 million during the three months ended March 31, 2016 and 2015, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$8.0 million and \$9.4 million for the three months ended March 31, 2016 and 2015, respectively. Interest and fee expense for the three months ended March 31, 2016 as compared to March 31, 2015 decreased due to lower weighted average principal balances outstanding on our Asset Backed Notes, 2019 Notes and Existing Notes (together with the 2019 Notes, the Baby Bonds) along with lower debt issuance costs amortization on our Asset Backed Notes, slightly offset by an increase in the weighted average principal balance outstanding on the Wells Facility.

We had a weighted average cost of debt, comprised of interest and fees and loss on debt extinguishment (long-term liabilities convertible senior notes), of approximately 5.5% and 6.1% for the three months ended March 31, 2016 and 2015, respectively. The decrease between comparative periods was primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments compared to the prior period, specifically due to redemptions of our 2019 Notes which occurred in 2015.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses remained constant at \$3.6 million for both the three months ended March 31, 2016 and 2015.

Employee Compensation

Employee compensation and benefits totaled approximately \$4.7 million for the three months ended March 31, 2016 as compared to approximately \$3.8 million for the three months ended March 31, 2015. The increase between comparative periods was primarily due to changes in variable compensation expense.

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Employee stock-based compensation totaled approximately \$2.6 million for the three months ended March 31, 2016 as compared to approximately \$2.7 million for the three months ended March 31, 2015. The decrease between comparative periods was primarily due to restricted stock award vesting and forfeitures, slightly offset by new grants issued related to incentive compensation and strategic hiring objectives.

Loss on Extinguishment of Convertible Senior Notes

Upon meeting the stock trading price conversion requirement during the three months ended June 30, 2014, September 30, 2014 and December 31, 2014, the 6.00% convertible senior notes (the Convertible Senior Notes) became convertible on July 1, 2014 and continued to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. During this period and as of March 31, 2016, holders of approximately \$57.4 million of our Convertible Senior Notes have exercised their conversion rights and these Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the Convertible Senior Notes and approximately 1.5 million shares of the Company's common stock, or \$24.3 million.

We recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt we recorded for the year ended December 31, 2015 was \$1,000. We did not record a loss on extinguishment of debt in the three months ended March 31, 2016. The loss on extinguishment of debt was classified as a component of net investment income in our Consolidated Statement of Operations.

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

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

A summary of realized gains and losses for the three months ended March 31, 2016 and 2015 is as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Realized gains	\$ 2,789	\$ 4,330
Realized losses	(7,257)	(1,018)
Net realized gains	\$ (4,468)	\$ 3,312

During the three months ended March 31, 2016 and 2015, we recognized net realized losses of approximately \$4.5 million and net realized gains of \$3.3 million, respectively. During the three months ended March 31, 2016, we recorded gross realized gains of approximately \$2.8 million primarily from the sale of investments in two portfolio companies, including Celator Pharmaceuticals, Inc. (\$1.5 million) and the sale of options on Box, Inc. (\$1.1 million). These gains were offset by gross realized losses of approximately \$7.3 million primarily from the liquidation or write off of our investments in six portfolio companies, including the settlement of our outstanding debt investment in The Neat Company (\$6.2 million).

During the three months ended March 31, 2015, we recorded gross realized gains of approximately \$4.3 million primarily from the sale of investments in four portfolio companies, including Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000). These gains were partially offset by gross realized losses of approximately \$1.0 million from the liquidation of our investments in three portfolio companies.

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The net unrealized appreciation and depreciation of our investments is based on the fair value of each investment determined in good faith by our Board of Directors. The following table summarizes the change in net unrealized appreciation (depreciation) of investments for the three months ended March 31, 2016 and 2015:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Gross unrealized appreciation on portfolio investments	\$ 13,317	\$ 21,155
Gross unrealized depreciation on portfolio investments	(24,885)	(13,239)
Reversal of prior period net unrealized appreciation upon a realization event		(3,708)
Reversal of prior period net unrealized depreciation upon a realization event	10,197	1,005
Net unrealized appreciation (depreciation) attributable to taxes payable	36	442
Citigroup warrant participation	1	(41)
Net unrealized appreciation (depreciation) on portfolio investments	\$ (1,334)	\$ 5,614

During the three months ended March 31, 2016, we recorded approximately \$1.3 million of net unrealized depreciation, of which \$1.3 million is net unrealized depreciation from our debt, equity and warrant investments. Approximately \$6.2 million is attributed to net unrealized depreciation on our equity investments which primarily relates to approximately \$5.2 million unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and \$1.1 million of unrealized depreciation on our private portfolio companies related to declining industry performance. Approximately \$1.1 million is attributed to net unrealized depreciation on our public warrant portfolio. This unrealized depreciation is partially offset by approximately \$6.0 million of net unrealized appreciation on our debt investments which primarily relates to the reversal of \$12.2 million unrealized depreciation upon payoff or settling of our debt investments offset by \$6.6 million unrealized depreciation for collateral based impairments on eleven portfolio companies.

Net unrealized depreciation was offset by approximately \$36,000 as a result of decreased estimated taxes payable for the three months ended March 31, 2016.

Net unrealized depreciation was further offset by approximately \$1,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation during the three months ended March 31, 2016.

During the three months ended March 31, 2015, we recorded approximately \$5.6 million of net unrealized appreciation, of which \$5.2 million is net unrealized appreciation from our debt, equity and warrant investments. Approximately \$704,000 is attributed to net unrealized appreciation on our debt investments which primarily related to the reversal of \$2.4 million unrealized depreciation for prior period collateral based impairments on two portfolio companies offset by \$1.8 million unrealized depreciation for collateral based impairments on six portfolio companies. In addition, approximately \$419,000 is attributed to the reversal of approximately \$419,000 of unrealized depreciation upon payoff of our debt investments. Approximately \$1.0 million is attributed to net unrealized appreciation on our equity investments which primarily related to approximately \$3.0 million unrealized appreciation on three private portfolio companies and \$1.5 million unrealized appreciation on our public equity portfolio related to portfolio company performance offset by the reversal of \$3.7 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Cembra, Inc. Celladon Corporation, Everyday Health, and Identiv, Inc. as discussed above. Finally, approximately \$3.1 million is attributed to net unrealized appreciation on our warrant investments which primarily related to \$1.2 million of unrealized appreciation on our public portfolio company investments and the reversal of \$1.0 million of unrealized depreciation upon being realized as a loss due to the liquidation of our warrant investments in three portfolio companies.

Net unrealized appreciation increased by approximately \$442,000 as a result of decreased estimated taxes payable for the three months ended March 31, 2015.

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During three months ended March 31, 2015, net unrealized appreciation was offset by approximately \$41,000 of net appreciation of fair value on the pool of warrants collateralized under the warrant participation.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by category, excluding net unrealized appreciation (depreciation) on taxes payable, escrow receivables and

(in millions)	Three Months Ended March 31, 2016			
	Debt	Equity	Warrants	Total
Collateral Based Impairments	\$ (6.6)	\$	\$ (0.1)	\$ (6.7)
Reversals of Prior Period Collateral Based Impairments				
Reversals due to Debt Payoffs & Warrant/Equity Sales	12.2	0.1		12.3
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets	(0.1)	(5.2)	(1.1)	(6.4)
Level 3 Assets	0.5	(1.1)	0.1	(0.5)
Total Fair Value Market/Yield Adjustments	0.4	(6.3)	(1.0)	(6.9)
Total Unrealized Appreciation/(Depreciation)	\$ 6.0	\$ (6.2)	\$ (1.1)	\$ (1.3)

(in millions)	Three Months Ended March 31, 2015			
	Debt	Equity	Warrants	Total
Collateral Based Impairments	\$ (1.8)	\$	\$	\$ (1.8)
Reversals of Prior Period Collateral Based Impairments	2.4		0.2	2.6
Reversals due to Debt Payoffs & Warrant/Equity Sales	0.4	(3.7)	1.0	(2.3)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		1.5	1.2	2.7
Level 3 Assets	0.1	3.2	0.7	4.0
Total Fair Value Market/Yield Adjustments	0.1	4.7	1.9	6.7
Total Unrealized Appreciation/(Depreciation)	\$ 1.1	\$ 1.0	\$ 3.1	\$ 5.2

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

Income and Excise Taxes

We account for income taxes in accordance with the provisions of Topic 740 of the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification, as amended (ASC) Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes.

To qualify and be subject to taxation as a RIC in any taxable year, we are required to meet certain income and asset diversification tests in addition to distributing dividends of an amount at least equal to 90% of the sum of its investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, plus net tax-exempt income (if any) to its stockholders. Depending on the level of taxable income earned in a taxable year, we can be expected to carry forward taxable income in excess of dividend distributions

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actually made and attributable to such taxable year and incur a 4% nondeductible U.S. federal excise tax on such undistributed taxable income, as required. To the extent that we determine that our

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taxable income for any fiscal year will be in excess of estimated fiscal year distributions from such taxable income, we will accrue excise taxes on the amount of such excess taxable income. We intend to distribute approximately \$8.2 million of spillover earnings from ordinary income from the year ended December 31, 2015 to our shareholders in 2016.

Net Increase in Net Assets Resulting from Operations and Earnings Per Share

For the three months ended March 31, 2016 and 2015, the net increase in net assets resulting from operations totaled approximately \$14.3 million and approximately \$21.9 million, respectively. These changes are made up of the items previously described.

Both the basic and fully diluted net change in net assets per common share were \$0.20 per share for the three months ended March 31, 2016 and both the basic and fully diluted net change in net assets per common share for the three months ended March 31, 2015 were \$0.33 per share.

For the purpose of calculating diluted earnings per share for three months ended March 31, 2016 and 2015, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation as our share price was greater than the conversion price in effect (\$10.94 as of March 31, 2016 and \$11.28 as of March 31, 2015) for the Convertible Senior Notes for such periods.

Comparison of periods ended December 31, 2015 and 2014***Investment Income******Interest Income***

Total investment income for the year ended December 31, 2015 was approximately \$157.1 million as compared to approximately \$143.7 million for the year ended December 31, 2014.

Interest income for the year ended December 31, 2015 totaled approximately \$140.3 million as compared to approximately \$126.6 million for the year ended December 31, 2014. The increase in interest income for the year ended December 31, 2015 as compared to the year ended December 31, 2014 is primarily attributable to debt investment portfolio growth, specifically an increase in the weighted average principal outstanding between the periods.

Of the \$140.3 million in interest income for the year ended December 31, 2015, approximately \$130.4 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$9.9 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$106.8 million and \$19.8 million, respectively, of the \$126.6 million interest income for the year ended December 31, 2014.

The following table shows the PIK-related activity, for the years ended December 31, 2015 and 2014, at cost:

(in thousands)	Year Ended December 31,	
	2015	2014
Beginning PIK loan balance	\$ 6,250	\$ 5,603
PIK interest income during the period	4,658	3,346
Payments received from PIK loans	(5,483)	(2,699)
Realized loss	(276)	
Ending PIK loan balance	\$ 5,149	\$ 6,250

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The increase in payments received from PIK loans and the increase in PIK interest capitalized during the year ended December 31, 2015 as compared to the year ended December 31, 2014 is due to an increase in the weighted average principal outstanding for loans which bear PIK interest and the number of PIK loans which paid-off during the period.

Fee Income

Income from commitment, facility and loan related fees for the year ended December 31, 2015 totaled approximately \$16.9 million as compared to approximately \$17.0 million for the year ended December 31, 2014. The decrease in fee income is primarily attributable to the acceleration of early loan repayments and restructures, slightly offset by an increase in normal fee amortization due to a higher weighted average debt investment portfolio outstanding during the period.

Of the \$16.9 million in income from commitment, facility and loan related fees for the year ended December 31, 2015, approximately \$5.8 million represents income from recurring fee amortization and approximately \$11.1 million represents income related to the acceleration of unamortized fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$5.2 million and \$11.8 million, respectively, of the \$17.0 million income for the year ended December 31, 2014.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the years ended December 31, 2015 and 2014, respectively.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Operating expenses totaled approximately \$83.6 million and \$70.3 million during the years ended December 31, 2015 and 2014, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$36.9 million and \$34.0 million for the years ended December 31, 2015 and 2014, respectively. Interest and fee expense for the year ended December 31, 2015 as compared to December 31, 2014 increased primarily due to higher weighted average principal balances outstanding on our Asset Backed Notes, Wells Facility, Union Bank Facility and Baby Bonds, slightly offset by a reduction in weighted average principal balances outstanding on our SBA debentures, Convertible Senior Notes and lower debt issuance cost amortization related to our Convertible Senior Notes and Asset Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees and loss on debt extinguishment (long-term liabilities convertible senior notes), of approximately 6.0% and 6.6% for the years ended December 31, 2015 and 2014, respectively. The decrease between comparative periods was primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments and a reduction in non-cash acceleration of debt issuance costs related to our SBA Debentures, Convertible Senior Notes and Asset Backed Notes as compared to the prior period, slightly offset by non-cash accelerations of debt issuance costs due to early pay downs on our Baby Bonds.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses increased to \$16.7 million from \$10.2 million for the

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years ended December 31, 2015 and 2014, respectively. This increase was primarily due to increased recruiting costs related to strategic hiring objectives, corporate legal expenses and outside consulting services.

Employee Compensation

Employee compensation and benefits totaled approximately \$20.7 million for the year ended December 31, 2015 as compared to approximately \$16.6 million for the year ended December 31, 2014. The increase between comparative periods was primarily due to changes in variable incentive compensation.

Employee stock-based compensation totaled approximately \$9.4 million for the year ended December 31, 2015 as compared to approximately \$9.6 million for the year ended December 31, 2014. The decrease between comparative periods was primarily due to new grants issued related to incentive compensation and strategic hiring objectives, slightly offset by vesting and forfeitures.

Loss on Extinguishment of Convertible Senior Notes

Upon meeting the stock trading price conversion requirement during the three months ended June 30, 2014, September 30, 2014 and December 31, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. During this period and as of December 31, 2015, holders of approximately \$57.4 million of our Convertible Senior Notes have exercised their conversion rights and these Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the Convertible Senior Notes and approximately 1.5 million shares of the Company's common stock, or \$24.3 million.

We recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and OID. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt we recorded for the years ended December 31, 2015 and 2014 was approximately \$1,000 and \$1.6 million, respectively. The loss on extinguishment of debt was classified as a component of net investment income in our Consolidated Statements of Operations.

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

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

A summary of realized gains and losses for the years ended December 31, 2015 and 2014 is as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Realized gains	\$ 12,677	\$ 24,027
Realized losses	(7,530)	(3,915)
Net realized gains	\$ 5,147	\$ 20,112

During the year ended December 31, 2015, we recognized net realized gains of approximately \$5.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$12.6 million from the

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sale of investments in seven portfolio companies, including Box, Inc. (\$3.2 million), Atrenta, Inc. (\$2.6 million), Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Egalet Corporation (\$652,000), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000), and \$1.5 million from subsequent recoveries received on two previously written-off debt investments. These gains were partially offset by gross realized losses of approximately \$7.5 million primarily from the liquidation or write off of our investments in sixteen portfolio companies.

During the year ended December 31, 2014, we recognized net realized gains of approximately \$20.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$24.0 million primarily from the sale of investments in seven portfolio companies including Acceleron Pharma, Inc., (\$7.9 million), Merrimack Pharmaceuticals, Inc., (\$4.3 million), Neuralstem, Inc., (\$2.7 million), IPA Holdings, LLC., (\$1.5 million), Cell Therapeutics, Inc., (\$1.3 million), Trulia, Inc. (\$1.0 million), and Portola Pharmaceuticals, Inc. (\$700,000). These gains were partially offset by gross realized losses of approximately \$3.9 million primarily from the liquidation of our investments in fifteen portfolio companies.

The net unrealized appreciation and depreciation of our investments is based on the fair value of each investment determined in good faith by our Board of Directors. The following table summarizes the change in net unrealized appreciation/depreciation of investments for the years ended December 31, 2015 and 2014:

(in thousands)	Year Ended December 31,	
	2015	2014
Gross unrealized appreciation on portfolio investments	\$ 78,991	\$ 72,968
Gross unrealized depreciation on portfolio investments	(111,926)	(79,412)
Reversal of prior period net unrealized appreciation upon a realization event	(8,707)	(15,335)
Reversal of prior period net unrealized depreciation upon a realization event	4,599	3,182
Net unrealized appreciation (depreciation) attributable to taxes payable	1,322	(1,882)
Net unrealized depreciation on escrow receivables		(465)
Citigroup warrant participation	(11)	270
Net unrealized appreciation (depreciation) on portfolio investments	\$ (35,732)	\$ (20,674)

During the year ended December 31, 2015, we recorded approximately \$35.7 million of net unrealized depreciation, of which \$37.1 million is net unrealized depreciation from our debt, equity and warrant investments. Of the \$37.1 million, approximately \$14.0 million is attributed to net unrealized depreciation on our debt investments which primarily related to \$20.4 million unrealized depreciation for collateral based impairments on ten portfolio companies offset by the reversal of collateral based impairments of \$5.6 million on three portfolio companies. Approximately \$19.1 million is attributed to net unrealized depreciation on our equity investments which primarily relates to approximately \$11.4 million unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and the reversal of \$7.8 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Box, Inc., Atrenta, Inc., Cempra, Inc. Celladon Corporation, Egalet Corporation, Everyday Health, and Identiv, Inc. as discussed above. Finally, approximately \$4.0 million is attributed to net unrealized depreciation on our warrant investments which primarily related to \$6.0 million of unrealized depreciation on our private portfolio companies related to declining industry performance offset by the reversal of \$3.2 million of prior period net unrealized depreciation upon being realized as a loss on the liquidation of our investments in thirteen portfolio companies.

Net unrealized depreciation was offset by approximately \$1.3 million as a result of decreased estimated taxes payable for the year ended December 31, 2015.

Net unrealized depreciation increased by approximately \$11,000 due to appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement offset by a decrease in the liability for the acquisition proceeds we received on our Atrenta, Inc. equity investment, which had been exercised from warrants that were included in the collateral pool.

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During the year ended December 31, 2014, we recorded approximately \$20.7 million of net unrealized depreciation, of which \$18.6 million is net unrealized depreciation from our debt, equity and warrant investments. Of the \$18.6 million, approximately \$14.2 million is attributed to net unrealized depreciation on our debt investments which primarily related to \$23.2 million unrealized depreciation for collateral based impairments on 12 portfolio companies offset by the reversal of collateral based impairments of \$4.1 million on two portfolio companies. Approximately \$15.8 million is attributed to net unrealized depreciation on our warrant investments which primarily related to \$8.3 million of net unrealized depreciation due to the exercise of our warrants in Box, Inc. to equity and \$2.4 million of net unrealized depreciation due to the reversal of prior period net unrealized appreciation upon being realized as a gain. This unrealized depreciation was offset by approximately \$11.4 million attributed to net unrealized appreciation on our equity investments, including approximately \$13.0 million of net unrealized appreciation on Box, Inc., including the exercise of our remaining warrants in Box, Inc. to equity and approximately \$7.7 million of net unrealized appreciation on our public equity portfolio. This was offset by approximately \$12.7 million unrealized depreciation due to reversal of prior period net unrealized appreciation upon being realized as a gain.

Net unrealized appreciation decreased by approximately \$1.9 million as a result of estimated taxes payable for the year ended December 31, 2014.

Net unrealized appreciation further decreased by approximately \$465,000 as a result of reducing escrow receivables for the year ended December 31, 2014 related to merger and acquisition transactions closed on former portfolio companies.

During the year ended December 31, 2014, net unrealized depreciation was offset by approximately \$270,000 due to net depreciation of fair value on the pool of warrants collateralized under the Citigroup warrant participation agreement as a result of the sale of shares in Acceleron Pharma, Inc., Merrimack Pharmaceuticals, Inc., Portola Pharmaceuticals, Inc. and Everyday Health, Inc. that were subject to the Citigroup warrant participation agreement.

The following table summarizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by investment type, excluding net unrealized appreciation (depreciation) on taxes payable, escrow receivables and Citigroup warrant participation, for the years ended December 31, 2015 and December 31, 2014:

(in millions)	Year Ended December 31, 2015			
	Debt	Equity	Warrants	Total
Collateral based impairments	\$ (20.4)	\$ (0.2)	\$ (0.4)	\$ (21.0)
Reversals of Prior Period Collateral based impairments	5.6		0.4	6.0
Reversals due to Debt Payoffs & Warrant/Equity sales	6.2	(7.8)	3.2	1.6
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets	(1.1)	(11.4)	(1.2)	(13.7)
Level 3 Assets	(4.3)	0.3	(6.0)	(10.0)
Total Fair Value Market/Yield Adjustments	(5.4)	(11.1)	(7.2)	(23.7)
Total Unrealized Appreciation/(Depreciation)	\$ (14.0)	\$ (19.1)	\$ (4.0)	\$ (37.1)

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(in millions)	Year Ended December 31, 2014			
	Debt	Equity	Warrants	Total
Collateral based impairments	\$ (23.2)	\$ (1.2)	\$ (3.3)	(27.7)
Reversals of Prior Period Collateral based impairments	4.1	0.6		4.7
Reversals due to Debt Payoffs & Warrant/Equity sales		(11.1)	(9.7)	(20.8)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		7.6	(2.9)	4.7
Level 3 Assets	4.9	15.5	0.1	20.5
Total Fair Value Market/Yield Adjustments	4.9	23.1	(2.8)	25.2
Total Unrealized Appreciation/(Depreciation)	\$ (14.2)	\$ 11.4	\$ (15.8)	\$ (18.6)

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

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC Topic 740, Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our qualification and election to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We intend to distribute approximately \$8.2 million of spillover earnings from ordinary income from the year ended December 31, 2015 to our shareholders in 2016.

Net Increase in Net Assets Resulting from Operations and Earnings Per Share

For the years ended December 31, 2015 and 2014, the net increase in net assets resulting from operations totaled approximately \$42.9 million and approximately \$71.2 million, respectively. These changes are made up of the items previously described.

The basic and fully diluted net change in net assets per common share for the year ended December 31, 2015 were \$0.60 and \$0.59, respectively, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2014 was \$1.12 and \$1.10, respectively.

For the purpose of calculating diluted earnings per share for years ended December 31, 2015 and 2014, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation as our share price was greater than the conversion price of \$11.03 in effect as of December 31, 2015 and \$11.36 as of December 31, 2014 for the Convertible Senior Notes for such periods.

Financial Condition, Liquidity and Capital Resources

Our liquidity and capital resources are derived from our Credit Facilities, SBA debentures, Convertible Senior Notes, 2019 Notes, Existing Notes, 2021 Asset-Backed Notes and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the turnover of our portfolio and from public and private offerings of securities to finance our investment objectives. We may raise additional equity or debt capital through both registered offerings off a shelf registration, At-The-Market , or ATM, and private offerings of securities, by securitizing a portion of our investments or borrowing, including from the SBA through our SBIC subsidiaries.

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On August 16, 2013, we entered into an ATM equity distribution agreement (the "Equity Distribution Agreement") with JMP Securities LLC ("JMP") and on March 7, 2016 we renewed the Equity Distribution Agreement. The Equity Distribution Agreement provides that we may offer and sell up to 8.0 million shares of our common stock from time to time through JMP, as our sales agent. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market," as defined in Rule 415 under the Securities Act including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the three months ended March 31, 2016, we sold 1.1 million shares of common stock for total accumulated net proceeds of approximately \$12.4 million. We did not sell any shares under the program during the year ended December 31, 2015. We generally use the net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of March 31, 2016, approximately 6.2 million shares remained available for issuance and sale under the Equity Distribution Agreement.

On February 24, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock. This plan expired on August 24, 2015. On August 27, 2015, our Board of Directors authorized a replacement stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock and on February 17, 2016, our Board of Directors extended the program until August 23, 2016. We may repurchase shares of our common stock in the open market, including block purchases, at prices that may be above or below the NAV as reported in the most recently published financial statements. We expect that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. During the three months ended March 31, 2016 we repurchased 449,588 shares of our common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of March 31, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

At the 2015 Annual Meeting of Stockholders on July 7, 2015, our common stockholders approved a proposal to allow us to issue common stock at a discount from our then current NAV per share, which is effective for a period expiring on the earlier of July 7, 2016 or the 2016 annual meeting of stockholders. In connection with the receipt of such stockholder approval, we will limit the number of shares that we issue at a price below NAV pursuant to this authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share. During the three months ended March 31, 2016, we have not issued common stock at a discount to NAV. We did not issue common stock at a discount to NAV during the year ended December 31, 2015.

As of March 31, 2016, approximately \$57.4 million of our Convertible Senior Notes had been converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 1.5 million shares of our common stock, or \$24.3 million. By not meeting the stock trading price conversion requirement during the three months ended March 31, 2015, June 30, 2015, or September 30, 2015 the Convertible Senior Notes were not convertible for the period between April 1, 2015 and October 14, 2015. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time.

At March 31, 2016, we had \$17.6 million in principal outstanding of Convertible Senior Notes, \$110.4 million of 2019 Notes, \$103.0 million of Existing Notes, \$129.3 million of 2021 Asset-Backed Notes, \$190.2 million of SBA debentures payable, and \$61.0 million on the Wells Facility. We had no borrowings outstanding under the Union Bank Facility.

At March 31, 2016, we had \$122.5 million in available liquidity, including \$13.5 million in cash and cash equivalents. We had available borrowing capacity of approximately \$34.0 million under the Wells Facility after

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the March 2016 expansion of the available facility to \$95.0 million and we had available borrowing capacity of \$75.0 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At March 31, 2016, we had \$118.5 million of cash in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At March 31, 2016, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

At March 31, 2016, we had approximately \$3.6 million of restricted cash, which consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized 2021 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations. During the three months ended March 31, 2016, we principally funded our operations from (i) cash receipts from interest, dividend and fee income from our investment portfolio and (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments.

During the three months ended March 31, 2016, our operating activities used \$82.4 million of cash and cash equivalents, compared to \$114.1 million used during the three months ended March 31, 2015. This \$31.7 million decrease in cash used by operating activities resulted primarily from a decrease in investment purchases of approximately \$38.5 million, offset by a decrease in net assets resulting from operations of \$7.6 million.

During the three months ended March 31, 2016, our investing activities provided approximately \$5.4 million of cash, compared to approximately \$9.3 million used during the three months ended March 31, 2015. This \$14.7 million increase in cash provided by investing activities was primarily due to a reduction of approximately \$14.8 million in cash, classified as restricted cash, on assets that are securitized.

During the three months ended March 31, 2016, our financing activities used \$4.8 million of cash, compared to \$68.0 million provided during the three months ended March 31, 2015. This \$72.8 million decrease in cash provided by financing activities was primarily due to decreases in proceeds from issuance of common stock of \$87.7 million as a result of a public offering of 7,590,000 shares on March 27, 2015 as compared to the issuance of 1.1 million shares under the ATM program during the three months ended March 31, 2016. This increase was partially offset by proceeds received from borrowings under the Wells Facility during the three months ended March 31, 2016.

As of March 31, 2016, net assets totaled \$718.4 million, with a NAV per share of \$9.81. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of March 31, 2016 our asset coverage ratio under our regulatory requirements as a BDC was 270.5% excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total leverage when including our SBA debentures was 217.5% at March 31, 2016.

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At March 31, 2016 and December 31, 2015, we had the following available borrowings and outstanding amounts:

(in thousands)	March 31, 2016			December 31, 2015		
	Total Available	Principal	Carrying Value ⁽¹⁾	Total Available	Principal	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 186,997	\$ 190,200	\$ 190,200	\$ 186,829
2019 Notes	110,364	110,364	108,339	110,364	110,364	108,179
Existing Notes	103,000	103,000	100,211	103,000	103,000	100,128
2021 Asset-Backed Notes	129,300	129,300	127,227	129,300	129,300	126,995
Convertible Senior Notes	17,604	17,604	17,572	17,604	17,604	17,478
Wells Facility ⁽³⁾	95,000	61,003	61,003	75,000	50,000	50,000
Union Bank Facility ⁽³⁾	75,000			75,000		
Total	\$ 720,468	\$ 611,471	\$ 601,349	\$ 700,468	\$ 600,468	\$ 589,609

(1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See below for the amount of debt issuance cost associated with each borrowing.

(2) At both March 31, 2016 and December 31, 2015, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.

(3) Availability subject to us meeting the borrowing base requirements.

Our NAV may decline as a result of economic conditions in the United States. Our continued compliance with the covenants under our Credit Facilities, 2019 Notes, Existing Notes, 2021 Asset-Backed Notes and SBA debentures depend on many factors, some of which are beyond our control. Material net asset devaluation could have a material adverse effect on our operations and could require us to reduce our borrowings in order to comply with certain covenants, including the ratio of total assets to total indebtedness. We believe that our current cash and cash equivalents, cash generated from operations, and funds available from our Credit Facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Debt issuance costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method. In accordance with Accounting Standards Update (ASU) 2015-03, debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. See

Critical Accounting Policies Change in Accounting Principle. Debt issuance costs, net of accumulated amortization, as of March 31, 2016 and December 31, 2015 were as follows:

(in thousands)	March 31, 2016	December 31, 2015
SBA Debentures	\$ 3,203	\$ 3,371
2019 Notes	2,025	2,185
Existing Notes	2,789	2,872
2021 Asset-Backed Notes	2,073	2,305
Convertible Senior Notes	12	44
Wells Facility ⁽¹⁾	737	669
Union Bank Facility ⁽¹⁾	190	229
Total	\$ 11,029	\$ 11,675

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- (1) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASU 2015-15.

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As of January 1, 2016, we adopted ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line-of-credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of our SBA Debentures, 2019 Notes, Existing Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There is no impact to the Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. Refer to Critical Accounting Policies in the accompanying prospectus.

Refer to Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement for a discussion of the contract terms, interest expense, and fees associated with each outstanding borrowing as of and for the three months ended March 31, 2016.

Commitments

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded contractual commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded contractual commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded contractual commitments may be significant from time to time. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, our credit agreements contain customary lending provisions which allow us relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the company. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. As such, our disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.

At March 31, 2016, we had approximately \$64.6 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, we had approximately \$98.0 million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

We also had approximately \$60.5 million of non-binding term sheets outstanding to three new and existing companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

The fair value of our unfunded commitments are considered to be immaterial as the yield determined at the time of underwriting is expected to be materially consistent with the yield upon funding, given that interest rates are generally pegged to a market indices and given the existence of milestones, conditions and/or obligations imbedded in the borrowing agreements.

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As of March 31, 2016, our unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

(in thousands)	Total Unfunded Commitments
Portfolio Company	
Paratek Pharmaceuticals, Inc.	\$ 20,000
NewVoiceMedia Limited	15,000
Aquantia Corp.	11,500
Bellicum Pharmaceuticals, Inc.	5,000
Genocea Biosciences, Inc.	5,000
Druva, Inc.	3,000
Flowonix Medical	2,000
Quanterix Corporation	2,000
Achronix Semiconductor Corporation	740
Cranford Pharmaceuticals, LLC	400
Total	\$ 64,640

Contractual Obligations

The following table shows our contractual obligations as of March 31, 2016:

	Total	Payments due by period (in thousands)			After 5 years
		Less than 1 year	1 - 3 years	3 - 5 years	
Contractual Obligations⁽¹⁾⁽²⁾					
Borrowings ⁽³⁾⁽⁴⁾	\$ 611,471	\$ 17,604	\$ 147,700	\$ 232,917	\$ 213,250
Operating Lease Obligations ⁽⁵⁾	4,427	1,598	2,593	236	
Total	\$ 615,898	\$ 19,202	\$ 150,293	\$ 233,153	\$ 213,250

(1) Excludes commitments to extend credit to our portfolio companies.

(2) We also have a warrant participation agreement with Citigroup. See Note 4 to our consolidated financial statements.

(3) Includes \$190.2 million in principal outstanding under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the Existing Notes, \$129.3 million of the 2021 Asset-Backed Notes, \$17.6 million of the Convertible Senior Notes, and \$61.0 million under the Wells Facility as of March 31, 2016.

(4) Amounts represent future principal repayments and not the carrying value of each liability. See Outstanding Borrowings .

(5) Long-term facility leases.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$436,000 during the three months ended March 31, 2016, respectively. Total rent expense amounted to approximately \$408,000 during the same period ended March 31, 2015.

Indemnification Agreements

We have entered into indemnification agreements with our directors. The indemnification agreements are intended to provide our directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that we shall indemnify the director who is a party to the agreement, or an Indemnitee, including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, to the

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maximum extent permitted by Maryland law and the 1940 Act.

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

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On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of March 31, 2016, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of March 31, 2016. As of March 31, 2016, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2016 the Company held investments in HT II in 35 companies with a fair value of approximately \$98.7 million, accounting for approximately 7.6% of the Company's total portfolio at March 31, 2016. HT II held approximately \$111.6 million in assets and accounted for approximately 6.6% of the Company's total assets prior to consolidation at March 31, 2016.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of March 31, 2016, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, of which \$149.0 million was outstanding as of March 31, 2016. As of March 31, 2016, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2016, the Company held investments in HT III in 49 companies with a fair value of approximately \$272.5 million, accounting for approximately 21.1% of the Company's total portfolio at March 31, 2016. HT III held approximately \$289.1 million in assets and accounted for approximately 17.1% of the Company's total assets prior to consolidation at March 31, 2016.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$19.5 million and have average annual fully taxed net income not exceeding \$6.5 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through the Company's wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of March 31, 2016 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity

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and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the three months ended March 31, 2016 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.52%. The average amount of debentures outstanding for the three months ended March 31, 2016 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash

	Three Months Ended March 31,	
	2016	2015
(in thousands)		
Interest expense	\$ 1,738	\$ 1,718
Amortization of debt issuance cost (loan fees)	168	165
Total interest expense and fees	\$ 1,906	\$ 1,883

Cash paid for interest expense and fees	\$ 3,461	\$ 3,442
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As of March 31, 2016, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at March 31, 2016, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2016, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

The Company reported the following SBA debentures outstanding principal balances as of March 31, 2016 and December 31, 2015:

(in thousands)				
Issuance/Pooling Date	Maturity Date	Interest Rate⁽¹⁾	March 31, 2016	December 31, 2015
SBA Debentures:				
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge

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

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

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

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

In April 2015, the Company redeemed \$20.0 million of the \$84.5 million issued and outstanding aggregate principal amount of April 2019 Notes, as previously approved by the Board of Directors. In December 2015, the Company redeemed \$40.0 million of the \$85.9 million issued and outstanding aggregate principal amount of September 2019 Notes, as previously approved by the Board of Directors.

As of March 31, 2016 and December 31, 2015, the 2019 Notes payable outstanding principal balance consists of:

(in thousands)	March 31, 2016	December 31, 2015
April 2019 Notes	\$ 64,490	\$ 64,490
September 2019 Notes	45,874	45,874
Total 2019 Notes Principal Outstanding	\$ 110,364	\$ 110,364

April 2019 Notes

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

The April 2019 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the April 2019 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is

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initially unsecured to which the Company subsequently grant security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

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

September 2019 Notes

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

The September 2019 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the September 2019 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

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

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the April 2019 Notes and September 2019 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,932	\$ 2,981
Amortization of debt issuance cost (loan fees)	160	240
Total interest expense and fees	\$ 2,092	\$ 3,221

Cash paid for interest expense and fees	\$ 1,932	\$ 2,981
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As of March 31, 2016, the Company was in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes.

Existing Notes

On July 14, 2014, the Company and the Trustee, entered into the Third Supplemental Indenture to the Base Indenture between the Company and the Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of Existing Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the Existing Notes. The sale of the Existing Notes generated net proceeds of approximately \$99.9 million. On May 2, 2016, the Company issued approximately \$65.4 million of additional Existing Notes. On April 29, 2016, the underwriters issued notification to exercise their over-allotment option for an additional \$7.5 million in aggregate principal amount of the Existing Notes. The sale of the Existing Notes on May 2, 2016, and the related exercise of the over-allotment option, generated net proceeds of approximately \$72.9 million.

The Existing Notes will mature on July 30, 2024 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after July 30, 2017, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The Existing Notes bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2014, and trade on the NYSE under the trading symbol HTGX.

The Existing Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the Existing Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third

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Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the Existing Notes and the Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding Existing Notes in a series may declare such Existing Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of March 31, 2016, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At both March 31, 2016 and December 31, 2015, the Existing Notes had an outstanding principal balance of \$103.0 million.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the Existing Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,609	\$ 1,609
Amortization of debt issuance cost (loan fees)	83	83
Total interest expense and fees	\$ 1,692	\$ 1,692
Cash paid for interest expense and fees	\$ 1,609	\$ 1,609
<i>2021 Asset-Backed Notes</i>		

On November 13, 2014, the Company completed a \$237.4 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of the 2021 Asset-Backed Notes, which were rated A(sf) by Kroll Bond Rating Agency, Inc. The 2021 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2014-1 (the 2014 Securitization Issuer) pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1 LLC (the 2014 Trust Depositor), 2014 Securitization Issuer, and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

As part of this transaction, the Company entered into a sale and contribution agreement with the 2014 Trust Depositor under which the Company has agreed to sell or have contributed to the 2014 Trust Depositor certain senior loans made to certain of our portfolio companies (the 2014 Loans). The Company has made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2014 Loans as of the date of their transfer to the 2014 Trust Depositor.

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2(a)(51)(A) of the

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1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

The 2014 Loans are serviced by the Company pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. The Company performs certain servicing and administrative functions with respect to the 2014 Loans. The Company is entitled to receive a monthly fee from the 2014 Securitization Issuer for servicing the 2014 Loans. This servicing fee is equal to the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including October 5, 2014 through and including December 5, 2014 over 360) of 2.00% and the aggregate outstanding principal balance of the 2014 Loans plus collections on deposit in the 2014 Securitization Issuer's collections account, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including October 5, 2014, to the close of business on December 5, 2014). The Company also serves as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At both March 31, 2016 and December 31, 2015, the 2021 Asset-Backed Notes had an outstanding principal balance of \$129.3 million.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,139	\$ 1,139
Amortization of debt issuance cost (loan fees)	232	222
Total interest expense and fees	\$ 1,371	\$ 1,361
Cash paid for interest expense and fees	\$ 1,139	\$ 1,139

Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$3.6 million and \$9.2 million of restricted cash as of March 31, 2016 and December 31, 2015, respectively, funded through interest collections.

Convertible Senior Notes

In April 2011, the Company issued \$75.0 million in aggregate principal amount of Convertible Senior Notes due 2016. As of March 31, 2016, the outstanding principal balance of the Convertible Senior Notes is \$17.6 million and the carrying value, comprised of the aggregate principal amount outstanding less the remaining unamortized debt issuance costs associated with the borrowing and the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately \$17.6 million.

The Convertible Senior Notes mature on April 15, 2016, unless previously converted or repurchased in accordance with their terms. The Convertible Senior Notes bear interest at a rate of 6.00% per year payable semiannually in arrears on April 15 and October 15 of each year, commencing on October 15, 2011. The Convertible Senior Notes are the Company's senior unsecured obligations and rank senior in right of payment to

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the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding October 15, 2015, holders could convert their Convertible Senior Notes only under certain circumstances set forth in the indenture governing the Convertible Senior Notes. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The conversion rate was initially 84.0972 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately \$11.89 per share of common stock). The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the conversion rate is increased for converting holders. As of March 31, 2016, the conversion rate was 91.3937 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$10.94 per share of common stock).

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

The Convertible Senior Notes are accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the Convertible Senior Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

Upon meeting the stock trading price conversion requirement as set forth in the indenture governing the Convertible Senior Notes, dated April 15, 2011, between the Company and U.S. Bank National Association, during the three months ended June 30, 2014, September 30, 2014 and December 31, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. During this period and as of March 31, 2016, approximately \$57.4 million of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 1.5 million shares of the Company's common stock, or \$24.3 million. By not meeting the stock trading price conversion requirement during the three months ended March 31, 2015, June 30, 2015, or September 30, 2015 the Convertible Senior Notes were not convertible for the period between April 1, 2015 and October 14, 2015. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time as described above.

The Company recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the Convertible Senior Notes and the fair value of the debt

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instrument. The net loss on extinguishment of debt the Company recorded for the year ended December 31, 2015 was \$1,000. The Company did not record a loss on extinguishment of debt in the three months ended March 31, 2016. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

As of March 31, 2016 and December 31, 2015, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	March 31, 2016	December 31, 2015
Principal amount of debt	\$ 17,604	\$ 17,604
Unamortized debt issuance cost	(12)	(44)
Original issue discount, net of accretion	(20)	(82)
Carrying value of Convertible Senior Notes	\$ 17,572	\$ 17,478

For the three months ended March 31, 2016 and 2015, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 264	\$ 215
Accretion of original issue discount	61	62
Amortization of debt issuance cost (loan fees)	32	33
Total interest expense and fees	\$ 357	\$ 310
Cash paid for interest expense and fees	\$	\$

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the three months ended March 31, 2016 and 2015. As of March 31, 2016, the Company is in compliance with the terms of the indentures governing the Convertible Senior Notes.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly-owned subsidiary, Hercules Funding II, entered into the Wells Facility with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time. The Wells Facility amends, restates, and otherwise replaces the Loan and Security Agreement, which was originally entered into on August 25, 2008, with Wells Fargo Capital Finance, LLC, and had been amended from time to time. The Wells Facility was amended and restated to, among other things, consolidate prior amendments and update certain provisions to reflect current operations and personnel of the Company and Hercules Funding II. Many other terms and provisions of the Wells Facility remain the same or substantially similar to the terms and provisions of the original Wells Facility.

On December 16, 2015, the Company entered into an amendment to the Wells Facility that extended the revolving credit availability period and maturity date of the facility. As amended, the revolving credit availability period ends on August 1, 2018 and the Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

On March 8, 2016, the Company entered into a further amendment to the Wells Facility that amended the minimum interest coverage ratio covenant and added Alostara Bank of Commerce as a lender of the facility, expanding the available commitment to \$95.0 million under the accordion feature.

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Under the Wells Facility, Wells Fargo Capital Finance, LLC has made commitments of \$75.0 million and Alostair Bank of Commerce has made commitments of \$20.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three months ended March 31, 2016, this non-use fee was approximately \$66,000. For the three months ended March 31, 2015, this non-use fee was approximately \$94,000.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of March 31, 2016, the minimum tangible net worth covenant has increased to \$601.9 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million and the 1.1 million shares of common stock issued under the ATM equity distribution agreement with JMP for gross proceeds of \$12.8 million during the three months ended March 31, 2016. The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

On June 20, 2011 the Company paid \$1.1 million in structuring fees in connection with the original Wells Facility. In connection with an amendment to the original Wells Facility in August 2014, the Company paid an additional \$750,000 in structuring fees and in connection with the amendment in December 2015, the Company paid an additional \$188,000 in structuring fees. These fees are being amortized through the end of the term of the Wells Facility.

The Company had aggregate draws of \$106.7 million on the available facility during the three months ended March 31, 2016 offset by repayments of \$95.7 million. At March 31, 2016 and December 31, 2015 there was \$61.0 million and \$50.0 million, respectively, of borrowings outstanding on this facility.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the April 2019 Notes and September 2019 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 275	\$ 86
Amortization of debt issuance cost (loan fees)	104	86
Total interest expense and fees	\$ 379	\$ 86
Cash paid for interest expense and fees	\$ 244	\$

See Note 4 to our consolidated financial statements for more detail on the Wells Facility.

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MUFG Union Bank Facility

On May 5, 2016, the Company, through a special purpose wholly-owned subsidiary, Hercules Funding III, as borrower, entered into the MUFG Union Bank Facility with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the MUFG Union Bank Facility from time to time. The MUFG Union Bank Facility replaced the Union Bank Facility.

Under the MUFG Union Bank Facility, MUFG Union Bank has made commitments of \$75.0 million. The MUFG Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. Borrowings under the MUFG Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the MUFG Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The MUFG Union Bank Facility is secured by all of the assets of HT III. The MUFG Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. The Company paid a one-time \$562,500 structuring fee in connection with the MUFG Union Bank Facility. Although the Company did not incur any non-use fees under the MUFG Union Bank Facility during the three months ended March 31, 2016, the Company incurred approximately \$95,000 of non-use fees under the Union Bank Facility during this period. For the three-months ended March 31, 2015, the Company incurred approximately \$94,000 in non-use fees under the Union Bank Facility.

The MUFG Union Bank Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to HT III, including covenants relating to certain changes of control of the Company and HT III. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. The MUFG Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

The MUFG Union Bank Facility matures on May 5, 2020, unless sooner terminated in accordance with its terms.

In connection with the MUFG Union Bank Facility, the Company and HT III also entered into the Sale Agreement, by and among HT III, as borrower, the Company, as originator and servicer, and MUFG Union Bank, as agent. Under the Sale Agreement, the Company agrees to (i) sell or transfer certain loans to HT III under the MUFG Union Bank Facility and (ii) act as servicer for the loans sold or transferred.

Citibank Credit Facility

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

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During the three months ended March 31, 2016, the Company recorded a decrease in participation liability and an increase in unrealized appreciation by a net amount of approximately \$1,000 primarily due to depreciation of fair value on the pool of warrants collateralized under the warrant participation. The remaining value of Citigroup's participation right on unrealized gains in the related equity investments is approximately \$110,000 as of March 31, 2016 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately \$2.2 million under the warrant participation agreement thereby reducing realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between April 2016 and January 2017.

Dividends

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

Date Declared	Record Date	Payment Date	Amount Per Share
October 27, 2005	November 1, 2005	November 17, 2005	\$ 0.03
December 9, 2005	January 6, 2006	January 27, 2006	0.30
April 3, 2006	April 10, 2006	May 5, 2006	0.30
July 19, 2006	July 31, 2006	August 28, 2006	0.30
October 16, 2006	November 6, 2006	December 1, 2006	0.30
February 7, 2007	February 19, 2007	March 19, 2007	0.30
May 3, 2007	May 16, 2007	June 18, 2007	0.30
August 2, 2007	August 16, 2007	September 17, 2007	0.30
November 1, 2007	November 16, 2007	December 17, 2007	0.30
February 7, 2008	February 15, 2008	March 17, 2008	0.30
May 8, 2008	May 16, 2008	June 16, 2008	0.34
August 7, 2008	August 15, 2008	September 19, 2008	0.34
November 6, 2008	November 14, 2008	December 15, 2008	0.34
February 12, 2009	February 23, 2009	March 30, 2009	0.32*
May 7, 2009	May 15, 2009	June 15, 2009	0.30
August 6, 2009	August 14, 2009	September 14, 2009	0.30
October 15, 2009	October 20, 2009	November 23, 2009	0.30
December 16, 2009	December 24, 2009	December 30, 2009	0.04
February 11, 2010	February 19, 2010	March 19, 2010	0.20
May 3, 2010	May 12, 2010	June 18, 2010	0.20
August 2, 2010	August 12, 2010	September 17, 2010	0.20
November 4, 2010	November 10, 2010	December 17, 2010	0.20
March 1, 2011	March 10, 2011	March 24, 2011	0.22
May 5, 2011	May 11, 2011	June 23, 2011	0.22
August 4, 2011	August 15, 2011	September 15, 2011	0.22
November 3, 2011	November 14, 2011	November 29, 2011	0.22
February 27, 2012	March 12, 2012	March 15, 2012	0.23
April 30, 2012	May 18, 2012	May 25, 2012	0.24
July 30, 2012	August 17, 2012	August 24, 2012	0.24
October 26, 2012	November 14, 2012	November 21, 2012	0.24
February 26, 2013	March 11, 2013	March 19, 2013	0.25
April 29, 2013	May 14, 2013	May 21, 2013	0.27
July 29, 2013	August 13, 2013	August 20, 2013	0.28
November 4, 2013	November 18, 2013	November 25, 2013	0.31
February 24, 2014	March 10, 2014	March 17, 2014	0.31
April 28, 2014	May 12, 2014	May 19, 2014	0.31

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Date Declared	Record Date	Payment Date	Amount Per Share
July 28, 2014	August 18, 2014	August 25, 2014	0.31
October 29, 2014	November 17, 2014	November 24, 2014	0.31
February 24, 2015	March 12, 2015	March 19, 2015	0.31
May 4, 2015	May 18, 2015	May 25, 2015	0.31
July 29, 2015	August 17, 2015	August 24, 2015	0.31
October 28, 2015	November 16, 2015	November 23, 2015	0.31
February 17, 2016	March 7, 2016	March 14, 2016	0.31
April 27, 2016	May 16, 2016	May 23, 2016	0.31
			\$ 11.85

* Dividend paid in cash and stock.

On April 27, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on May 23, 2016 to shareholders of record as of May 16, 2016. This dividend represents our forty-third consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date \$11.85 per share.

Our Board of Directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount that approximates 90-100% of our taxable quarterly income or potential annual income for a particular taxable year. In addition, at the end of our taxable year, our Board of Directors may choose to pay an additional special dividend, or fifth dividend, so that we may distribute approximately all of our annual taxable income in the taxable year in which it was earned, or may elect to maintain the option to spill over our excess taxable income into the following taxable year as part of any future dividend payments.

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder's tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions deemed and actually paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. Of the dividends declared during the year ended December 31, 2015, 100% were distributions derived from our current and accumulated earnings and profits.

During the three months ended March 31, 2016, we declared a distribution of \$0.31 per share. If we had determined the tax attributes of our distributions year-to-date as of March 31, 2016, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to shareholders that this determination is representative of what the tax attributes of our 2016 distributions to shareholders will actually be.

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

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

We have elected and expect to qualify to be subject to taxation as a RIC under Subchapter M of the Code, and we intend to operate in a manner so as to continue to qualify for the tax treatment applicable to RICs. To qualify and be subject to taxation as a RIC, we, among other things, are required to distribute dividends to our shareholders each taxable year in an amount at least equal to 90% of the sum of our investment company taxable

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income, as defined by the Code and determined without regard to any deduction for dividends paid, plus net tax-exempt income. In connection with maintaining our ability to qualify and be subject to taxation as a RIC, we, among other things, have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

Critical Accounting Policies

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

Reclassification

Certain balances from prior years have been reclassified in order to conform to the current year presentation.

Change in Accounting Principle

As of January 1, 2016, we adopted ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements , which require debt issuance costs to be presented on the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line of credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of our SBA Debentures, 2019 Notes, Existing Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. In addition, the comparative Consolidated Statement of Assets and Liabilities as of December 31, 2015 has been adjusted to apply the change in accounting principle retrospectively. Specifically, the presentation of our Other Assets, SBA Debentures, 2019 Notes, Existing Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes line items were adjusted by the amount of unamortized debt issuance costs for each instrument. There is no impact to our Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility or the Union Bank Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. Refer to Outstanding Borrowings for the amount of unamortized debt issuance costs for each instrument.

Valuation of Investments

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

At March 31, 2016, approximately 97.0% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC 946 and measured in accordance with ASC 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in

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good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

See "Determination of Net Asset Value" in the accompanying prospectus for a discussion of our investment valuation process.

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of March 31, 2016 and as of December 31, 2015. We transfer investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three months ended March 31, 2016, there were no transfers between Levels 1 or 2.

(in thousands)	Balance March 31, 2016	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Senior Secured Debt	\$ 1,205,673	\$	\$ 5,475	\$ 1,200,198
Preferred Stock	35,542			35,542
Common Stock	26,599	25,531		1,068
Warrants	23,496		3,641	19,855
Escrow Receivable	2,967			2,967
Total	\$ 1,294,277	\$ 25,531	\$ 9,116	\$ 1,259,630

(in thousands)	Balance December 31, 2015	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Senior Secured Debt	\$ 1,110,209	\$	\$ 7,813	\$ 1,102,396
Preferred Stock	35,245			35,245
Common Stock	32,197	30,670		1,527
Warrants	22,987		4,422	18,565
Escrow Receivable	2,967			2,967
Total	\$ 1,203,605	\$ 30,670	\$ 12,235	\$ 1,160,700

The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three months ended March 31, 2016 and the year ended December 31, 2015.

(in thousands)	Balance January 1, 2016	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Purchases ⁽⁵⁾	Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance March 31, 2016

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Senior Debt	\$ 1,102,396	\$ (6,451)	\$ 6,112	\$ 175,552	\$ (77,411)	\$	\$	\$ 1,200,198
Preferred Stock	35,245	(150)	156	1,000		52	(761)	35,542
Common Stock	1,527		(1,220)			761		1,068
Warrants	18,565	(106)	(91)	1,539			(52)	19,855
Escrow Receivable	2,967							2,967
Total	\$ 1,160,700	\$ (6,707)	\$ 4,957	\$ 178,091	\$ (77,411)	\$ 813	\$ (813)	\$ 1,259,630

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(in thousands)	Balance January 1, 2015	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Purchases ⁽⁵⁾	Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽⁴⁾	Gross Transfers out of Level 3 ⁽⁴⁾	Balance December 31, 2015
Senior Debt	\$ 923,906	\$ (2,295)	\$ (12,930)	\$ 699,555	\$	\$ (505,274)	\$	\$ (566)	\$ 1,102,396
Preferred Stock	57,548	2,598	(1,539)	15,076	(4,542)		685	(34,581)	35,245
Common Stock	1,387	(298)	743		(305)				1,527
Warrants	21,923	(3,849)	(4,749)	5,311	1,220			(1,291)	18,565
Escrow Receivable	3,598	71		511	(1,032)	(181)			2,967
Total	\$ 1,008,362	\$ (3,773)	\$ (18,475)	\$ 720,453	\$ (4,659)	\$ (505,455)	\$ 685	\$ (36,438)	\$ 1,160,700

(1) Included in net realized gains or losses in the accompanying Consolidated Statement of Operations.

(2) Included in change in net unrealized appreciation (depreciation) in the accompanying Consolidated Statement of Operations.

(3) Transfers out of Level 3 during the three months ended March 31, 2016 relate to the exercise of warrants in Ping Identity Corporation to preferred stock and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc. Transfers into Level 3 during the three months ended March 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc..

(4) Transfers out of Level 3 during the year ended December 31, 2015 relate to the IPOs of Box, Inc., ZP Opco, Inc. (p.k.a. Zosano Pharma, Inc), Neos Therapeutics, Edge Therapeutics Inc., ViewRay, Inc., and Cerecor, Inc. in addition to the exercise of warrants in both Forescout, Inc. and Atrenta, Inc. to preferred stock. Transfers into Level 3 during the year ended December 31, 2015 relate to the acquisition of preferred stock as a result of the exercise of warrants in both Forescout, Inc. and Atrenta, Inc and the conversion of debt to equity in Home Dialysis Plus and Gynesonics.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period.

(6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

For three months ended March 31, 2016, approximately \$104,000 in net unrealized appreciation and \$1.2 in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$6.1 million in net unrealized depreciation and \$45,000 in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 2015, approximately \$179,000 in net unrealized depreciation and \$745,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$13.7 million and \$5.9 million in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

The following tables provides quantitative information about our Level 3 fair value measurements of our investments as of March 31, 2016 and December 31, 2015. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to our fair value measurements.

The significant unobservable input used in the fair value measurement of our escrow receivables is the amount recoverable at the contractual maturity date of the escrow receivable.

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Investment Type - Level Three	Fair Value at March 31, 2016 (in thousands)	Valuation Techniques/		Range	Weighted Average ^(b)
		Methodologies	Unobservable Input ^(a)		
Pharmaceuticals	\$ 92,845	Originated Within 6 Months	Origination Yield	12.00% - 14.48%	13.15%
	430,402	Market Comparable Companies	Hypothetical Market Yield	8.86% - 16.81%	12.39%
			Premium/(Discount)	(0.75%) - 1.00%	
Technology	55,262	Originated Within 6 Months	Origination Yield	11.00% - 15.73%	13.78%
	273,064	Market Comparable Companies	Hypothetical Market Yield	10.75% - 17.85%	13.38%
			Premium/(Discount)	(0.50%) - 0.50%	
28,591	Liquidation ^(c)	Probability weighting of	5.00% - 100.00%		
			alternative outcomes		
Sustainable and Renewable Technology	22,270	Originated Within 6 Months	Origination Yield	12.74% - 16.13%	15.00%
	102,890	Market Comparable Companies	Hypothetical Market Yield	7.54% - 25.68%	17.60%
			Premium/(Discount)	(0.50%) - 0.00%	
1,106	Liquidation ^(c)	Probability weighting of	100.00%		
			alternative outcomes		
Medical Devices	8,253	Originated Within 6 Months	Origination Yield	15.34%	15.34%
	77,067	Market Comparable Companies	Hypothetical Market Yield	10.73% - 19.86%	14.67%
			Premium/(Discount)	0.00% - 0.50%	
5,110	Liquidation ^(c)	Probability weighting of	25.00% - 75.00%		
			alternative outcomes		
Lower Middle Market	5,436	Originated Within 6 Months	Origination Yield	13.61% - 14.50%	14.10%
	14,723	Market Comparable Companies	Hypothetical Market Yield	13.78%	13.78%
			Premium/(Discount)	0.25%	
15,761	Liquidation ^(c)	Probability weighting of	20.00% - 60.00%		
			alternative outcomes		
		Debt Investments Where Fair Value Approximates Cost			
	14,074	Imminent Payoffs ^(d)			
	53,344	Debt Investments Maturing in Less than One Year			
	\$ 1,200,198	Total Level Three Debt Investments			

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

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

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

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Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

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

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

- (b) The weighted averages are calculated based on the fair market value of each investment.
- (c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (d) Imminent payoffs represent debt investments that we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type - Level Three Debt Investments	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/		Range	Weighted Average ^(b)
		Methodologies	Unobservable Input ^(a)		
Pharmaceuticals	\$ 72,981	Originated Within 6 Months Market Comparable	Origination Yield	10.35% - 16.16%	12.29%
	406,590	Companies	Hypothetical Market Yield Premium/(Discount)	9.55% - 16.75% (0.75%) - 0.00%	12.67%
Technology	6,873	Originated Within 6 Months Market Comparable	Origination Yield	15.19%	15.19%
	283,045	Companies	Hypothetical Market Yield Premium/(Discount)	6.57% - 23.26% (0.25%) - 0.50%	13.22%
	36,815	Liquidation ^(c)	Probability weighting of alternative outcomes	10.00% - 100.00%	
Sustainable and Renewable Technology	11,045	Originated Within 6 Months Market Comparable	Origination Yield	19.74%	19.74%
	105,382	Companies	Hypothetical Market Yield Premium/(Discount)	10.62% - 27.31% 0.00%	15.91%
	1,013	Liquidation ^(c)	Probability weighting of alternative outcomes	100.00%	
Medical Devices	80,530	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	11.65% - 19.90% 0.00% - 0.50%	15.26%
	3,764	Liquidation ^(c)	Probability weighting of alternative outcomes	50.00%	
Lower Middle Market	17,811	Originated Within 6 Months	Origination Yield	12.70% - 14.50%	13.00%
	15,151	Liquidation ^(c)	Probability weighting of alternative outcomes	25.00% - 75.00%	
		Debt Investments Where Fair Value Approximates Cost			
	12,434	Imminent Payoffs ^(d)			
	48,962	Debt Investments Maturing in Less than One Year			
	\$ 1,102,396	Total Level Three Debt Investments			

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

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

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

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Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

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

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

- (b) The weighted averages are calculated based on the fair market value of each investment.
- (c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (d) Imminent payoffs represent debt investments that we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type - Level Three Equity and	Fair Value at March 31, 2016 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(e)
Warrant Investments Equity Investments	\$ 5,518	Market Comparable Companies	EBITDA Multiple ^(b)	4.3x - 20.8x	7.5x
			Revenue Multiple ^(b)	0.7x - 3.8x	2.0x
			Discount for Lack of Marketability ^(c)	15.08% - 26.98%	17.22%
			Average Industry Volatility ^(d)	40.32% - 111.12%	64.44%
			Risk-Free Interest Rate	0.56% - 0.74%	0.60%
			Estimated Time to Exit (in months)	10 - 23	12
			Market Adjusted OPM Backsolve		
	31,092		Average Industry Volatility ^(d)	28.52% - 82.81%	66.30%
			Risk-Free Interest Rate	0.54% - 1.36%	0.72%
			Estimated Time to Exit (in months)	10 - 47	17
Warrant Investments	9,115	Market Comparable Companies	EBITDA Multiple ^(b)	5.4x - 50.0x	11.3x
			Revenue Multiple ^(b)	0.5x - 7.3x	1.9x
			Discount for Lack of Marketability ^(c)	15.15% - 32.23%	20.70%
			Average Industry Volatility ^(d)	36.84% - 98.38%	56.47%
			Risk-Free Interest Rate	0.54% - 1.11%	0.59%
			Estimated Time to Exit (in months)	10 - 50	16
			Market Adjusted OPM Backsolve		
	10,740		Average Industry Volatility ^(d)	28.52% - 111.12%	65.82%
			Risk-Free Interest Rate	0.44% - 1.43%	0.78%
			Estimated Time to Exit (in months)	7 - 47	21
Total Level Three Warrant and Equity Investments	\$ 56,465				

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

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Level Three Equity and Warrant Investments	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/			Weighted Average ^(e)
		Methodologies	Unobservable Input ^(a)	Range	
Equity Investments	\$ 5,898	Market Comparable Companies	EBITDA Multiple ^(b) Revenue Multiple ^(b) Discount for Lack of Marketability ^(c) Average Industry Volatility ^(d) Risk-Free Interest Rate Estimated Time to Exit (in months)	3.3x - 19.5x 0.7x - 3.7x 14.31% - 25.11% 37.72% - 109.64% 0.61% - 1.09% 10 - 26	7.6x 2.1x 18.05% 60.27% 0.74% 15
	30,874	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d) Risk-Free Interest Rate Estimated Time to Exit (in months)	28.52% - 86.41% 0.36% - 1.51% 10 - 47	65.40% 0.80% 17
Warrant Investments	7,904	Market Comparable Companies	EBITDA Multiple ^(b) Revenue Multiple ^(b) Discount for Lack of Marketability ^(c) Average Industry Volatility ^(d) Risk-Free Interest Rate Estimated Time to Exit (in months)	5.1x - 57.9x 0.4x - 9.6x 10.09% - 31.37% 39.51% - 73.36% 0.32% - 1.51% 4 - 47	16.0x 3.0x 23.11% 41.19% 0.87% 23
	10,661	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d) Risk-Free Interest Rate Estimated Time to Exit (in months)	28.52% - 109.64% 0.36% - 1.45% 10 - 44	64.31% 0.85% 20
Total Level Three Warrant and Equity Investments	\$ 55,337				

(a) The significant unobservable inputs used in the fair value measurement of our warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes OPM include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation may result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

(b) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.

(c) Represents amounts used when we have determined market participants would take into account these discounts when pricing the investments.

(d) Represents the range of industry volatility used by market participants when pricing the investment.

(e) Weighted averages are calculated based on the fair market value of each investment.

Income Recognition

We record interest income on an accrual basis and we recognize it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect that principal, interest, and other obligations due will be collected in full, we will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or we believe the portfolio company has demonstrated the ability to repay our current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection.

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At March 31, 2016, the Company had four debt investments on non-accrual with a cumulative investment cost and approximate fair value of \$49.8 million and \$27.2 million, respectively. At December 31, 2015, the Company had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively. In addition, at December 31, 2015, the Company had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest is on non-accrual. During the three months ended March 31, 2016, the Company recognized a realized loss of approximately \$6.2 million on the settlement of one debt investment that was on non-accrual at December 31, 2015. In addition, the Company recognized a realized loss of \$430,000 on the partial write off of one debt investment that was on non-accrual as of December 31, 2015.

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Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our ability to be subject to tax as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately \$1.7 million and \$907,000 in PIK income during the three months ended March 31, 2016 and 2015, respectively.

Fee Income

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

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

Equity Offering Expenses

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

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by us in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method. In accordance with ASU 2015-03, debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, were as follows as of March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016	December 31, 2015
SBA Debentures	\$ 3,203	\$ 3,371
2019 Notes	2,025	2,185
Existing Notes	2,789	2,872
2021 Asset-Backed Notes	2,073	2,305
Convertible Senior Notes	12	44
Wells Facility ⁽¹⁾	737	669
Union Bank Facility ⁽¹⁾	190	229
Total	\$ 11,029	\$ 11,675

(1) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASU 2015-15.

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Cash and Cash Equivalents

Cash and cash equivalents consists solely of funds deposited with financial institutions and short-term liquid investments in money market deposit accounts. Cash and cash equivalents are carried at cost, which approximates fair value.

Other Assets

Other Assets generally consists of prepaid expenses, fixed assets net of accumulated depreciation, deferred revenues and deposits and other assets, including escrow receivable. The escrow receivable balance as of March 31, 2016 was approximately \$3.0 million and was fair valued and held in accordance with ASC Topic 820.

Stock Based Compensation

We have issued and may, from time to time, issue additional stock options and restricted stock to employees under our 2004 Equity Incentive Plan and members of the Board of Directors under our 2006 Equity Incentive Plan. We follow ASC Topic 718, formally known as FASB Statement No. 123R, *Share-Based Payments*, to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Income Taxes

We have elected and expect to qualify to be subject to taxation as a RIC under the Code. Generally, a RIC is entitled to deduct dividends it pays to its shareholders in determining its taxable income. Taxable income includes our taxable interest, dividend and fee income, reduced by deductible expenses, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized.

To qualify and be subject to taxation as a RIC, we are required to meet certain income and asset diversification tests in addition to distributing dividends of an amount at least equal to 90% of the sum of our investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, plus net tax-exempt income (if any) to our stockholders. In connection with satisfying this annual distribution requirement, any undistributed taxable income (subject to a 4% U.S. nondeductible federal excise tax on certain undistributed income and gains, as described below) pertaining to a given taxable year may be distributed as dividends up to 12 months following the end of that taxable year, provided that such dividends are declared on or prior to the later of (i) the timely filing of a U.S. federal income tax return for the applicable taxable year or (ii) the fifteenth day of the ninth month following the close of the taxable year in which we generated such taxable income.

Depending on the level of taxable income earned in a taxable year, we can be expected to carry forward taxable income in excess of dividend distributions actually made and attributable to such taxable year and incur a 4% nondeductible U.S. federal excise tax on such undistributed taxable income, as required. To the extent that we determine that our taxable income for any fiscal year will be in excess of estimated fiscal year distributions from such taxable income, we will accrue excise taxes on the amount of such excess taxable income. We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains).

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Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. For example, permanent differences may result from the classification of certain items, such as the treatment of distributions paid from short-term capital gains as ordinary income dividends for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which, among other things, requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted for certain provisions. We are currently evaluating the impact that ASU 2016-01 will have on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Additionally the ASU requires the classification of all cash payments on leases within operating activities in the Consolidated Statement of Cash Flows. ASU 2016-02 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact that ASU 2016-02 will have on our consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact that ASU 2016-09 will have on our consolidated financial statements and disclosures.

Subsequent Events

Dividend Declaration

On May 23, 2016, we paid a cash dividend of \$0.31 per share to shareholders of record as of May 16, 2016. This dividend represents our forty-third consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$11.85 per share.

Corporate Rebranding

On February 25, 2016, we changed our name to Hercules Capital, Inc. , from Hercules Technology Growth Capital, Inc. We will continue to trade on the NYSE under the HTGC ticker symbol.

Table of Contents**Index to Financial Statements***Share Repurchase Program*

On February 24, 2015, the Board of Directors approved a \$50.0 million open market share repurchase program and on February 17, 2016, the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in our then most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. Subsequent to December 31, 2015 and as of June 14, 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of June 14, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

Restricted Stock Award Grants

In January 2016, the Company granted approximately 536,250 restricted stock awards pursuant to the Plans.

Closed and Pending Commitments

As of June 14, 2016, we have:

Closed debt and equity commitments of approximately \$304.4 million to new and existing portfolio companies and funded approximately \$231.5 million.

Pending commitments (signed non-binding term sheets) of approximately \$250.0 million.

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

Closed Commitments and Pending Commitments (in millions)	
Closed Commitments (as of June 14, 2016) ^(a)	\$ 304.4
Pending Commitments (as of June 14, 2016) ^(b)	\$ 250.0
Closed and Pending Commitments as of June 14, 2016	\$ 554.4

Notes:

a. Closed Commitments may include renewals of existing credit facilities. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.

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

As of June 14, 2016, we held warrants or equity positions in five companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. All five companies filed confidentially under the JOBS Act. There can be no assurance that these companies will complete their IPOs in a timely manner or at all.

Quantitative and Qualitative Disclosure About Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle funds investments. Our investment income will be affected by

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changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of March 31, 2016, approximately 93.1% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can

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also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of March 31, 2016, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

Basis Point Change	Interest Income	Interest Expense	Net Income
(100)	\$ (2,604)	\$ (170)	\$ (2,434)
100	\$ 7,441	\$ 293	\$ 7,148
200	\$ 17,055	\$ 586	\$ 16,469
300	\$ 27,646	\$ 879	\$ 26,767
400	\$ 38,446	\$ 1,172	\$ 37,274
500	\$ 49,437	\$ 1,465	\$ 47,972

We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations (and foreign currency) by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates (and foreign currency), they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the three months ended March 31, 2016 we did not engage in interest rate (or foreign currency) hedging activities.

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including borrowings under our Credit Facilities, SBA debentures, 2019 Notes, Existing Notes and 2021 Asset-Backed Notes that could affect the net increase in net assets resulting from operations, or net income. It also does not assume any repayments from borrowers. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

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

For additional information regarding the interest rate associated with each of our Credit Facilities, SBA debentures, 2019 Notes, Existing Notes and 2021 Asset-Backed Notes please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Outstanding Borrowings in this prospectus supplement.

Disclosure Controls and Procedures

The Company's chief executive and chief financial officers, under the supervision and with the participation of the Company's management, conducted an evaluation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. As of the end of the period covered by this prospectus supplement, the Company's chief executive and chief financial officers have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange

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Act is accumulated and communicated to the Company's management, including the Company's chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial and accounting officer, approved and monitored by the Company's Board of Directors, and implemented by management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

The Company's internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company's consolidated financial statements, as stated in their report, which is included in this prospectus supplement.

Changes in Internal Control over Financial Reporting in 2015

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

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We are offering the Notes described in this prospectus supplement and the accompanying prospectus through a number of underwriters. Keefe, Bruyette & Woods, Inc. and Wells Fargo Securities, LLC are acting as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally and not jointly agreed to purchase from us, the aggregate principal amount of Notes listed next to its name in the following table:

Underwriter	Principal Amount
Keefe, Bruyette & Woods, Inc.	\$
Morgan Stanley & Co. LLC	\$
Wells Fargo Securities, LLC	\$
Janney Montgomery Scott LLC	\$
BB&T Capital Markets, a division of BB&T Securities, LLC	\$
JMP Securities LLC	\$
Ladenburg Thalmann & Co. Inc.	\$
Piper Jaffray & Co.	\$
Wunderlich Securities, Inc.	\$
Total	\$

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Notes sold under the underwriting agreement if any of these Notes are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

An underwriting discount of % per Note will be paid by us. The underwriting discount will also apply to any Notes purchased pursuant to the overallotment option.

The following table shows the total underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Note	Without Option	With Option
Public offering price ⁽¹⁾	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

(1) Plus accrued interest from April 30, 2016.

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The underwriters propose to offer some of the Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the Notes to certain other Financial Industry Regulatory Authority (FINRA) members at the public offering price less a concession not in excess of % of the aggregate principal amount of the Notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of % of the aggregate principal amount of the Notes. After the initial offering of the Notes to the public, the public offering price and such concessions may be changed. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.

The expenses of the offering, including up to \$10,000 in reimbursement of underwriters' counsel fee, but not including the underwriting discount, are estimated at \$500,000 and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to an additional \$ aggregate principal amount of the Notes offered hereby at the public offering price within 30 days from the date of this prospectus supplement solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional Notes proportionate to that underwriter's initial principal amount reflected in the above table.

No Sales of Similar Securities

We have agreed not to directly or indirectly sell, offer to sell, enter into any agreement to sell, or otherwise dispose of, any debt securities issued by the Company which are substantially similar to the Notes or securities convertible into such debt securities which are substantially similar to the Notes for a period of 30 days after the date of this prospectus supplement without first obtaining the written consent of the representatives. This consent may be given at any time without public notice.

Listing

We listed the Existing Notes on the NYSE under the trading symbol HTGX and intend to list the Notes offered hereby under the same trading symbol. We have been advised by certain of the underwriters that certain of the underwriters presently intend to make a market in the Notes after completion of this offering as permitted by applicable laws and regulations. Such underwriters are not obligated, however, to make a market in the Notes and any such market-making may be discontinued at any time in the sole discretion of such underwriters without any notice. Accordingly, no assurance can be given that an active and liquid public trading market for the Notes will develop or be maintained. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

Price Stabilization, Short Positions

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include covering transactions and stabilizing transactions. Overallotment involves sales of securities in excess of the aggregate principal amount of securities to be purchased by the underwriters in the offering, which creates a short position for the underwriters. Covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of securities made for the purpose of preventing or retarding a decline in the market price of the securities while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

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Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be affected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time without any notice relating thereto.

Electronic Offer, Sale and Distribution of Notes

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited principal amount of the Notes for sale to their online brokerage customers.

Other Relationships

The underwriters and their affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Hercules or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Hercules or on behalf of Hercules or any of our portfolio companies.

Keefe, Bruyette & Woods, Inc., Janney Montgomery Scott LLC, BB&T Capital Markets, a division of BB&T Securities, LLC and JMP Securities LLC also were underwriters in connection with the offering of the Existing Notes.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to us or any of our portfolio companies.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if among other things we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of its business and not in connection with the offering of the Notes. In addition, after the offering period for the sale of the Notes, the underwriters or their affiliates may develop analyses or opinions related to Hercules or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding us to our noteholders or any other persons.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the

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Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of Keefe, Bruyette & Woods, Inc. is 787 7th Avenue, Fifth Floor, New York, New York 10019. The principal business address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036. The principal business address of Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, North Carolina 28202.

Other Jurisdictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the Notes offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The Notes offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such Notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus supplement. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy the Notes offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Table of Contents**Index to Financial Statements****CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a general summary of the material U.S. federal income tax considerations (and, in the case of a non-U.S. holder (as defined below), the material U.S. federal estate tax consequences) applicable to an investment in the Notes. This summary deals only with Notes that are purchased for cash in this offering. This summary does not purport to be a complete description of the income and estate tax considerations applicable to such an investment. The discussion is based upon the Code, Treasury Regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect. No assurance can be given that the U.S. Internal Revenue Service (IRS) would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below. You should consult your own tax advisor with respect to tax considerations that pertain to your purchase of our Notes.

This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a hedge against currency risks or as a position in a straddle, hedge, constructive sale transaction or conversion transaction for tax purposes, entities that are tax-exempt for U.S. federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes) and beneficial owners of pass-through entities, or U.S. holders (as defined below) whose functional currency is not the U.S. dollar. In addition, this discussion does not deal with any tax consequences other than U.S. federal income tax consequences. If you are considering purchasing the Notes, you should consult your own tax advisor concerning the application of the U.S. federal income tax laws to you in light of your particular situation, as well as any consequences to you of purchasing, owning and disposing of the Notes under the laws of any other taxing jurisdiction.

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) a trust (a) subject to the control of one or more U.S. persons and the primary supervision of a court in the United States, or (b) that existed on August 20, 1996 and has made a valid election (under applicable Treasury Regulations) to be treated as a domestic trust, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source. The term non-U.S. holder means a beneficial owner of a Note that is neither a U.S. holder nor a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding Notes, and the persons holding interests in such partnerships, should consult their own tax advisors as to the consequences of investing in the Notes in their individual circumstances.

Taxation of Note Holders*Taxation of U.S. Holders.*

We intend to treat, for U.S. federal income tax purposes, the issuance of the Notes as a qualified reopening of our 6.25% Notes due 2024 that were issued on July 14, 2014 with an issue price of 100% of their principal amount. Accordingly, we intend to treat the Notes offered hereby as having the same issue date and the same issue price as those previously issued Notes. The remainder of this summary assumes this treatment.

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Except as discussed below, payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder's regular method of tax accounting.

A portion of the price paid for a Note is attributable to the amount of unpaid interest on the Notes that has accrued from April 30, 2016 (the pre-issuance accrued interest). Pursuant to certain Treasury Regulations, we intend to treat a portion of the first interest payment on the Notes as a return of the pre-issuance accrued interest, rather than an amount payable on such Note. A U.S. holder should be able to treat a portion of the first interest payment on a Note as a non-taxable return of the pre-issuance accrued interest paid by the U.S. holder, rather than as taxable interest, as if the U.S. holder purchased a debt instrument on the secondary market between interest payment dates. The remainder of this discussion assumes that the Notes will be so treated, and all references to interest in the remainder of this discussion exclude references to pre-issuance accrued interest. U.S. holders should consult their own tax advisors concerning the tax treatment of the pre-issuance accrued interest on the Note.

If a U.S. holder purchases a Note for an amount in excess of its stated principal amount the U.S. holder will be considered to have purchased the Note with bond premium equal to the excess of the U.S. holder's purchase price over the principal amount of the Note. A U.S. holder generally may elect to amortize the premium over the remaining term of the Note using a constant yield method. Any amortized amount of the premium for a taxable year generally will be treated first as an offset to interest on the Notes includible in income in such taxable year, then as a deduction allowed in that taxable year to the extent of the U.S. holder's prior interest inclusions on the Notes, and finally as a carryforward allowable against the U.S. holder's future interest inclusions on the Note, in each case, under the U.S. holder's regular accounting method. If a U.S. holder makes this election, the U.S. holder will be required to reduce the U.S. holder's tax basis in the Note by the amount of the premium amortized. If the U.S. holder does not elect to amortize the premium, that premium will decrease the gain or increase the loss the U.S. holder would otherwise recognize on disposition of the Note. An election to amortize premium will also apply to all other taxable debt instruments held or subsequently acquired by such U.S. holder on or after the first day of the first taxable year for which the election is made. Such an election may not be revoked without the consent of the IRS. U.S. holders should consult their own tax advisors about this election.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (excluding amounts representing accrued and unpaid interest, which are treated as ordinary income to the extent not previously included in income and excluding any amounts representing a return of the pre-issuance accrued interest actually received by the U.S. holder) and the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the U.S. holder's initial investment in the Note, (which, for this purpose, should exclude the amount of any pre-issuance accrued interest) reduced by the amount of any bond premium previously amortized by the U.S. holder with respect to the Notes. Capital gain or loss generally will be long-term capital gain or loss if the U.S. holder's holding period in the Note was more than one year. Long-term capital gains generally are taxed at reduced rates for individuals and certain other non-corporate U.S. holders. The distinction between capital gain and loss and ordinary income and loss also is important for purposes of, among other things, the limitations imposed on a U.S. holder's ability to offset capital losses against ordinary income.

Taxation of Non-U.S. Holders. Subject to the discussion of FATCA below, a non-U.S. holder generally will not be subject to U.S. federal income or withholding taxes on payments of principal or interest on a Note provided that (i) income on the Note is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, (ii) the non-U.S. holder is not a controlled foreign corporation related to the Company through stock ownership, (iii) the non-U.S. holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the non-U.S. holder does not own (directly or indirectly, actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (v) the non-U.S. holder provides a valid certification on an IRS Form W-8BEN, Form W-8BEN-E, or other applicable U.S. nonresident withholding tax certification form, certifying its non-U.S. holder status.

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A non-U.S. holder that is not exempt from tax under these rules generally will be subject to U.S. federal income tax withholding on payments of interest on the Notes at a rate of 30% unless (i) the income is effectively connected with the conduct of a U.S. trade or business, so long as the non-U.S. holder has provided an IRS Form W-8ECI or substantially similar substitute form stating that the interest on the Notes is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S. in which case the interest will be subject to U.S. federal income tax on a net income basis as applicable to U.S. holders generally (unless an applicable income tax treaty provides otherwise), or (ii) an applicable income tax treaty provides for a lower rate of, or exemption from, withholding tax. To claim the benefit of an income tax treaty or to claim exemption from withholding because income is effectively connected with a U.S. trade or business, the non-U.S. holder must timely provide the appropriate, properly executed IRS forms. These forms may be required to be updated periodically.

In the case of a non-U.S. holder that is a corporation and that receives income that is effectively connected with the conduct of a U.S. trade or business, such income may also be subject to a branch profits tax (which is generally imposed on a non-U.S. corporation on the actual or deemed repatriation from the United States of earnings and profits attributable to a U.S. trade or business) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if the non-U.S. holder is a qualified resident of a country with which the United States has an income tax treaty. To claim an exemption from withholding because interest on the Notes is effectively connected with a United States trade or business, a non-U.S. holder must timely provide the appropriate, properly executed U.S. nonresident withholding tax certification form (currently on IRS Form W-8ECI) to the applicable withholding agent.

Generally, a non-U.S. holder will not be subject to U.S. federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, provided that the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, if required by an applicable income tax treaty, is not attributable to a United States permanent establishment maintained by the non-U.S. holder). Non-U.S. holders should consult their own tax advisors with regard to whether taxes will be imposed on capital gain in their individual circumstances.

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) generally will not be subject to the U.S. federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual's interest in the Notes is effectively connected with the individual's conduct of a U.S. trade or business.

Information Reporting and Backup Withholding. A U.S. holder (other than an exempt recipient, including a corporation and certain other persons who, when required, demonstrate their exempt status) may be subject to backup withholding on, and to information reporting requirements with respect to, payments of principal and interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes. In general, if a non-corporate U.S. holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding at the applicable rate (currently, 28%) may apply.

In addition, backup withholding tax and certain other information reporting requirements apply to payments of principal and interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes held by a non-U.S. holder, unless an exemption applies. Backup withholding and information reporting will not apply to payments we make to a non-U.S. holder if such non-U.S. holder has provided to the applicable withholding agent under penalties of perjury the required certification of their non-U.S. person status as discussed above (and the applicable withholding agent does not have actual knowledge or reason to know that they are a U.S. person) or if the non-U.S. holder is an exempt recipient.

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If a non-U.S. holder sells or redeems a Note through a U.S. broker or the U.S. office of a foreign broker, the proceeds from such sale or redemption will be subject to information reporting and backup withholding unless such non-U.S. holder provides a withholding certificate or other appropriate documentary evidence establishing that such non-U.S. holder is not a U.S. person to the broker and such broker does not have actual knowledge or reason to know that such non-U.S. holder is a U.S. person, or the non-U.S. holder is an exempt recipient eligible for an exemption from information reporting and backup withholding. If a non-U.S. holder sells or redeems a Note through the foreign office of a broker who is a U.S. person or has certain enumerated connections with the United States, the proceeds from such sale or redemption will be subject to information reporting unless the non-U.S. holder provides to such broker a withholding certificate or other appropriate documentary evidence establishing that the non-U.S. holder is not a U.S. person and such broker does not have actual knowledge or reason to know that such evidence is false, or the non-U.S. holder is an exempt recipient eligible for an exemption from information reporting. In circumstances where information reporting by the foreign office of such a broker is required, backup withholding will be required only if the broker has actual knowledge that the non-U.S. holder is a U.S. person.

You should consult your tax advisor regarding the qualification for an exemption from backup withholding and information reporting and the procedures for obtaining such an exemption, if applicable. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner generally would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is timely furnished to the IRS.

Medicare Tax on Net Investment Income. A tax of 3.8% will be imposed on certain net investment income (or undistributed net investment income, in the case of estates and trusts) received by U.S. holders with modified adjusted gross income above certain threshold amounts. Net investment income as defined for U.S. federal Medicare contribution purposes generally includes interest payments and gain recognized from the sale or other disposition of the Notes. U.S. holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Notes.

FATCA. Certain provisions of the Code, known as FATCA, generally impose a withholding tax of 30% on certain payments to certain foreign entities (including financial intermediaries) unless various U.S. information reporting and diligence requirements (that are in addition to and significantly more onerous than, the requirement to deliver an applicable IRS Form W-8, as discussed above) and certain other requirements have been satisfied. FATCA withholding generally applies to payments of interest and, after December 31, 2018, payments of gross proceeds (including principal payments) from the sale or other disposition of debt securities that can produce U.S. source interest (such as Notes). Persons located in jurisdictions that have entered into an intergovernmental agreement with the U.S. to implement FATCA may be subject to different rules. Non-U.S. holders, and U.S. holders that will hold their Notes through foreign entities, considering purchasing the Notes should consult their own tax advisors regarding the effect, if any, of these withholding and reporting provisions.

You should consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.

LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Dechert LLP, Philadelphia, PA. Certain legal matters in connection with the securities offered hereby will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, NY.

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EXPERTS

The consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2015 included in this prospectus supplement have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our securities offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and our securities being offered by this prospectus supplement and the accompanying prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus supplement and accompanying prospectus form a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 202-551-8090. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet website at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Board of Directors and Shareholders of

Hercules Capital, Inc.

In our opinion, the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, and the related consolidated statements of operations, of changes in net assets, and of cash flows present fairly, in all material respects, the financial position of Hercules Capital, Inc. (formerly known as Hercules Technology Growth Capital, Inc.) and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing on page 109. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. Our procedures included confirmation of securities at December 31, 2015 by correspondence with the custodian, borrowers and brokers, and where replies were not received, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

February 25, 2016

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(in thousands, except per share data)

	December 31, 2015	December 31, 2014
Assets		
Investments:		
Non-control/Non affiliate investments:		
Debt investments (cost of \$1,150,103 and \$948,989, respectively)	\$ 1,109,196	\$ 922,306
Equity investments (cost of \$50,305 and \$34,626, respectively)	60,781	65,554
Warrant investments (cost of \$38,131 and \$36,184, respectively)	22,675	24,878
Total Non-control/Non-affiliate investments (cost of \$1,238,539 and \$1,019,799, respectively)	1,192,652	1,012,738
Affiliate investments:		
Debt investments (cost of \$2,200 and \$2,993, respectively)	1,013	1,600
Equity investments (cost of \$8,912 and \$9,837, respectively)	6,661	6,179
Warrant investments (cost of \$2,630 and \$2,708, respectively)	312	220
Total Affiliate investments (cost of \$13,742 and \$15,538, respectively)	7,986	7,999
Total investments, at value (cost of \$1,252,281 and \$1,035,337, respectively)	1,200,638	1,020,737
Cash and cash equivalents	95,196	227,116
Restricted cash	9,191	12,660
Interest receivable	9,239	9,453
Other assets	20,497	29,257
Total assets	\$ 1,334,761	\$ 1,299,223
Liabilities		
Accounts payable and accrued liabilities	\$ 17,241	\$ 14,101
Long-term Liabilities (Convertible Senior Notes)	17,522	17,345
Wells Facility	50,000	
2017 Asset-Backed Notes		16,049
2021 Asset-Backed Notes	129,300	129,300
2019 Notes	110,364	170,364
2024 Notes	103,000	103,000
Long-Term SBA Debentures	190,200	190,200
Total liabilities	\$ 617,627	\$ 640,359
Commitments and Contingencies (Note 10)		
Net assets consist of:		
Common stock, par value	73	65
Capital in excess of par value	752,244	657,233
Unrealized depreciation on investments ⁽¹⁾	(52,808)	(17,076)
Accumulated realized gains on investments	27,993	14,079
Undistributed net investment income (Distributions in excess of net investment income)	(10,368)	4,563
Total net assets	\$ 717,134	\$ 658,864
Total liabilities and net assets	\$ 1,334,761	\$ 1,299,223

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Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)		72,118		64,715
Net asset value per share	\$	9.94	\$	10.18

- (1) Amounts includes \$1.2 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and Citigroup warrant participation agreement liabilities.

See notes to consolidated financial statements.

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The following table presents the assets and liabilities of our consolidated securitization trusts for the asset-backed notes (see Note 4), which are variable interest entities (VIE). The assets of our securitization VIEs can only be used to settle obligations of our consolidated securitization VIEs, these liabilities are only the obligations of our consolidated securitization VIEs, and the creditors (or beneficial interest holders) do not have recourse to our general credit. These assets and liabilities are included in the Consolidated Statements of Assets and Liabilities above.

(Dollars in thousands)	December 31, 2015	December 31, 2014
Assets		
Restricted Cash	\$ 9,191	\$ 12,660
Total investments, at value (cost of \$258,748 and \$296,314, respectively)	257,657	291,464
Total assets	\$ 266,848	\$ 304,124
Liabilities		
Asset-Backed Notes	\$ 129,300	\$ 145,349
Total liabilities	\$ 129,300	\$ 145,349

See notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	For the Year Ended December 31,		
	2015	2014	2013
Investment income:			
Interest income			
Non-Control/Non-Affiliate investments	\$ 139,919	\$ 124,776	\$ 121,302
Affiliate investments	347	1,842	2,369
Total interest income	140,266	126,618	123,671
Fees			
Non-Control/Non-Affiliate investments	16,865	17,013	16,016
Affiliate investments	1	34	26
Total fees	16,866	17,047	16,042
Total investment income	157,132	143,665	139,713
Operating expenses:			
Interest	30,834	28,041	30,334
Loan fees	6,055	5,919	4,807
General and administrative	16,658	10,209	9,354
Employee Compensation:			
Compensation and benefits	20,713	16,604	16,179
Stock-based compensation	9,370	9,561	5,974
Total employee compensation	30,083	26,165	22,153
Total operating expenses	83,630	70,334	66,648
Loss on debt extinguishment (Long-term Liabilities Convertible Senior Notes)	(1)	(1,581)	
Net investment income	73,501	71,750	73,065
Net realized gain on investments			
Non-Control/Non-Affiliate investments	5,147	20,112	14,836
Total net realized gain on investments	5,147	20,112	14,836
Net change in unrealized appreciation (depreciation) on investments			
Non-Control/Non-Affiliate investments	(36,839)	(17,392)	12,370
Affiliate investments	1,107	(3,282)	(825)
Total net unrealized appreciation (depreciation) on investments	(35,732)	(20,674)	11,545
Total net realized and unrealized gain (loss)	(30,585)	(562)	26,381
Net increase in net assets resulting from operations	\$ 42,916	\$ 71,188	\$ 99,446

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Net investment income before investment gains and losses per common share:				
Basic	\$	1.04	\$ 1.13	\$ 1.22
Change in net assets resulting from operations per common share:				
Basic	\$	0.60	\$ 1.12	\$ 1.67
Diluted	\$	0.59	\$ 1.10	\$ 1.63
Weighted average shares outstanding				
Basic		69,479	61,862	58,838
Diluted		69,663	63,225	60,292
Dividends declared per common share:				
Basic		\$ 1.24	\$ 1.24	\$ 1.11
	See notes to consolidated financial statements.			

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HERCULES CAPITAL, INC.

(FORMERLY KNOWN AS HERCULES TECHNOLOGY GROWTH CAPITAL, INC.)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(dollars and shares in thousands)

	Common Stock		Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Undistributed Net Investment Income/ (Distributions in Excess of Investment Income)	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value						
Balance at December 31, 2012	52,925	\$ 53	\$ 564,508	\$ (7,947)	\$ (36,916)	\$ (3,388)	\$ (342)	\$ 515,968
Net increase (decrease) in net assets resulting from operations				11,545	14,836	73,065		99,446
Public offering, net of offering expenses	8,050	8	95,529					95,537
Issuance of common stock due to stock option exercises	2,019	2	25,245					25,247
Retired shares from net issuance	(1,739)	(2)	(26,112)					(26,114)
Issuance of common stock under restricted stock plan	606	1	(1)					
Retired shares for restricted stock vesting	(183)		(1,878)					(1,878)
Issuance of common stock as stock dividend	159		2,201					2,201
Dividends distributed						(66,454)		(66,454)
Stock-based compensation			6,054					6,054
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(8,952)		6,840	2,112		
Balance at December 31, 2013	61,837	\$ 62	\$ 656,594	\$ 3,598	\$ (15,240)	\$ 5,335	\$ (342)	\$ 650,007
Net increase (decrease) in net assets resulting from operations		\$	\$	\$ (20,674)	\$ 20,112	\$ 71,750	\$	\$ 71,188
Public offering, net of offering expenses	2,111	2	9,007					9,009
Issuance of common stock due to stock option exercises	354		3,955					3,955
Retired shares from net issuance	(277)		(4,564)					(4,564)
Issuance of common stock under restricted stock plan	990	1	(1)					
Retired shares for restricted stock vesting	(397)		(3,292)					(3,292)
Issuance of common stock as stock dividend	97		1,485					1,485
Dividends distributed						(78,562)		(78,562)
Stock-based compensation			9,638					9,638
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(15,589)		9,207	6,382		
Balance at December 31, 2014	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations		\$	\$	\$ (35,732)	\$ 5,147	\$ 73,501	\$	\$ 42,916

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Public offering, net of offering expenses	7,591	8	100,084					100,092
Acquisition of common stock under repurchase plan	(437)		(4,644)					(4,644)
Issuance of common stock due to stock option exercises	64		427					427
Retired shares from net issuance	(29)		(423)					(423)
Issuance of common stock under restricted stock plan	676	1	(1)					
Retired shares for restricted stock vesting	(662)	(1)	(4,566)					(4,567)
Issuance of common stock as stock dividend	200		2,446					2,446
Dividends distributed						(87,438)		(87,438)
Stock-based compensation			9,461					9,461
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(7,773)		8,767	(994)		
Balance at December 31, 2015	72,118	\$ 73	\$ 752,244	\$ (52,808)	\$ 27,993	\$ (10,026)	\$ (342)	\$ 717,134

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

(FORMERLY KNOWN AS HERCULES TECHNOLOGY GROWTH CAPITAL, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Year Ended		
	2015	2014	2013
Cash flows from operating activities:			
Net increase in net assets resulting from operations	\$ 42,916	\$ 71,188	\$ 99,446
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(712,701)	(623,232)	(487,558)
Principal and fee payments received on investments	509,593	503,003	477,535
Proceeds from the sale of investments	17,892	33,432	44,832
Net unrealized depreciation (appreciation) on investments	35,732	20,674	(11,545)
Net realized gain on investments	(5,147)	(20,112)	(14,836)
Accretion of paid-in-kind principal	(4,037)	(2,549)	(3,103)
Accretion of loan discounts	(8,049)	(9,792)	(6,652)
Accretion of loan discount on Convertible Senior Notes	246	843	1,083
Loss on debt extinguishment (Long-term Liabilities - Convertible Senior Notes)	1	1,581	
Payment of loan discount on Convertible Senior Notes	(5)	(4,195)	
Accretion of loan exit fees	(14,947)	(11,541)	(9,251)
Change in deferred loan origination revenue	1,904	(281)	1,409
Unearned fees related to unfunded commitments	(2,064)	(259)	(1,525)
Amortization of debt fees and issuance costs	5,161	5,256	4,044
Depreciation	193	266	252
Stock-based compensation and amortization of restricted stock grants	9,461	9,638	6,054
Change in operating assets and liabilities:			
Interest and fees receivable	213	(490)	672
Prepaid expenses and other assets	4,826	1,351	926
Accounts payable	(639)	271	54
Accrued liabilities	5,090	(1,583)	1,757
Net cash provided by (used in) operating activities	(114,361)	(26,531)	103,594
Cash flows from investing activities:			
Purchases of capital equipment	(187)	(190)	(311)
Reduction of (investment in) restricted cash	3,469	(6,389)	(6,271)
Other long-term assets		25	
Net cash provided by (used in) investing activities	3,282	(6,554)	(6,582)
Cash flows from financing activities:			
Issuance of common stock, net	100,092	9,837	95,120
Repurchase of common stock, net	(4,645)		
Retirement of employee shares	(4,562)	(3,901)	(2,744)
Dividends paid	(84,992)	(77,076)	(64,252)
Issuance of 2024 Notes Payable		103,000	
Issuance of 2021 Asset-Backed Notes		129,300	
Repayments of 2017 Asset-Backed Notes	(16,049)	(73,508)	(39,743)
Repayments of Long-Term SBA Debentures		(34,800)	
Repayments of 2019 Notes	(60,000)		
Borrowings of credit facilities	138,689		
Repayments of credit facilities	(88,689)		

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Cash paid for debt issuance costs		(6,669)	
Cash paid for redemption of Convertible Senior Notes	(65)	(53,131)	
Fees paid for credit facilities and debentures	(620)	(1,219)	(19)
Net cash used in financing activities	(20,841)	(8,167)	(11,638)
Net increase (decrease) in cash and cash equivalents	(131,920)	(41,252)	85,374
Cash and cash equivalents at beginning of period	227,116	268,368	182,994
Cash and cash equivalents at end of period	\$ 95,196	\$ 227,116	\$ 268,368

Supplemental non-cash investing and financing activities:

Interest paid	\$ 30,527	\$ 25,738	\$ 25,245
Income taxes paid	\$ 973	\$ 133	\$ 85
Dividends Reinvested	\$ 2,446	\$ 1,485	\$ 2,201

See notes to consolidated financial statements.

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Debt Investments							
Communications & Networking							
1-5 Years Maturity							
Avanti Communications Group ⁽⁴⁾⁽⁹⁾	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 10,000	\$8,900	\$7,812
OpenPeak, Inc. ⁽⁷⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 12,370	9,134	2,444
SkyCross, Inc. ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 7.70%			
				or Floor rate of 10.95%,			
				PIK Interest 5.00%	\$ 19,649	20,080	14,859
Spring Mobile Solutions, Inc. ⁽¹³⁾	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70%			
				or Floor rate of 9.95%	\$ 3,000	2,935	2,935
Subtotal: 1-5 Years Maturity						41,049	28,050
Subtotal: Communications & Networking (3.91%)*						41,049	28,050
Consumer & Business Products							
Under 1 Year Maturity							
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	June 2016	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 308	308	308
Subtotal: Under 1 Year Maturity						308	308
1-5 Years Maturity							
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%,			
				PIK Interest 2.50%	\$ 4,955	4,785	4,783
Miles, Inc. (p.k.a. Fluc, Inc.) ⁽⁸⁾	Consumer & Business Products	Convertible Debt	March 2017	Interest rate FIXED 4.00%	\$ 100	100	
Nasty Gal ⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 15,000	14,876	14,876

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The Neat Company ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	September 2017	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%,			
				PIK Interest 1.00%	\$ 15,936	15,545	5,527
Subtotal: 1-5 Years Maturity						35,306	25,186
Subtotal: Consumer & Business Products (3.55%)*						35,614	25,494
Drug Delivery							
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				or Floor rate of 9.10%	\$ 20,466	20,772	20,678
Agile Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%	\$ 16,500	16,231	16,107
BIND Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 5.10%			
				or Floor rate of 8.35%	\$ 15,000	15,119	15,044
BioQ Pharma Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 10,000	10,180	10,066
	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 7.00%			
				or Floor rate of 10.50%	\$ 3,000	2,962	2,962
Total BioQ Pharma Incorporated					\$ 13,000	13,142	13,028
Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 14,573	14,594	14,609
Celsion Corporation ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 6,346	6,501	6,544
Dance Biopharm, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40%			
				or Floor rate of 10.65%	\$ 2,705	2,776	2,757

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Edge Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%	\$ 5,466	\$ 5,431	\$ 5,455
Egalet Corporation ⁽¹¹⁾⁽¹³⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.15%			
				or Floor rate of 9.40%	\$ 15,000	14,967	15,036
Neos Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 5.75%			
				or Floor rate of 9.00%	\$ 10,000	10,000	10,007
	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$ 10,000	10,043	9,998
	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 5.75%			
				or Floor rate of 9.00%	\$ 5,000	4,977	4,957
Total Neos Therapeutics, Inc. Pulmatrix Inc. ⁽⁸⁾⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%	\$ 25,000	25,020	24,962
				or Floor rate of 9.50%	\$ 7,000	6,877	6,856
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%			
				or Floor rate of 7.95%	\$ 15,000	14,925	14,781
Subtotal: 1-5 Years Maturity						156,355	155,857
Subtotal: Drug Delivery (21.73%)*						156,355	155,857
Drug Discovery & Development							
1-5 Years Maturity							
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 6.65%			
				or Floor rate of 11.90%	\$ 10,000	10,076	9,944
Cerecor, Inc. ⁽¹³⁾	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 4.70%			
				or Floor rate of 7.95%	\$ 5,688	5,705	5,740
Cerulean Pharma, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 1.55%			
				or Floor rate of 7.30%	\$ 21,000	21,132	21,109
		Senior Secured		Interest rate PRIME + 7.70%	\$ 25,000	25,507	25,550

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CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development		December 2018	or Floor rate of 10.95%			
Epirus Biopharmaceuticals, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70%			
				or Floor rate of 7.95%	\$ 15,000	14,852	14,924
Genocea Biosciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 3.75%			
				or Floor rate of 7.25%	\$ 17,000	17,008	16,948
Immune Pharmaceuticals ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 10.00%	\$ 4,500	4,374	4,374
Insmmed, Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.25%	\$ 25,000	25,128	24,991
Mast Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 5.70%			
				or Floor rate of 8.95%	\$ 15,000	14,808	14,808
Melinta Therapeutics ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 3.75%			
				or Floor rate of 8.25%	\$ 30,000	29,843	29,703
Merrimack Pharmaceuticals, Inc. ⁽⁹⁾	Drug Discovery & Development	Senior Secured	December 2022	Interest rate FIXED 11.50%	\$ 25,000	25,000	25,000
Neothetics, Inc. (p.k.a. Lithera, Inc.) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 5.75%			
				or Floor rate of 9.00%	\$ 10,000	9,966	9,940
Neuralstem, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	April 2017	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%	\$ 8,335	8,418	8,397
Paratek Pharmaceutcals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75%			
				or Floor rate of 8.50%	\$ 20,000	19,828	19,828
uniQure B.V. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.00%			
				or Floor rate of 10.25%	\$ 20,000	19,956	19,929
XOMA Corporation ⁽⁹⁾⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 2.15%			
				or Floor rate of 9.40%	\$ 20,000	19,974	19,815
Subtotal: 1-5 Years Maturity						271,575	271,000
Subtotal: Drug Discovery & Development (37.79%)*						271,575	271,000

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Electronics & Computer Hardware							
1-5 Years Maturity							
Persimmon Technologies ⁽¹³⁾	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 7,000	\$ 6,873	\$ 6,873
Subtotal: 1-5 Years Maturity						6,873	6,873
Subtotal: Electronics & Computer Hardware (0.96%)*						6,873	6,873
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Agrivida, Inc. ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 4,362	4,587	4,587
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 3,667	4,106	4,106
Fluidic, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 784	931	931
Polyera Corporation ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 637	890	890
Stion Corporation ⁽⁵⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 2,200	2,200	1,013
Sungevity, Inc. ⁽¹¹⁾	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 20,000	20,000	20,000
Subtotal: Under 1 Year Maturity						32,714	31,527
1-5 Years Maturity							
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 1,500	1,496	1,484
Amyris, Inc. ⁽⁹⁾⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 17,543	17,543	17,499

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	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 3,497	3,497	3,488
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 10,960	11,045	11,045
Total Amyris, Inc. Modumetal, Inc. ⁽¹³⁾					\$ 32,000	32,085	32,032
	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$ 1,759	2,062	2,032
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 7,061	7,101	7,080
Total Modumetal, Inc. Polyera Corporation ⁽¹³⁾					\$ 8,820	9,163	9,112
	Sustainable and Renewable Technology	Senior Secured	January 2017	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 1,254	1,455	1,455
Proterra, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95% or Floor rate of 10.20%	\$ 25,000	24,995	24,550

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Sungevity, Inc. ⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 35,000	\$ 34,733	\$ 34,773
Tendrill Networks ⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,735	14,477
Subtotal: 1-5 Years Maturity						118,662	117,883
Subtotal: Sustainable and Renewable Technology (20.83%)*						151,376	149,410
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10% or Floor rate of 9.35%	\$ 5,000	4,907	4,918
InstaMed Communications, LLC ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,048	10,049
Subtotal: 1-5 Years Maturity						14,955	14,967
Subtotal: Healthcare Services, Other (2.09%)*						14,955	14,967
Information Services							
Under 1 Year Maturity							
Eccentex Corporation ⁽¹³⁾⁽¹⁶⁾	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 13	28	28
InXpo, Inc. ⁽¹³⁾⁽¹⁴⁾	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 1,589	1,624	1,624
Subtotal: Under 1 Year Maturity						1,652	1,652
Subtotal: Information Services (0.23%)*						1,652	1,652
Internet Consumer & Business Services							
Under 1 Year Maturity							

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NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹⁴⁾	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%			
					\$ 381	373	
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%			
					\$ 45	45	
Total NetPlenish					\$ 426	418	
Subtotal: Under 1 Year Maturity							418
1-5 Years Maturity							
Aria Systems, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20%			
				or Floor rate of 8.95%,			
				PIK Interest 1.95%	\$ 18,101	17,850	17,673
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20%			
				or Floor rate of 6.95%,			
				PIK Interest 1.95%	\$ 2,021	1,995	1,972
Total Aria Systems, Inc.					\$ 20,122	19,845	19,645
One Planet Ops Inc. (p.k.a. Reply! Inc.) ⁽⁷⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25%			
				or Floor rate of 7.50%	\$ 6,321	5,811	5,811
	Internet Consumer & Business Services	Senior Secured	March 2019	PIK Interest 2.00%	\$ 2,129	2,129	55
Total One Planet Ops Inc. (p.k.a. Reply! Inc.)					\$ 8,450	7,940	5,866

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
ReachLocal ⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50% or Floor rate of 11.75%	\$ 25,000	\$ 24,868	\$ 24,769
Tapjoy, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 20,000	19,598	19,514
Tectura Corporation ⁽⁷⁾⁽¹²⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 6,468	6,468	4,851
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 8,170	8,170	6,128
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 563	563	422
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	5,000	3,750
Total Tectura Corporation					\$ 20,201	20,201	15,151
Subtotal: 1-5 Years Maturity						92,452	84,945
Subtotal: Internet Consumer & Business Services (11.85%)*						92,870	84,945
Media/Content/Info							
Under 1 Year Maturity							
Zoom Media Group, Inc.	Media/Content/Info	Senior Secured	January 2016	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 5,060	5,060	5,060
Subtotal: Under 1 Year Maturity						5,060	5,060
1-5 Years Maturity							
Machine Zone, Inc. ⁽¹²⁾	Media/Content/Info	Senior Secured	May 2018	Interest rate PRIME + 2.50% or Floor rate of 6.75%,	\$ 90,729	88,730	88,101

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PIK Interest 3.00%

Subtotal: 1-5 Years Maturity 88,730 88,101

Subtotal: Media/Content/Info (12.99%)* 93,790 93,161

**Medical Devices & Equipment
Under 1 Year Maturity**

Medrobotics Corporation ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85%			
				or Floor rate of 11.10%	\$ 576	735	735
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) ⁽¹³⁾	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 292	700	700

Subtotal: Under 1 Year Maturity 1,435 1,435

1-5 Years Maturity

Amedica Corporation ⁽⁸⁾⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20%			
				or Floor rate of 12.45%	\$ 17,051	17,642	17,350
Aspire Bariatrics, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00%			
				or Floor rate of 9.25%	\$ 7,000	6,771	6,739
Avedro, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 12,500	12,391	12,201
Flowonix Medical Incorporated ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 10.00%	\$ 15,000	15,071	14,974
Gamma Medica, Inc. ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 4,000	4,009	3,989

See notes to consolidated financial statements.

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Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2015****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00%			
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹³⁾				or Floor rate of 10.50%	\$ 5,009	\$ 5,380	\$ 3,764
Quanterix Corporation ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 9,661	9,718	9,659
SynergEyes, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 4,263	4,516	4,464
Subtotal: 1-5 Years Maturity						75,498	73,140
Subtotal: Medical Devices & Equipment (10.40%)*						76,933	74,575
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Senior Secured	July 2016	Interest rate PRIME + 4.75%			
				or Floor rate of 8.00%	\$ 5,000	5,000	5,000
Subtotal: Under 1 Year Maturity						5,000	5,000
1-5 Years Maturity							
Achronix Semiconductor Corporation ⁽¹³⁾⁽¹⁴⁾	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 5,000	5,027	4,999
Aquantia Corporation	Semiconductors	Senior Secured	February 2017	Interest rate PRIME + 2.95%			
				or Floor rate of 6.20%	\$ 5,001	5,001	5,001
Avnera Corporation ⁽¹⁰⁾⁽¹³⁾	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 7,500	7,498	7,568
Subtotal: 1-5 Years Maturity						17,526	17,568
Subtotal: Semiconductors (3.15%)*						22,526	22,568
Software							
Under 1 Year Maturity							

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Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁶⁾	Software	Senior Secured	December 2015	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 3,300	3,465	3,465
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%,			
				PIK Interest 10.75%	\$ 1,335	1,350	875
Neos, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	May 2016	Interest rate PRIME + 6.75%			
				or Floor rate of 10.50%	\$ 729	895	895
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Senior Secured	August 2016	Interest rate PRIME + 2.25%			
				or Floor rate of 6.50%	\$ 5,511	5,511	5,511
Subtotal: Under 1 Year Maturity						11,221	10,746
1-5 Years Maturity							
Actifio, Inc. ⁽¹²⁾	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25%			
				or Floor rate of 8.25%,			
				PIK Interest 2.25%	\$ 30,263	30,019	29,712
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 5,475	5,490	5,490
Druva, Inc. ⁽¹⁰⁾⁽¹³⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$ 12,000	12,080	12,034
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%,			
				PIK Interest 10.75%	\$ 11,082	11,174	7,245
Message Systems, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$ 17,500	17,103	17,013
	Software	Senior Secured	February 2017	Interest rate PRIME + 2.75%			
				or Floor rate of 6.00%	\$ 1,618	1,618	1,616
Total Message Systems, Inc.					\$ 19,118	18,721	18,629

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
RedSeal Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25%			
				or Floor rate of 6.50%	\$ 3,000	\$ 3,000	\$ 2,987
	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 5,000	5,006	4,979
Total RedSeal Inc.					\$ 8,000	8,006	7,966
Soasta, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25%			
				or Floor rate of 5.50%	\$ 3,500	3,432	3,419
	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 8.00%	\$ 15,000	14,699	14,646
Total Soasta, Inc.					\$ 18,500	18,131	18,065
Touchcommerce, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 10.25%	\$ 12,000	11,853	11,721
Subtotal: 1-5 Years Maturity						115,474	110,862
Subtotal: Software (16.96%)*						126,695	121,608
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾	Specialty Pharmaceuticals	Senior Secured	August 2016	Interest rate LIBOR + 8.25%			
				or Floor rate of 9.50%	\$ 1,100	1,100	1,100
Subtotal: Under 1 Year Maturity						1,100	1,100
1-5 Years Maturity							
Alimera Sciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%			
				or Floor rate of 10.90%	\$ 35,000	34,296	34,309
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Specialty Pharmaceuticals	Senior Secured	August 2017	Interest rate LIBOR + 9.55%	\$ 10,041	10,164	10,235
				or Floor rate of 10.80%			

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				PIK Interest 1.35%			
Jaguar Animal Health, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%			
				or Floor rate of 9.90%	\$ 6,000	6,009	6,009
Subtotal: 1-5 Years Maturity						50,469	50,553
Subtotal: Specialty Pharmaceuticals (7.20%)*						51,569	51,653
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. ⁽¹³⁾	Surgical Devices	Senior Secured	March 2019	Interest rate PRIME + 5.30%			
				or Floor rate of 9.55%	\$ 8,500	8,471	8,396
Subtotal: 1-5 Years Maturity						8,471	8,396
Subtotal: Surgical Devices (1.17%)*						8,471	8,396
Total Debt Investments (154.81%)*						1,152,303	1,110,209

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. ⁽¹⁴⁾	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 532
Subtotal: Biotechnology Tools (0.07%)*					500	532
Communications & Networking						
GlowPoint, Inc. ⁽³⁾	Communications & Networking	Equity	Common Stock	114,192	102	57
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,380
Subtotal: Communications & Networking (0.62%)*					1,102	4,437
Consumer & Business Products						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		217
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	3
Total Market Force Information, Inc.				668,231	500	220
Subtotal: Consumer & Business Products (0.03%)*					500	220
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	304
Subtotal: Diagnostic (0.04%)*					750	304
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	54,240	108	209
BioQ Pharma Incorporated ⁽¹⁴⁾	Drug Delivery	Equity	Preferred Series D	165,000	500	660
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	157,190	1,000	1,965
Merrion Pharmaceuticals, Plc ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Equity	Common Stock	125,000	1,500	1,790
Revanche Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	22,765	557	778
Subtotal: Drug Delivery (0.75%)*					3,674	5,402
Drug Discovery & Development						
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾		Equity	Common Stock	167,864	842	212

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	Drug Discovery & Development					
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	399
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	379
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,695
Dynavax Technologies ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	483
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	618
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,178
Inotek Pharmaceuticals Corporation ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	43
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	1,284
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,026
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,450
Subtotal: Drug Discovery & Development (1.36%)*				14,635	9,767	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	\$ 34	\$ 13
Subtotal: Electronics & Computer Hardware (0.00%)*					34	13
Sustainable and Renewable Technology						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	6
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	455
SCIenergy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	
Sungevity, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,912
Subtotal: Sustainable and Renewable Technology (1.03%)*					8,176	7,373
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	244
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	264
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	249
Total Lightspeed POS, Inc.				428,707	500	513
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	349
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	248
Total Oportun (p.k.a. Progress Financial)				306,153	500	597
Philotic, Inc.	Internet Consumer & Business	Equity	Common Stock	9,023	93	

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	Services					
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	28
Taptera, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	454,545	150	99
Subtotal: Internet Consumer & Business Services (0.21%)*					1,433	1,481
Medical Devices & Equipment						
AtriCure, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	266	155
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,953
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	198,202		1,005
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	1,051
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	1,012
Total Gelesis, Inc.				581,038	925	3,068

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	\$ 250	\$ 208
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	189
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	500
Total Medrobotics Corporation				374,703	905	897
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	565
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	169
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,927
Total Optiscan Biomedical, Corp.				63,216,799	8,912	6,661
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	266
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	543
Subtotal: Medical Devices & Equipment (1.89%)*					14,535	13,543
Software						
Box, Inc. ⁽³⁾⁽¹⁴⁾	Software	Equity	Common Stock	1,287,347	5,653	17,957
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,031
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,368
	Software	Equity	Preferred Series E	80,587	131	350
Total ForeScout Technologies, Inc.				399,686	529	1,718
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Equity	Preferred Series E	669,173	963	1,016
WildTangent, Inc. ⁽¹⁴⁾	Software	Equity	Preferred Series 3	100,000	402	190
Subtotal: Software (3.07%)*					8,905	21,991
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
		Equity	Preferred Series E-1	26,955		

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	Specialty Pharmaceuticals					
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	32
	Surgical Devices	Equity	Preferred Series C	656,538	282	46
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	637
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	422
Total Gynesonics, Inc.				5,652,395	1,673	1,137
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	154
	Surgical Devices	Equity	Preferred Series C	119,999	300	96
	Surgical Devices	Equity	Preferred Series D	260,000	650	521
	Surgical Devices	Equity	Preferred Series F	100,200	500	471
Total Transmedics, Inc.				569,160	2,550	1,242
Subtotal: Surgical Devices (0.33%)*					4,223	2,379
Total: Equity Investments (9.40%)*					59,217	67,442

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc. ⁽¹⁴⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	\$ 323	\$ 187
Subtotal: Biotechnology Tools (0.03%)*					323	187
Communications & Networking						
Intelepeer, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	62
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	375
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	236
SkyCross, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	53
Subtotal: Communications & Networking (0.10%)*					1,271	726
Consumer & Business Products						
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	2
Intelligent Beauty, Inc. ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	214
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	651
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A-1	150,212	24	10
Nasty Gal ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	20
The Neat Company ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.13%)*					1,946	897
Diagnostic						
	Diagnostic	Warrant	Common Stock	333,333	244	17

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Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe)⁽³⁾⁽¹⁴⁾

Subtotal: Diagnostic (0.00%)* 244 17

Drug Delivery

AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	176,730	786	238
Agile Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	180,274	730	680
BIND Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	152,586	488	6
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	423
Celator Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	210,675	138	59
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	20
Dance Biopharm, Inc. ⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	43,813	74	55
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	78,595	390	417
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,217
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	70,833	285	275
Pulmatrix Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	25,150	116	12
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽³⁾	Drug Delivery	Warrant	Common Stock	72,379	266	4

Subtotal: Drug Delivery (0.47%)* 4,296 3,406

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Drug Discovery & Development						
ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	\$ 295	\$ 98
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	608,696	194	216
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	10
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	171,901	369	90
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	5
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	368
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	292,398	165	59
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	55
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	11
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	92
Immune Pharmaceuticals ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	214,853	164	40
Mast Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	1,524,389	203	215
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	130
Nanotherapeutics, Inc. ⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,762
Neothetics, Inc. (p.k.a. Lithera, Inc) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	2
Neuralstem, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	12
Paratek Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	21,467	129	36
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	183
XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	181,268	279	115

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Subtotal: Drug Discovery & Development (0.49%)* 6,551 3,499

Electronics & Computer Hardware

Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	42

Subtotal: Electronics & Computer Hardware (0.01%)* 52 42

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	\$ 120	\$ 38
Alphabet Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	159
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	82
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	6
Calera, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	176
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	43
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	152
GreatPoint Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	10
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	397,931	37	50
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 1	145,811	50	
Total SCIEnergy, Inc.				676,622	231	
Scifiniti (p.k.a. Integrated Photovoltaics, Inc.) ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	82	48
Solexel, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	466
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	569
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	525
Total Sungevity, Inc.				52,472,222	1,445	1,094
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	188	242

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TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	85
Trilliant, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	53
Subtotal: Sustainable and Renewable Technology (0.38%)*					7,686	2,704
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽¹⁴⁾	Healthcare Services, Other	Warrant	Common Stock	419,020	157	164
Subtotal: Healthcare Services, Other (0.02%)*					157	164
Information Services						
Cha Cha Search, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	46,874	82	3
InXpo, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,032,416	74	
Total InXpo, Inc.				1,680,816	172	2
RichRelevance, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.00%)*					410	5

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	\$ 73	\$ 88
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	148
CashStar, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	34
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,104
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	82
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	104
Prism Education Group, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ReachLocal ⁽³⁾	Internet Consumer & Business Services	Warrant	Common Stock	300,000	155	290
ShareThis, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	93
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	8
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.27%)*					3,151	1,951
Media/Content/Info						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	143,626	1,802	2,086
Rhapsody International, Inc. ⁽¹⁴⁾	Media/Content/Info	Warrant	Common Stock	715,755	384	218
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	23
Subtotal: Media/Content/Info (0.32%)*					2,534	2,327
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	1,548,387	459	31
Aspire Bariatrics, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	236
Avedro, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	142
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	110,947	203	428
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	144

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Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	262
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	244
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	19
NinePoint Medical, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	119
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	\$ 1,252	\$ 312
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	63
Total Oraya Therapeutics, Inc.				1,633,038	742	63
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	298
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	115,618	156	60
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	84
Subtotal: Medical Devices & Equipment (0.34%)*					6,564	2,442
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Warrant	Preferred Series C	360,000	160	27
	Semiconductors	Warrant	Preferred Series D-1	500,000	6	6
Total Achronix Semiconductor Corporation				860,000	166	33
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	39
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	47	65
Subtotal: Semiconductors (0.02%)*					217	137
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	210
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁴⁾	Software	Warrant	Preferred Series B	413,433	258	625
Clickfox, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	1,038,563	330	362
	Software	Warrant	Preferred Series C	592,019	730	272
	Software	Warrant	Preferred Series C-A	46,109	13	16
Total Clickfox, Inc.				1,676,691	1,073	650
Hillcrest Laboratories, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	1,865,650	55	138
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹⁴⁾	Software	Warrant	Preferred Series E	614,333	16	

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Message Systems, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	408,011	334	497
Mobile Posse, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	396,430	130	59
Neos, Inc. ⁽¹⁴⁾	Software	Warrant	Common Stock	221,150	22	113
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	55
Poplicus, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	2,595,230		110
Soasta, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	410,800	691	561
Sonian, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	185,949	106	39
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	2,282,968	446	581
Subtotal: Software (0.51%)*					3,601	3,638
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	660,377	729	435
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
Subtotal: Specialty Pharmaceuticals (0.06%)*					1,036	435

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Warrant	Preferred Series C	180,480	\$ 75	\$ 12
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	223
Total Gynesonics, Inc.				1,756,445	395	235
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	224	2
	Surgical Devices	Warrant	Preferred Series D	175,000	100	170
	Surgical Devices	Warrant	Preferred Series F	16,476	3	3
Total Transmedics, Inc.				231,912	327	175
Subtotal: Surgical Devices (0.06%)*					722	410
Total: Warrant Investments (3.21%)*					40,761	22,987
Total Investments (167.42%)*					\$ 1,252,281	\$ 1,200,638

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$29.3 million, \$81.4 million and \$52.1 million respectively. The tax cost of investments is \$1.3 billion.

(3) Except for warrants in 37 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at December 31, 2015 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Non-U.S. company or the company's principal place of business is outside the United States.

(5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 5% but not more than 25% of the company's voting securities.

(6) Control investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board. There were no control investments at December 31, 2015.

(7) Debt is on non-accrual status at December 31, 2015, and is therefore considered non-income producing. Note that at December 31, 2015, only the PIK interest is on non-accrual for the Company's debt investment in Skycross, Inc and only the \$2.1 million PIK loan is on non-accrual for the Company's debt investment in One Planet Ops Inc. (p.k.a. Reply! Inc.).

(8) Denotes that all or a portion of the debt investment is convertible debt.

(9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.

(10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).

(11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility.

(12) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or payment-in-kind, interest and is net of repayments.

(13)

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Denotes that all or a portion of the debt investment includes an exit fee receivable. This fee ranges from 0.8% to 17.1% of the total debt commitment based on the contractual terms of our loan servicing agreements.

- (14) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly-owned SBIC subsidiaries.
- (15) The stated Maturity Date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) Repayment of debt investment is delinquent of the contractual maturity date as of December 31, 2015.
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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾	
Debt Investments								
Biotechnology Tools								
1-5 Years Maturity								
Labcyte, Inc. ⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Biotechnology Tools	Senior Secured	June 2016	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 2,695	\$ 2,869	\$ 2,869	
Subtotal: 1-5 Years Maturity						2,869	2,869	
Subtotal: Biotechnology Tools (0.44%)*						2,869	2,869	
Communications & Networking								
1-5 Years Maturity								
OpenPeak, Inc. ⁽¹⁰⁾⁽¹²⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,889	13,193	13,193	
SkyCross, Inc. ⁽¹²⁾⁽¹³⁾	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 9.70% or Floor rate of 12.95%	\$ 22,000	21,580	20,149	
Spring Mobile Solutions, Inc. ⁽¹⁰⁾⁽¹²⁾	Communications & Networking	Senior Secured	November 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 18,840	18,928	19,116	
Subtotal: 1-5 Years Maturity						53,701	52,458	
Subtotal: Communications & Networking (7.96%)*						53,701	52,458	
Consumer & Business Products								
1-5 Years Maturity								
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹³⁾	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 5,000	4,912	4,884	
	Consumer & Business Products	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 216	89	89	
Total Antenna79 (p.k.a. Pong Research Corporation)						\$ 5,216	5,001	4,973
Fluc, Inc. ⁽⁸⁾	Consumer & Business Products	Convertible Senior Note	March 2017	Interest rate FIXED 4.00%	\$ 100	100	100	

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IronPlanet, Inc. ⁽¹²⁾	Consumer & Business Products	Senior Secured	November 2017	Interest rate PRIME + 6.20%				
				or Floor rate of 9.45%	\$ 37,500	36,345	36,345	
The Neat Company ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Consumer & Business Products	Senior Secured	September 2017	Interest rate PRIME + 7.75%				
				or Floor rate of 11.00%,				
				PIK Interest 1.00%	\$ 20,061	19,422	19,422	
Subtotal: 1-5 Years Maturity						60,868	60,840	
Subtotal: Consumer & Business Products (9.23%)*						60,868	60,840	
Drug Delivery								
Under 1 Year Maturity								
Revence Therapeutics, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60%				
				or Floor rate of 9.85%	\$ 2,098	2,458	2,458	
	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60%				
				or Floor rate of 9.85%	\$ 210	246	246	
Total Revence Therapeutics, Inc.						\$ 2,308	2,704	2,704
Subtotal: Under 1 Year Maturity						2,704	2,704	
1-5 Years Maturity								
AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%				
				or Floor rate of 9.10%	\$ 25,000	24,831	24,969	
BIND Therapeutics, Inc. ⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	September 2016	Interest rate PRIME + 7.00%				
				or Floor rate of 10.25%	\$ 3,274	3,343	3,228	
BioQuiddity Incorporated ⁽¹²⁾	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%				
				or Floor rate of 11.25%	\$ 7,500	7,439	7,439	
Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50%				
				or Floor rate of 9.75%	\$ 10,000	9,927	9,899	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Celsion Corporation ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 10,000	\$ 9,858	\$ 10,027
Dance Biopharm, Inc. ⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40%			
				or Floor rate of 10.65%	\$ 3,905	3,871	3,864
Edge Therapeutics, Inc. ⁽¹²⁾	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 5.95%			
				or Floor rate of 10.45%	\$ 3,000	2,847	2,847
Neos Therapeutics, Inc. ⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$ 5,000	4,916	4,916
	Drug Delivery	Senior Secured	October 2017	Interest rate FIXED 9.00%	\$ 10,000	10,010	10,063
Total Neos Therapeutics, Inc.					\$ 15,000	14,926	14,979
Zosano Pharma, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 6.80%			
				or Floor rate of 12.05%	\$ 4,000	3,894	3,881
Subtotal: 1-5 Years Maturity						80,936	81,133
Subtotal: Drug Delivery (12.72%)*						83,640	83,837
Drug Discovery & Development							
Under 1 Year Maturity							
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	December 2015	Interest rate PRIME + 7.15%			
				or Floor rate of 11.90%	\$ 11,611	11,611	11,611
Concert Pharmaceuticals, Inc. ⁽¹⁰⁾	Drug Discovery & Development	Senior Secured	October 2015	Interest rate PRIME + 3.25%			
				or Floor rate of 8.50%	\$ 7,175	7,142	7,142
Subtotal: Under 1 Year Maturity						18,753	18,753
1-5 Years Maturity							
ADMA Biologics, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	December 2017	Interest rate PRIME + 5.5%	\$ 5,000	4,879	4,933
				or Floor rate of 8.75%,			

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	Drug Discovery & Development	Senior Secured	December 2017	PIK Interest 1.95% Interest rate PRIME + 3.00% or Floor rate of 8.75%, PIK Interest 1.95%	\$ 10,153	10,032	10,144
Total ADMA Biologics, Inc.					\$ 15,153	14,911	15,077
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 6.65% or Floor rate of 11.90%	\$ 10,000	9,766	9,766
Celladon Corporation ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	February 2018	Interest rate PRIME + 5.00% or Floor rate of 8.25%	\$ 10,000	10,022	10,022
Cempra, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 6.30% or Floor rate of 9.55%	\$ 18,000	18,020	18,560
Cerecor Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 6.30% or Floor rate of 9.55%	\$ 7,500	7,374	7,374
Cleveland BioLabs, Inc. ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2017	Interest rate PRIME + 6.10% or Floor rate of 9.35%	\$ 1,883	1,883	1,920
CTI BioPharma Corp. (pka Cell Therapeutics, Inc.) ⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	October 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 4,584	4,584	4,712
	Drug Discovery & Development	Senior Secured	October 2016	Interest rate PRIME + 9.00% or Floor rate of 12.25%	\$ 13,890	13,890	14,279
Total CTI BioPharma Corp. (pka Cell Therapeutics, Inc.)					\$ 18,474	18,474	18,991
Dynavax Technologies ⁽⁹⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 10,000	9,897	9,897
Epirus Biopharmaceuticals, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 7,500	7,308	7,308
Genocea Biosciences, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 2.25% or Floor rate of 7.25%	\$ 12,000	11,814	11,814
Insmed, Incorporated ⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 25,000	24,854	24,854
Melinta Therapeutics ⁽¹²⁾	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.00% or Floor rate of 8.25%	\$ 20,000	19,272	19,272

See notes to consolidated financial statements.

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Merrimack Pharmaceuticals, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	November 2016	Interest rate PRIME + 5.30% or Floor rate of 10.55%	\$ 40,000	\$ 40,578	\$ 40,677
Neothetics, Inc. (pka Lithera, Inc) ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 10,000	9,751	9,697
Neuralstem, Inc. ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 9,489	9,333	9,333
uniQure B.V. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.00% or Floor rate of 10.25%	\$ 15,000	14,890	14,798
	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.25% or Floor rate of 10.25%	\$ 5,000	4,962	4,931
Total Unique B.V.					\$ 20,000	19,852	19,729
Subtotal: 1-5 Years Maturity						233,109	234,291
Subtotal: Drug Discovery & Development (38.41%)*						251,862	253,044
Electronics & Computer Hardware							
1-5 Years Maturity							
Plures Technologies, Inc. ⁽⁷⁾⁽¹¹⁾	Electronics & Computer Hardware	Senior Secured	October 2016	Interest rate LIBOR + 8.75% or Floor rate of 12.00%, PIK Interest 4.00%	\$ 267	180	
Subtotal: 1-5 Years Maturity						180	
Subtotal: Electronics & Computer Hardware (0.00%)*						180	
Sustainable and Renewable Technology⁽¹⁶⁾							
Under 1 Year Maturity							
Glori Energy, Inc. ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	June 2015	Interest rate PRIME + 6.75%	\$ 1,778	2,042	2,042

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Scifiniti (pka Integrated Photovoltaics, Inc.) ⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	February 2015	or Floor rate of 10.00% Interest rate PRIME + 7.38%			
				or Floor rate of 10.63%	\$ 227	227	227
Stion Corporation ⁽⁵⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	February 2015	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 2,954	2,993	1,600
TAS Energy, Inc. ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	December 2015	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 6,901	7,091	7,091
Subtotal: Under 1 Year Maturity						12,353	10,960
1-5 Years Maturity							
Agrivida, Inc. ⁽¹²⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%	\$ 4,921	5,013	4,923
American Superconductor Corporation ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 1,500	1,446	1,446
	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25%			
				or Floor rate of 11.00%	\$ 7,667	7,847	7,847
Total American Superconductor Corporation					\$ 9,167	9,293	9,293
Amyris, Inc. ⁽⁹⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25%			
				or Floor rate of 9.50%	\$ 25,000	25,000	25,170
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 5,000	5,000	5,034
Total Amyris, Inc.					\$ 30,000	30,000	30,204

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Fluidic, Inc. ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 3,674	\$ 3,747	\$ 3,721
Modumetal, Inc. ⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$ 3,000	2,991	2,991
Polyera Corporation ⁽¹²⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 3,654	3,818	3,810
Subtotal: 1-5 Years Maturity						54,862	54,942
Subtotal: Sustainable and Renewable Technology ⁽¹⁶⁾ (10.00%)*						67,215	65,902
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation ⁽¹²⁾⁽¹³⁾	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 2,500	2,407	2,407
InstaMed Communications, LLC ⁽¹³⁾	Healthcare Services, Other	Senior Secured	March 2018	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 5,000	5,041	5,041
MDEverywhere, Inc. ⁽¹⁰⁾⁽¹²⁾	Healthcare Services, Other	Senior Secured	January 2018	Interest rate LIBOR + 9.50% or Floor rate of 10.75%	\$ 3,000	2,962	2,962
Subtotal: 1-5 Years Maturity						10,410	10,410
Subtotal: Healthcare Services, Other (1.58%)*						10,410	10,410
Information Services							
Under 1 Year Maturity							
Eccentex Corporation ⁽¹⁰⁾⁽¹²⁾	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 204	218	184
Subtotal: Under 1 Year Maturity						218	184

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1-5 Years Maturity								
INMOBI Inc. ⁽⁴⁾⁽⁹⁾⁽¹¹⁾⁽¹²⁾	Information Services	Senior Secured	December 2016	Interest rate PRIME + 7.00%				
				or Floor rate of 10.25%	\$ 9,612	9,283	9,283	
	Information Services	Senior Secured	December 2017	Interest rate PRIME + 5.75%				
				or Floor rate of 9.00%,				
				PIK Interest 2.50%	\$ 15,013	14,820	14,820	
Total INMOBI Inc. InXpo, Inc. ⁽¹²⁾⁽¹³⁾	Information Services	Senior Secured	July 2016	Interest rate PRIME + 7.75%	\$ 24,625	24,103	24,103	
				or Floor rate of 10.75%	\$ 2,057	2,073	1,976	
Subtotal: 1-5 Years Maturity						26,176	26,079	
Subtotal: Information Services (3.99%)*						26,394	26,263	
Internet Consumer & Business Services								
Under 1 Year Maturity								
Gazelle, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	December 2015	Interest rate PRIME + 6.50%				
				or Floor rate of 9.75%	\$ 1,231	1,231	1,231	
NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹³⁾	Internet Consumer & Business Services	Convertible Senior Note	April 2015	Interest rate FIXED 10.00%	\$ 89	89		
	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate FIXED 10.00%	\$ 381	373		
Total NetPlenish Reply! Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 6.88%	\$ 470	462		
				or Floor rate of 10.13%,				
				PIK Interest 2.00%	\$ 7,615	7,757	4,322	
	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 7.25%				
				or Floor rate of 11.00%,				
				PIK Interest 2.00%	\$ 1,680	1,749	955	
Total Reply! Inc.					\$ 9,295	9,506	5,277	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Tectura Corporation ⁽⁷⁾⁽¹¹⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00%	\$ 563	\$ 563	\$ 121
				or Floor rate of 13.00%			
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 8.00%	\$ 9,070	9,070	1,511
				or Floor rate of 11.00%,			
				PIK Interest 1.00%			
Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00%	\$ 5,000	5,000	1,074	
			or Floor rate of 13.00%				
Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00%	\$ 6,468	6,468	1,390	
			or Floor rate of 13.00%				
Total Tectura Corporation					\$ 21,101	21,101	4,096
Subtotal: Under 1 Year Maturity						32,300	10,604
1-5 Years Maturity							
Education Dynamics, LLC ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	March 2016	Interest rate LIBOR + 12.5%	\$ 20,563	20,546	20,559
				or Floor rate of 12.50%,			
Gazelle, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	July 2017	Interest rate PRIME + 7.00%	\$ 13,712	13,498	13,498
				or Floor rate of 10.25%,			
Just Fabulous, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	February 2017	Interest rate PRIME + 8.25%	\$ 15,000	14,468	14,768
				or Floor rate of 11.50%			
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾	Internet Consumer & Business Services	Senior Secured	May 2018	Interest rate PRIME + 3.25%	\$ 2,000	1,985	1,994
				or Floor rate of 6.50%			
Reply! Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	February 2016	Interest rate PRIME + 7.25%	\$ 2,721	2,658	1,548
				or Floor rate of 10.50%,			

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Tapjoy, Inc. ⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	July 2018	PIK Interest 2.00% Interest rate PRIME + 6.50%				
				or Floor rate of 9.75%	\$ 3,000	2,921	2,921	
WaveMarket, Inc. ⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	March 2017	Interest rate PRIME + 6.50%				
				or Floor rate of 9.75%	\$ 300	303	303	
Subtotal: 1-5 Years Maturity						56,379	55,591	
Subtotal: Internet Consumer & Business Services (10.05%)*						88,679	66,195	
Media/Content/Info								
Under 1 Year Maturity								
Zoom Media Group, Inc. ⁽¹⁰⁾⁽¹¹⁾	Media/Content/	Senior Secured	December 2015	Interest rate PRIME + 7.25%				
	Info			or Floor rate of 10.50%,				
				PIK Interest 3.75%	\$ 2,510	2,466	2,466	
	Media/Content/	Senior Secured	December 2015	Interest rate PRIME + 5.25%				
	Info			or Floor rate of 8.50%	\$ 5,060	5,002	5,002	
Total Zoom Media Group, Inc.						\$ 7,570	7,468	7,468
Subtotal: Under 1 Year Maturity						7,468	7,468	
1-5 Years Maturity								
Rhapsody International, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹³⁾	Media/Content/	Senior Secured	April 2018	Interest rate PRIME + 5.25%				
	Info			or Floor rate of 9.00%,				
				PIK interest of 1.50%	\$ 20,206	19,750	19,579	
Subtotal: 1-5 Years Maturity						19,750	19,579	
Subtotal: Media/Content/Info (4.11%)*						27,218	27,047	
Medical Devices & Equipment								
Under 1 Year Maturity								
Baxano Surgical, Inc. ⁽⁷⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	February 2015	Interest rate FIXED 12.50%	\$ 100	86	80	
Home Dialysis Plus, Inc. ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate FIXED 8.00%	\$ 500	500	500	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Oraza Therapeutics, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate PRIME + 5.50% or Floor rate of 10.25%, PIK Interest 1.00%	\$ 6,174	\$ 6,146	\$ 6,146
Subtotal: Under 1 Year Maturity						6,732	6,726
1-5 Years Maturity							
Amedica Corporation ⁽⁸⁾⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$ 20,000	19,704	19,902
Avedro, Inc. ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	December 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 7,500	7,247	7,247
Baxano Surgical, Inc. ⁽⁷⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 12.50%	\$ 7,113	7,040	6,405
Flowonix Medical Incorporated ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 5.25% or Floor rate of 10.00%	\$ 15,000	14,675	14,675
Gamma Medica, Inc. ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 4,000	3,874	3,874
Home Dialysis Plus, Inc. ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	October 2017	Interest rate PRIME + 6.35% or Floor rate of 9.60%	\$ 15,000	14,780	14,780
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 8,818	8,897	6,486
Medrobotics Corporation ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85% or Floor rate of 11.10%	\$ 2,680	2,765	2,755
nContact Surgical, Inc. ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	November 2018	Interest rate PRIME + 9.25% or Floor rate of 9.25%	\$ 10,000	9,735	9,735
NetBio, Inc. ⁽¹⁰⁾	Medical Devices & Equipment	Senior Secured	August 2017	Interest rate PRIME + 5.00% or Floor rate of 11.00%	\$ 4,870	4,669	4,718

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NinePoint Medical, Inc. ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2016	Interest rate PRIME + 5.85%			
				or Floor rate of 9.10%	\$ 3,241	3,357	3,342
Quanterix Corporation ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	November 2017	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 5,000	4,930	4,911
SonaCare Medical, LLC (pka US HIFU, LLC) ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 875	1,200	1,209
SynergEyes, Inc. ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 5,000	5,034	4,983
ViewRay, Inc. ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	June 2017	Interest rate PRIME + 7.00%			
				or Floor rate of 10.25%,			
				PIK Interest 1.50%	\$ 15,220	14,920	14,973
Subtotal: 1-5 Years Maturity						122,827	119,995
Subtotal: Medical Devices & Equipment (19.23%)*						129,559	126,721
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation	Semiconductors	Senior Secured	January 2015	Interest rate PRIME + 10.60%			
				or Floor rate of 13.85%	\$ 95	95	95
Subtotal: Under 1 Year Maturity						95	95
1-5 Years Maturity							
Avnera Corporation ⁽¹⁰⁾⁽¹²⁾	Semiconductors	Senior Secured	April 2017	Interest rate PRIME + 5.75%			
				or Floor rate of 9.00%	\$ 5,000	4,983	4,990
Subtotal: 1-5 Years Maturity						4,983	4,990
Subtotal: Semiconductors (0.77%)*						5,078	5,085
Software							
Under 1 Year Maturity							
CareCloud Corporation ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	July 2015	Interest rate PRIME + 1.40%			
				or Floor rate of 4.65%	\$ 3,000	2,968	2,968
Clickfox, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	July 2015	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%	\$ 2,000	2,000	2,000

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Mobile Posse, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	June 2015	Interest rate PRIME + 2.00%			
				or Floor rate of 5.25%	\$ 1,000	\$ 993	\$ 988
Touchcommerce, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	January 2015	Interest rate PRIME + 2.25%			
				or Floor rate of 6.50%	\$ 3,811	3,811	3,805
Subtotal: Under 1 Year Maturity						9,772	9,761
1-5 Years Maturity							
CareCloud Corporation ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	December 2017	Interest rate PRIME + 3.25%			
				or Floor rate of 6.50%	\$ 208	204	201
	Software	Senior Secured	July 2017	Interest rate PRIME + 5.50%			
				or Floor rate of 8.75%	\$ 10,000	9,839	9,740
	Software	Senior Secured	January 2018	Interest rate PRIME + 1.70%			
				or Floor rate of 4.95%	\$ 3,000	2,929	2,884
Total CareCloud Corporation					\$ 13,208	12,972	12,825
Clickfox, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	December 2017	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 6,000	6,010	5,948
JumpStart Games, Inc. (p.k.a Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 11,750	11,771	11,709
	Software	Senior Secured	October 2016	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 1,356	1,332	1,332
Total JumpStart Games, Inc. (p.k.a Knowledge Adventure, Inc.)					\$ 13,106	13,103	13,041
Mobile Posse, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	December 2016	Interest rate PRIME + 7.50%			
				or Floor rate of 10.75%	\$ 2,950	2,943	2,972
Neos Geosolutions, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	May 2016	Interest rate PRIME + 5.75%			
				or Floor rate of 10.50%	\$ 2,332	2,454	2,444
Poplicus, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 5.25%	\$ 1,500	1,504	1,487

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Soasta, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75%				
				or Floor rate of 8.50%				
				Interest rate PRIME + 2.25%	\$ 15,000	14,367	14,367	
	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25%				
				or Floor rate of 5.50%	\$ 3,500	3,353	3,353	
Total Soasta, Inc.					\$ 18,500	17,720	17,720	
Sonian, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	July 2017	Interest rate PRIME + 7.00%				
				or Floor rate of 10.25%	\$ 5,500	5,450	5,436	
StrongView Systems, Inc. ⁽¹²⁾	Software	Senior Secured	December 2017	Interest rate PRIME + 6.00%				
				or Floor rate of 9.25%, PIK Interest 3.00%	\$ 10,000	9,779	9,779	
Touchcommerce, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 6.00%				
				or Floor rate of 10.25%	\$ 5,000	4,903	4,953	
Subtotal: 1-5 Years Maturity						76,838	76,605	
Subtotal: Software (13.11%)*						86,610	86,366	
Specialty Pharmaceuticals								
Under 1 Year Maturity								
Cranford Pharmaceuticals, LLC ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	August 2015	Interest rate LIBOR + 8.25%				
				or Floor rate of 9.50%	\$ 2,000	1,977	1,986	
Subtotal: Under 1 Year Maturity						1,977	1,986	
1-5 Years Maturity								
Alimera Sciences, Inc. ⁽¹⁰⁾	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%				
				or Floor rate of 10.90%	\$ 35,000	34,138	33,429	
Cranford Pharmaceuticals, LLC ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	February 2017	Interest rate LIBOR + 9.55%				
				or Floor rate of 10.80%, PIK Interest 1.35%	\$ 15,644	15,595	15,465	
Subtotal: 1-5 Years Maturity						49,733	48,894	
Subtotal: Specialty Pharmaceuticals (7.72%)*						51,710	50,880	

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HERCULES CAPITAL, INC.

(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2014

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Surgical Devices							
Under 1 Year Maturity							
Transmedics, Inc. ⁽¹⁰⁾⁽¹²⁾	Surgical Devices	Senior Secured	November 2015	Interest rate FIXED 12.95%	\$6,061	\$ 5,989	\$ 5,989
Subtotal: Under 1 Year Maturity						5,989	5,989
Subtotal: Surgical Devices (0.91%)*						5,989	5,989
Total Debt Investments (140.23%)*						951,982	923,906

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. ⁽¹³⁾	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 498
Subtotal: Biotechnology Tools (0.08%)*					500	498
Communications & Networking						
GlowPoint, Inc. ⁽³⁾	Communications & Networking	Equity	Common Stock	114,192	102	126
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	7,229
Subtotal: Communications & Networking (1.12%)*					1,102	7,355
Consumer & Business Products						
Market Force Information, Inc.	Consumer & Business Products	Equity	Preferred Series B	187,970	500	317
Subtotal: Consumer & Business Products (0.05%)*					500	317
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	750
Subtotal: Diagnostic (0.11%)*					750	750
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹³⁾	Drug Delivery	Equity	Common Stock	54,240	109	365
Merrion Pharmaceuticals, Plc ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. ⁽¹³⁾	Drug Delivery	Equity	Preferred Series C	300,000	1,500	1,635
Subtotal: Drug Delivery (0.30%)*					1,618	2,000
Drug Discovery & Development						
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹³⁾	Drug Discovery & Development	Equity	Common Stock	167,864	842	141
Celladon Corporation ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Equity	Common Stock	105,263	1,000	2,056
Cempra, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	97,931	458	2,303
Cerecor Inc.	Drug Discovery & Development	Equity	Preferred Series B	3,334,445	1,000	922

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Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	2,353
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,262
Inotek Pharmaceuticals Corporation ⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	4,523	1,500	
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	845
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	31,580	1,743	1,158
Subtotal: Drug Discovery & Development (1.68%)*					10,543	11,040
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	49,097	247	682
Subtotal: Electronics & Computer Hardware (0.10%)*					247	682

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Sustainable and Renewable Technology⁽¹⁶⁾						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	\$ 165	\$ 76
SCIEnergy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	22
Subtotal: Sustainable and Renewable Technology⁽¹⁶⁾ (0.01%)*					926	98
Information Services						
Good Technology Corporation (pka Visto Corporation) ⁽¹³⁾	Information Services	Equity	Common Stock	500,000	603	605
Subtotal: Information Services (0.09%)*					603	605
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹³⁾	Internet					
	Consumer & Business Services	Equity	Preferred Series B	220,653	175	265
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet					
	Consumer & Business Services	Equity	Preferred Series C	23,003	250	260
Philotic, Inc.	Internet					
	Consumer & Business Services	Equity	Common Stock	9,023	93	
Progress Financial	Internet					
	Consumer & Business Services	Equity	Preferred Series G	218,351	250	233
Taptera, Inc.	Internet					
	Consumer & Business Services	Equity	Preferred Series B	454,545	150	162
Subtotal: Internet Consumer & Business Services (0.14%)*					918	920

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Media/Content/Info						
Everyday Health, Inc. (pka Waterfront Media, Inc.) ⁽³⁾	Media/Content/Info	Equity	Common Stock	97,060	1,000	1,432
Subtotal: Media/Content/Info (0.22%)*					1,000	1,432
Medical Devices & Equipment						
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,614
Gelesis, Inc. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Equity	LLC Interest	674,208	425	181
	Medical Devices & Equipment	Equity	LLC Interest	675,676	500	114
	Medical Devices & Equipment	Equity	LLC interests (Common)	674,208		31
Total Gelesis, Inc.				2,024,092	925	326
Medrobotics Corporation ⁽¹³⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	149
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	167
Total Medrobotics Corporation				210,769	405	316

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	\$ 1,000	\$
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	455
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	138
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,260
Total Optiscan Biomedical, Corp				63,216,799	8,912	5,853
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	
Subtotal: Medical Devices & Equipment (1.23%)*					13,242	8,109
Software						
Atrenta, Inc.	Software	Equity	Preferred Series C	1,196,845	986	1,745
	Software	Equity	Preferred Series D	635,513	508	1,109
Total Atrenta, Inc				1,832,358	1,494	2,854
Box, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Equity	Preferred Series B	271,070	251	5,747
	Software	Equity	Preferred Series C	589,844	872	12,506
	Software	Equity	Preferred Series D	158,133	500	3,352
	Software	Equity	Preferred Series D-1	186,766	1,694	3,960
	Software	Equity	Preferred Series D-2	220,751	2,001	4,680
	Software	Equity	Preferred Series E	38,183	500	810
Total Box, Inc				1,464,747	5,818	31,055
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	519
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	228
WildTangent, Inc. ⁽¹³⁾	Software	Equity	Preferred Series 3	100,000	402	228
Subtotal: Software (5.31%)*					8,470	34,963
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		

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Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*						750
Surgical Devices						
Gynesonics, Inc. ⁽¹³⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	101
	Surgical Devices	Equity	Preferred Series C	656,538	282	186
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	1,073
Total Gynesonics, Inc.				2,866,993	1,244	1,360
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	353
	Surgical Devices	Equity	Preferred Series C	119,999	300	180
	Surgical Devices	Equity	Preferred Series D	260,000	650	1,071
Total Transmedics, Inc.				468,960	2,050	1,604
Subtotal: Surgical Devices (0.45%)*					3,294	2,964
Total: Equity Investments (10.89%)*					44,463	71,733

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc. ⁽¹³⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	\$ 323	\$ 354
Subtotal: Biotechnology Tools (0.05%)*					323	354
Communications & Networking						
Intelepeer, Inc. ⁽¹³⁾	Communications & Networking	Warrant	Preferred Series C	117,958	102	18
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	104
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	45
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	844
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	183
SkyCross, Inc. ⁽¹³⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	426
Subtotal: Communications & Networking (0.25%)*					1,271	1,620
Consumer & Business Products						
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹³⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	202
Intelligent Beauty, Inc. ⁽¹³⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	327
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,077	1,067
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A	99,286	24	21
The Neat Company ⁽¹³⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	451
Subtotal: Consumer & Business Products (0.31%)*					1,924	2,068
Diagnostic						
Navidea Biopharmaceuticals, Inc. (pka Neoprobe) ⁽³⁾⁽¹³⁾	Diagnostic	Warrant	Common Stock	333,333	244	75

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Subtotal: Diagnostic (0.01%)*				244	75	
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹³⁾	Drug Delivery	Warrant	Common Stock	176,730	786	420
Alexza Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	37,639	645	
BIND Therapeutics, Inc. ⁽³⁾⁽¹³⁾	Drug Delivery	Warrant	Common Stock	71,359	367	6
BioQuiddity Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	1
Celator Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	158,006	107	67
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	248
Dance Biopharm, Inc. ⁽¹³⁾	Drug Delivery	Warrant	Preferred Series A	97,701	74	109
Edge Therapeutics, Inc.	Drug Delivery	Warrant	Preferred Series C-1	107,526	390	217
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,108
Neos Therapeutics, Inc. ⁽¹³⁾	Drug Delivery	Warrant	Preferred Series C	170,000	285	235
Revance Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	53,511	557	64
Zosano Pharma, Inc. ⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	31,674	164	179
Subtotal: Drug Delivery (0.40%)*				4,398	2,654	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Drug Discovery & Development						
ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	\$ 295	\$ 366
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	608,696	194	107
Cerecor Inc.	Drug Discovery & Development	Warrant	Preferred Series B	625,208	70	47
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	156,250	105	10
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	164
Coronado Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	43
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	207
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	188
Horizon Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	3,735	52	4
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,151,936	604	590
Nanotherapeutics, Inc. ⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,421
Neothetics, Inc. (pka Lithera, Inc) ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	122
Neuralstem, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	71
Paratek Pharmaceuticals, Inc. (p.k.a Transcept Pharmaceuticals, Inc) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	5,121	87	10
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	184
Subtotal: Drug Discovery & Development (0.54%)*					5,359	3,534
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	10
Subtotal: Electronics & Computer Hardware (0.00%)*					12	10

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Sustainable and Renewable Technology⁽¹⁶⁾

Agrivida, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	186
Alphabet Energy, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	81	135
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	588,235	39	40
Brightsource Energy, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series 1	174,999	780	213
Calera, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	256
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C	59,665	102	60
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	135

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
GreatPoint Energy, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	\$ 548	\$
Polyera Corporation ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	161,575	69	228
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 1	145,811	50	
Total SCIEnergy, Inc.	Sustainable and Renewable Technology			676,622	231	
Scifiniti (pka Integrated Photovoltaics, Inc.) ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	82	65
Solexel, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	666
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2154	1,378	
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series F	428,571	299	157
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	107
Trilliant, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	161	32
Subtotal: Sustainable and Renewable Technology⁽¹⁶⁾ (0.35%)*					6,421	2,280
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽¹³⁾	Healthcare Services, Other	Warrant	Common Stock	419,020	156	106
MDEverywhere, Inc.	Healthcare Services, Other	Warrant	Common Stock	129	94	11
Subtotal: Healthcare Services, Other (0.02%)*					250	117
Information Services						
Cha Cha Search, Inc. ⁽¹³⁾	Information Services	Warrant	Preferred Series G	48,232	58	20
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	42,187	74	72
InXpo, Inc. ⁽¹³⁾	Information Services	Warrant	Preferred Series C	648,400	98	26
	Information Services	Warrant	Preferred Series C-1	740,832	58	30
Total InXpo, Inc.				1,389,232	156	56
RichRelevance, Inc. ⁽¹³⁾	Information Services	Warrant	Preferred Series E	112,612	98	

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Subtotal: Information Services (0.02%)* 386 148

Internet Consumer & Business Services						
Blurb, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	218,684	299	79
	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	173
Total Blurb, Inc.				452,964	935	252
CashStar, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	83
Gazelle, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series A-1	991,288	158	185
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,101	1,490
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	24,561	20	60
Prism Education Group, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
Progress Financial	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	63
Reply! Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	137,225	320	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
ShareThis, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	\$ 547	\$ 282
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	430,485	263	125
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.39%)*					3,646	2,540
Media/Content/Info						
Mode Media Corporation ⁽¹³⁾	Media/Content/Info	Warrant	Preferred Series D	407,457	482	
Rhapsody International, Inc. ⁽¹³⁾	Media/Content/Info	Warrant	Common Stock	715,755	385	358
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	382
Subtotal: Media/Content/Info (0.11%)*					1,215	740
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹³⁾	Medical Devices & Equipment	Warrant	Common Stock	516,129	459	
Avedro, Inc. ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series D	1,308,451	401	553
Baxano Surgical, Inc. ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	882,353	439	
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	66,568	203	228
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	196
Gelesis, Inc. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Warrant	LLC Interest	263,688	78	1
Home Dialysis Plus, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	587
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	168,351	242	12
Medrobotics Corporation ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	182
MELA Sciences, Inc. ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	401	1
nContact Surgical, Inc	Medical Devices & Equipment	Warrant	Preferred Series D-1	201,439	266	450
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	60
NinePoint Medical, Inc. ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	204
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	

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	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	219
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	
Total Oraya Therapeutics, Inc.				1,633,038	742	
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	69,371	104	164
SonaCare Medical, LLC (pka US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
ViewRay, Inc. ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series C	312,500	333	359

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Subtotal: Medical Devices & Equipment (0.49%)*						
Semiconductors						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	160	9
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	102,958	14	32
Subtotal: Semiconductors (0.01%)*						
Software						
Atrenta, Inc.	Software	Warrant	Preferred Series D	392,670	120	359
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹³⁾	Software	Warrant	Preferred Series B	413,433	258	482
Clickfox, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series B	1,038,563	330	783
	Software	Warrant	Preferred Series C	592,019	730	555
	Software	Warrant	Preferred Series C-A	46,109	14	35
Total Clickfox, Inc.				1,676,691	1,074	1,373
Daegis Inc. (pka Unify Corporation) ⁽³⁾⁽¹³⁾	Software	Warrant	Common Stock	718,860	1,434	5
ForeScout Technologies, Inc.	Software	Warrant	Preferred Series E	80,587	41	74
Hillcrest Laboratories, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series E	1,865,650	54	106
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹³⁾	Software	Warrant	Preferred Series E	614,333	15	8
Mobile Posse, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series C	396,430	130	66
Neos Geosolutions, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series 3	221,150	22	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	34
Soasta, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series E	410,800	691	1,014
Sonian, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series C	185,949	106	72
StrongView Systems, Inc.	Software	Warrant	Preferred Series C	551,470	169	218
SugarSync, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series CC	332,726	78	78
	Software	Warrant	Preferred Series DD	107,526	34	26
Total SugarSync, Inc.				440,252	112	104
Touchcommerce, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series E	992,595	252	164
White Sky, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series B-2	124,295	54	4
Subtotal: Software (0.62%)*						
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	285,016	728	656
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	308	

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Subtotal: Specialty Pharmaceuticals (0.10%)*				1,036	656	
Surgical Devices						
Gynesonics, Inc. ⁽¹³⁾	Surgical Devices	Warrant	Preferred Series C	180,480	74	48
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	562
Total Gynesonics, Inc.				1,756,445	394	610
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	
	Surgical Devices	Warrant	Preferred Series D	175,000	100	352
Total Transmedics, Inc.				215,436	325	352
Subtotal: Surgical Devices (0.15%)*				719	962	
Total Warrant Investments (3.81%)*				38,892	25,098	
Total Investments (154.92%)*				\$ 1,035,337	\$ 1,020,737	

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$46.1 million, \$63.4 million and \$17.3 million respectively. The tax cost of investments is \$1.0 billion.

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2014

(dollars in thousands)

- (3) Except for warrants in twenty-nine publicly traded companies and common stock in thirteen publicly traded companies, all investments are restricted at December 31, 2014 and were valued at fair value as determined in good faith by the Audit Committee of the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 5% but not more than 25% of the company's voting securities.
- (6) Control investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 25% of the voting securities of the company or has greater than 50% representation on its board. There were no control investments at December 31, 2014.
- (7) Debt is on non-accrual status at December 31, 2014, and is therefore considered non-income producing.
- (8) Denotes that all or a portion of the debt investment is convertible senior debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitizations (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or paid-in-kind, interest and is net of repayments.
- (12) Denotes that all or a portion of the debt investment includes an exit fee receivable.
- (13) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly-owned SBIC subsidiaries.
- (14) Subsequent to December 31, 2014, this company completed an initial public offering. Note that the December 31, 2014 fair value does not reflect any potential impact of the conversion of our preferred shares to common shares which may include reverse splits associated with the offering.
- (15) The stated Maturity Date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) In the Company's quarterly and annual reports filed with the commission prior to this Annual Report on Form 10-K for the year ended December 31, 2014, the Company referred to this industry sector as Energy Technology.

See notes to consolidated financial statements.

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Hercules Capital, Inc. (formerly Hercules Technology Growth Capital, Inc.; the Company) is a specialty finance company focused on providing senior secured venture growth loans to high-growth, innovative venture capital-backed companies in a broadly diversified variety of technology, life sciences and sustainable and renewable technology industries. The Company sources its investments through its principal office located in Palo Alto, CA, as well as through its additional offices in Boston, MA, New York, NY, McLean, VA, Santa Monica, CA, and Hartford, CT. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). From incorporation through December 31, 2005, the Company was taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended (the Code). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company, or RIC, under Subchapter M of the Code (see Note 5). As an investment company, the Company follows accounting and reporting guidance as set forth in Topic 946 of the Accounting Standards Codification, as amended (ASC).

Hercules Technology II, L.P. (HT II), Hercules Technology III, L.P. (HT III), and Hercules Technology IV, L.P. (HT IV), are Delaware limited partnerships that were formed in January 2005, September 2009 and December 2010, respectively. HT II and HT III were licensed to operate as small business investment companies (SBICs) under the authority of the Small Business Administration (SBA) on September 27, 2006 and May 26, 2010, respectively. As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. HT IV was formed in anticipation of receiving an additional SBIC license; however, the Company has not yet applied for such license, and HT IV currently has no material assets or liabilities. The Company also formed Hercules Technology SBIC Management, LLC, or (HTM), a limited liability company in November 2003. HTM is a wholly owned subsidiary of the Company and serves as the limited partner and general partner of HT II and HT III (see Note 4 to the Company's consolidated financial statements).

HT II and HT III hold approximately \$128.3 million and \$310.8 million in assets, respectively, and they accounted for approximately 7.6% and 18.5% of the Company's total assets, respectively, prior to consolidation at December 31, 2015.

The Company also established wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to hold portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities). By investing through these wholly owned subsidiaries, the Company is able to benefit from the tax treatment of these entities and create a tax structure that is more advantageous with respect to the Company's RIC status.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIEs. All inter-company accounts and transactions have been eliminated in consolidation. In accordance with Articles 6 and 10 of Regulation S-X under the Securities Act of 1933, as amended (the Securities Act), the Company does not consolidate portfolio company investments. It is not appropriate for an investment company to consolidate an investee that is not an investment company, rather an investment company's interest in non-investment company investees should be measured at fair value in accordance with ASC 946.

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Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

As of the date of this report, the VIE consolidated by the Company is its securitization VIE formed in conjunction with the issuance of the Asset-Backed Notes (as defined herein) (See Note 4).

Reclassification

Certain balances from prior years have been reclassified in order to conform to the current year presentation.

Valuation of Investments

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

At December 31, 2015, approximately 90.0% of the Company's total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board.

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of Directors. The Company's investments are carried at fair value in accordance with the 1940 Act and ASC 946 and measured in accordance with ASC 820. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy by the Company's Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

The Company may from time to time engage an independent valuation firm to provide the Company with valuation assistance with respect to certain portfolio investments on a quarterly basis. The Company engages independent valuation firms on a discretionary basis. Specifically, on a quarterly basis, the Company will identify portfolio investments with respect to which an independent valuation firm will assist in valuing. The Company selects these portfolio investments based on a number of factors, including, but not limited to, the potential for material fluctuations in valuation results, credit quality and the time lapse since the last valuation of the portfolio investment by an independent valuation firm.

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

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

- (1) the Company's quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and business based assumptions are discussed with the Company's investment committee;
- (3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio as provided by the investment committee which incorporates the results of the independent valuation firm as appropriate; and
- (4) the Board of Directors, upon the recommendation of the Audit Committee, discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the investment committee.

ASC 820 establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. ASC 820 also requires disclosure for fair value measurements based on the level within the hierarchy of the information used in the valuation. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company has categorized all investments recorded at fair value in accordance with ASC 820 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels,

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defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

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

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

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

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of December 31, 2015 and as of December 31, 2014. The Company transfers investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the year ended December 31, 2015, there were no transfers between Levels 1 or 2.

(in thousands)	Balance December 31, 2015	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Senior Secured Debt	\$ 1,110,209	\$	\$ 7,813	\$ 1,102,396
Preferred Stock	35,245			35,245
Common Stock	32,197	30,670		1,527
Warrants	22,987		4,422	18,565
Escrow Receivable ⁽¹⁾	2,967			2,967
Total	\$ 1,203,605	\$ 30,670	\$ 12,235	\$ 1,160,700

(in thousands)	Balance December 31, 2014	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Senior Secured Debt	\$ 923,906	\$	\$	\$ 923,906
Preferred Stock	57,548			57,548
Common Stock	14,185	12,798		1,387
Warrants	25,098		3,175	21,923
Total	\$ 1,020,737	\$ 12,798	\$ 3,175	\$ 1,004,764

(1) Note that escrow receivable has been added to the fair value leveling disclosure as of December 31, 2015. The Company had \$3.6 million of escrow receivable as of December 31, 2014.

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The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the years ended December 31, 2015 and December 31, 2014.

(in thousands)	Balance January 1, 2015	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation		Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance December 31, 2015
			Purchases ⁽⁵⁾	(Depreciation) ⁽²⁾					
Senior Debt	\$ 923,906	\$ (2,295)	\$ (12,930)	\$ 699,555	\$	\$ (505,274)	\$	\$ (566)	\$ 1,102,396
Preferred Stock	57,548	2,598	(1,539)	15,076	(4,542)		685	(34,581)	35,245
Common Stock	1,387	(298)	743		(305)				1,527
Warrants	21,923	(3,849)	(4,749)	5,311	1,220			(1,291)	18,565
Escrow Receivable	3,598	71		511	(1,032)	(181)			2,967
Total	\$ 1,008,362	\$ (3,773)	\$ (18,475)	\$ 720,453	\$ (4,659)	\$ (505,455)	\$ 685	\$ (36,438)	\$ 1,160,700

(in thousands)	Balance January 1, 2014	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation		Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽⁴⁾	Gross Transfers out of Level 3 ⁽⁴⁾	Balance December 31, 2014
			Purchases ⁽⁵⁾	(Depreciation) ⁽²⁾					
Senior Debt	\$ 821,988	\$	\$ (14,182)	\$ 615,596	\$	\$ (497,258)	\$	\$ (2,238)	\$ 923,906
Preferred Stock	35,554	(750)	15,779	7,097	(503)		2,007	(1,636)	57,548
Common Stock	2,107	(130)	601		(1,189)			(2)	1,387
Warrants	28,707	(48)	(10,553)	8,596	(2,503)			(2,276)	21,923
Total	\$ 888,356	\$ (928)	\$ (8,355)	\$ 631,289	\$ (4,195)	\$ (497,258)	\$ 2,007	\$ (6,152)	\$ 1,004,764

(1) Included in net realized gains or losses in the accompanying Consolidated Statement of Operations.

(2) Included in change in net unrealized appreciation (depreciation) in the accompanying Consolidated Statement of Operations.

(3) Transfers out of Level 3 during the year ended December 31, 2015 relate to the initial public offerings of Box, Inc, ZP Opco, Inc. (p.k.a. Zosano Pharma, Inc), Neos Therapeutics, Edge Therapeutics Inc., ViewRay, Inc., and Cerecor, Inc. in addition to the exercise of warrants in both Forescout, Inc. and Atrenta, Inc. to preferred stock. Transfers into Level 3 during the year ended December 31, 2015 relate to the acquisition of preferred stock as a result of the exercise of warrants in both Forescout, Inc. and Atrenta, Inc and the conversion of debt to equity in Home Dialysis Plus and Gynesonics.

(4) Transfers in/out of Level 3 during the year ended December 31, 2014 relate to the conversion of Paratek Pharmaceuticals, Inc., SCI Energy, Inc., Oraya Therapeutics, Inc., and Neuralstem, Inc. debt to equity, the exercise of warrants in Box, Inc and WildTangent, Inc. to equity, the conversion of warrants in Glori Energy, Inc. to equity in the company's reverse public merger, the public merger of Paratek Pharmaceuticals, Inc. with Transcept Pharmaceuticals, Inc. and the initial public offerings of Concert Pharmaceuticals, Inc., Dicerna Pharmaceuticals, Inc., Everyday Health, Inc., Neothetics, Inc., Revance Therapeutics, Inc., and UniQure BV.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period.

(6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

For the year ended December 31, 2015, approximately \$179,000 in net unrealized depreciation and \$745,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$13.7 million and \$5.9 million in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 2014, approximately \$15.0 million and \$555,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately

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\$14.2 million and \$2.8 million in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

The following tables provide quantitative information about the Company's Level 3 fair value measurements of the Company's investments as of December 31, 2015 and December 31, 2014. In addition to the techniques and inputs noted in the table below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The below table is not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

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The significant unobservable input used in the fair value measurement of the Company's escrow receivables is the amount recoverable at the contractual maturity date of the escrow receivable.

Investment Type - Level Three	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a) Range	Weighted Average ^(b)	
Pharmaceuticals	\$ 72,981	Originated Within 6 Months	Origination Yield	10.35% - 16.16%	12.29%
	406,590	Market Comparable Companies	Hypothetical Market Yield	9.55% - 16.75%	12.67%
			Premium/(Discount)	(0.75%) - 0.00%	
Technology	6,873	Originated Within 6 Months	Origination Yield	15.19%	15.19%
	283,045	Market Comparable Companies	Hypothetical Market Yield	6.57% - 23.26%	13.22%
			Premium/(Discount)	(0.25%) - 0.50%	
	36,815	Liquidation ^(c)	Probability weighting of alternative outcomes	100.00%	
Sustainable and Renewable Technology	11,045	Originated Within 6 Months	Origination Yield	19.74%	19.74%
	105,382	Market Comparable Companies	Hypothetical Market Yield	10.62% - 27.31%	15.91%
			Premium/(Discount)	0.00%	
	1,013	Liquidation ^(c)	Probability weighting of alternative outcomes	100.00%	
Medical Devices	80,53	Market Comparable Companies	Hypothetical Market Yield	11.65% - 19.90%	15.26%
			Premium/(Discount)	0.00% - 0.50%	
	3,764	Liquidation ^(c)	Probability weighting of alternative outcomes	50.00%	
Lower Middle Market	17,811	Originated Within 6 Months	Origination Yield	12.70% - 14.50%	13.00%
	15,151	Liquidation ^(c)	Probability weighting of alternative outcomes	25.00% - 75.00%	
Debt Investments Where Fair Value Approximates Cost					
	12,434	Imminent Payoffs ^(d)			
	48,962	Debt Investments Maturing in Less than One Year			
	\$1,102,396	Total Level Three Debt Investments			

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

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

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

Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

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

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

- (b) The weighted averages are calculated based on the fair market value of each investment.
- (c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (d) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type -Level Three	Fair Value at December 31, 2014 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(b)
Debt Investments Pharmaceuticals	\$117,229	Originated Within 6 Months	Origination Yield	10.34% - 16.52%	11.76%
	237,595	Market Comparable Companies	Hypothetical Market Yield	9.75% - 17.73%	10.62%
			Premium/(Discount)	(0.50%) - 1.00%	
Medical Devices	60,332	Originated Within 6 Months	Origination Yield	12.14% - 16.56%	13.69%
	60,658	Market Comparable Companies	Hypothetical Market Yield	11.64% - 22.22%	12.19%
	12,970	Liquidation ^(c)	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 1.00% 50.00%	
Technology	152,645	Originated Within 6 Months	Origination Yield	10.54% - 20.02%	14.08%
	80,835	Market Comparable Companies	Hypothetical Market Yield	6.95% - 15.50%	13.01%
	27,159	Liquidation ^(c)	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 0.50% 10.00% - 90.00%	
Sustainable and Renewable Technology	4,437	Originated Within 6 Months	Origination Yield	13.85% - 21.57%	19.00%
	52,949	Market Comparable Companies	Hypothetical Market Yield	13.20% - 16.62%	15.41%
	1,600	Liquidation ^(c)	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 1.50% 100.00%	
Lower Middle Market	2,962	Originated Within 6 Months	Origination Yield	14.04%	14.04%
	59,254	Market Comparable Companies	Hypothetical Market Yield	11.91% - 15.33%	13.98%
	4,096	Liquidation ^(c)	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 0.50% 45.00% - 55.00%	
		Debt Investments Where Fair Value Approximates Amortized Cost			
	9,318	Imminent Payoffs ^(d)			
	39,867	Debt Investments Maturing in Less than One Year			
	\$923,906	Total Level Three Debt Investments			

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

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

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

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

Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments. In the Company's quarterly and annual reports filed with the commission prior to this Annual Report on Form 10-K for the year ended December 31, 2014, the Company referred to this industry sector as Energy Technology.

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

- (b) The weighted averages are calculated based on the fair market value of each investment.
- (c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (d) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type -Level Three	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)		Weighted Average ^(e)
			Range		
Equity and Warrant Investments	\$5,898	Market Comparable Companies	EBITDA Multiple ^(b)	3.3x - 19.5x	7.6x
			Revenue Multiple ^(b)	0.7x - 3.7x	2.1x
			Discount for Lack of Marketability ^(c)	14.31% - 25.11%	18.05%
			Average Industry Volatility ^(d)	37.72% - 109.64%	60.27%
			Risk-Free Interest Rate	0.61% - 1.09%	0.74%
Equity Investments			Estimated Time to Exit (in months)	10 - 26	15
	30,874	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	28.52% - 86.41%	65.40%
			Risk-Free Interest Rate	0.36% - 1.51%	0.80%
			Estimated Time to Exit (in months)	10 - 47	17
Warrant Investments	7,904	Market Comparable Companies	EBITDA Multiple ^(b)	5.1x - 57.9x	16.0x
			Revenue Multiple ^(b)	0.4x - 9.6x	3.0x
			Discount for Lack of Marketability ^(c)	10.09% - 31.37%	23.11%
			Average Industry Volatility ^(d)	39.51% - 73.36%	41.19%
			Risk-Free Interest Rate	0.32% - 1.51%	0.87%
Warrant Investments			Estimated Time to Exit (in months)	4 - 47	23
	10,661	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	28.52% - 109.64%	64.31%
			Risk-Free Interest Rate	0.36% - 1.45%	0.85%
			Estimated Time to Exit (in months)	10 - 44	20
Total Level Three Warrant					
and Equity Investments	\$55,337				

(a) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model (OPM) include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation may result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

(b) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.

(c) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.

(d) Represents the range of industry volatility used by market participants when pricing the investment.

(e) Weighted averages are calculated based on the fair market value of each investment.

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Investment Type -Level Three	Fair Value at December 31, 2014 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(e)
Equity and Warrant Investments					
Equity Investments	\$12,249	Market Comparable Companies	EBITDA Multiple ^(b)	5.2x - 23.4x	8.5x
			Revenue Multiple ^(b)	0.9x - 3.6x	2.6x
			Discount for Lack of Marketability ^(c)	5.67% - 35.45%	15.95%
			Average Industry Volatility ^(d)	48.10% - 95.18%	62.78%
			Risk-Free Interest Rate	0.22% - 0.83%	0.24%
			Estimated Time to Exit (in months)	10 - 28	11
	46,686	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	38.95% - 84.30%	55.04%
			Risk-Free Interest Rate	0.10% - 1.32%	0.24%
			Estimated Time to Exit (in months)	6 - 43	10
Warrant Investments	9,725	Market Comparable Companies	EBITDA Multiple ^(b)	0.0x - 98.9x	16.6x
			Revenue Multiple ^(b)	0.3x - 15.7x	4.3x
			Discount for Lack of Marketability ^(c)	12.12% - 35.50%	22.14%
			Average Industry Volatility ^(d)	37.70% - 108.86%	67.23%
			Risk-Free Interest Rate	0.22% - 1.34%	0.75%
			Estimated Time to Exit (in months)	10 - 47	27
	12,198	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	32.85% - 99.81%	67.58%
			Risk-Free Interest Rate	0.21% - 2.95%	0.87%
			Estimated Time to Exit (in months)	10 - 48	28
Total Level Three Warrant and Equity Investments	\$80,858				

(a) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model (OPM) include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation may result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

(b) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.

(c) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.

(d) Represents the range of industry volatility used by market participants when pricing the investment.

(e) Weighted averages are calculated based on the fair market value of each investment.

Debt Investments

The Company follows the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. In addition, the Company may, from time to time, invest in public debt of companies that meet the Company's investment objectives. These investments are considered Level 2 assets.

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The Company applies a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. The Company determines the yield at inception for each debt investment. The Company then uses senior secured, leveraged loan yields provided by third party providers to determine the change in market yields between inception of the debt security and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

Under this process, the Company also evaluates the collateral for recoverability of the debt investments. The Company considers each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a credit adjusted hypothetical yield for each investment as of the measurement date. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date.

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

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

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

Debt investments that are traded on a public exchange will be valued at the prevailing market price at period end.

Equity-Related Securities and Warrants

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

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

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reviews the valuation of its portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date.

Portfolio Composition

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

The following table summarizes the Company's realized and unrealized gain and loss and changes in the Company's unrealized appreciation and depreciation on affiliate investments for the years ended December 31, 2015, 2014, and 2013. The Company did not hold any Control investments at December 31, 2015, 2014 or 2013.

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2015	Investment Income	Year Ended December 31, 2015		Realized Gain/(Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Optiscan BioMedical, Corp.	Affiliate	\$ 6,973	\$	\$ 901	\$	\$
Stion Corporation	Affiliate	1,013	348	206		
Total		\$ 7,986	\$ 348	\$ 1,107	\$	\$

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2014	Investment Income	Year Ended December 31, 2014		Realized Gain/(Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Gelesis, Inc.	Affiliate	\$ 327	\$	\$ (146)	\$	\$
Optiscan BioMedical, Corp.	Affiliate	6,072		(24)		
Stion Corporation	Affiliate	1,600	1,876	(3,112)		
Total		\$ 7,999	\$ 1,876	\$ (3,282)	\$	\$

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2013	Investment Income	Year Ended December 31, 2013		Realized Gain/(Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Gelesis, Inc.	Affiliate	\$ 473	\$	\$ (1,193)	\$	\$

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Optiscan BioMedical, Corp.	Affiliate	4,784	1,933	(225)	
Stion Corporation	Affiliate	5,724	462	593	
Total		\$ 10,981	\$ 2,395	\$ (825)	\$

During the year ended December 31, 2015, changes to the capitalization structure of the portfolio company Gelesis, Inc. reduced the Company's investment below the threshold for classification as an affiliate investment.

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A summary of the composition of the Company's investment portfolio as of December 31, 2015 and December 31, 2014 at fair value is shown as follows:

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 961,464	80.1%	\$ 740,659	72.6%
Senior Secured Debt	171,732	14.3%	208,345	20.4%
Preferred Stock	35,245	2.9%	57,548	5.6%
Common Stock	32,197	2.7%	14,185	1.4%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

The increase in common stock and the decrease in preferred stock is primarily due to the IPO of Box, Inc. on January 23, 2015 in which all of the Company's preferred shares were converted to common stock in the public portfolio company. Any potential future gain is subject to the price of the shares when the Company exits the investment.

A summary of the Company's investment portfolio, at value, by geographic location as of December 31, 2015 and December 31, 2014 is shown as follows:

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,167,281	97.2%	\$ 967,803	94.8%
Netherlands	20,112	1.7%	19,913	2.0%
England	8,884	0.8%	34	0.0%
Israel	3,764	0.3%	6,498	0.6%
Canada	595	0.0%	2,314	0.2%
India	2	0.0%	24,175	2.4%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

The following table shows the fair value the Company's portfolio by industry sector at December 31, 2015 and December 31, 2014:

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 284,266	23.7%	\$ 267,618	26.2%
Drug Delivery	164,665	13.7%	88,491	8.7%
Sustainable and Renewable Technology	159,487	13.3%	68,280	6.7%
Software	147,237	12.3%	125,412	12.3%
Media/Content/Info	95,488	7.9%	29,219	2.9%
Medical Devices & Equipment	90,560	7.5%	138,046	13.5%
Internet Consumer & Business Services	88,377	7.4%	69,655	6.8%
Specialty Pharmaceuticals	52,088	4.3%	51,536	5.0%
Communications & Networking	33,213	2.8%	61,433	6.0%
Consumer & Business Products	26,611	2.2%	63,225	6.2%
Semiconductors	22,705	1.9%	5,126	0.5%
Healthcare Services, Other	15,131	1.3%	10,527	1.0%

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Surgical Devices	11,185	0.9%	9,915	1.0%
Electronics & Computer Hardware	6,928	0.6%	692	0.1%
Information Services	1,657	0.1%	27,016	2.6%
Biotechnology Tools	719	0.1%	3,721	0.4%
Diagnostic	321	0.0%	825	0.1%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

No single portfolio investment represents more than 10% of the fair value of the investments as of December 31, 2015 and December 31, 2014.

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Portfolio Activity

During the year ended December 31, 2015, the Company funded investments in debt securities and equity investments totaling approximately \$694.1 million and \$18.6 million, respectively. During the year ended December 31, 2015, the Company converted approximately \$566,000 of debt to equity in two portfolio companies. During the year ended December 31, 2015, the Company converted approximately \$330,000 of warrants to equity in three portfolio companies.

During the year ended December 31, 2014, the Company funded investments in debt securities and equity investments totaling approximately \$611.0 million and \$10.3 million, respectively. The Company converted approximately \$2.2 million of debt to equity in four portfolio companies in the year ended December 31, 2014.

During the year ended December 31, 2015, the Company recognized net realized gains of approximately \$5.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$12.6 million primarily from the sale of investments in seven portfolio companies, including Box, Inc. (\$3.2 million), Atrenta, Inc. (\$2.6 million), Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Egalet Corporation (\$652,000), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000), and \$1.5 million from subsequent recoveries received on two previously written-off debt investments. These gains were partially offset by gross realized losses of approximately \$7.5 million primarily from the liquidation or write off of the Company's investments in sixteen portfolio companies.

During the year ended December 31, 2014, the Company recognized net realized gains of approximately \$20.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$24.0 million primarily from the sale of investments in seven portfolio companies including Acceleron Pharma, Inc., (\$7.9 million), Merrimack Pharmaceuticals, Inc., (\$4.3 million), Neuralstem, Inc., (\$2.7 million), IPA Holdings, LLC., (\$1.5 million), Cell Therapeutics, Inc., (\$1.3 million), Trulia, Inc. (\$1.0 million), and Portola Pharmaceuticals, Inc. (\$700,000). These gains were partially offset by gross realized losses of approximately \$3.9 million primarily from the liquidation of the Company's investments in fifteen portfolio companies.

Investment Collateral

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At December 31, 2015, approximately 39.7% of the Company's portfolio company debt investments were secured by a first priority security interest in all of the assets of the portfolio company, including their intellectual property, 49.7% of the Company's portfolio company debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property, or subject to a negative pledge, 7.9% of the Company's portfolio company debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property and 2.7% of the Company's portfolio company debt investments were subordinated secured by all of the portfolio company's assets, including intellectual property. At December 31, 2015 the Company had no equipment only liens on any of the Company's portfolio companies.

Income Recognition

The Company records interest income on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect that principal, interest, and other obligations due will be collected in full, management will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or management

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believes the portfolio company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection.

At December 31, 2015, the Company had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively, compared to four debt investments on non-accrual at December 31, 2014 with a cumulative investment cost and fair value of approximately \$28.9 million and \$10.6 million, respectively. In addition, at December 31, 2015, the Company had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest is on non-accrual. The increase in the cumulative cost and fair value of debt investments on non-accrual between December 31, 2015 and December 31, 2014 is the result of placing three new debt investments on non-accrual status during the period, offset by the liquidation of two debt investments that were on non-accrual at December 31, 2014. During the year ended December 31, 2015, the Company recognized a realized loss of approximately \$180,000 on the write off of one debt investment that was on non-accrual at December 31, 2014. In addition, the Company recognized a realized loss of \$1.2 million on the partial write off of one debt investment that is on non-accrual as of December 31, 2015.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the years ended December 31, 2015 and December 31, 2014.

Paid-In-Kind and End of Term Income

Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$4.7 million and \$3.3 million in PIK income in the years ended December 31, 2015 and 2014, respectively.

In addition, the Company may also be entitled to an end-of-term payment that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At December 31, 2015, the Company had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included as an offset to the cost basis of our current debt investments and approximately \$5.3 million was deferred related to expired commitments. At December 31, 2014 the Company had approximately \$19.3 million in exit fees receivable, of which approximately \$8.4 million was included as an offset to the cost basis of our current debt investments and approximately \$10.9 million was related to expired commitments.

To maintain the Company's status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though the cash has not yet been collected. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments.

Fee Income

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

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In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$26.1 million of unamortized fees at December 31, 2015, of which approximately \$23.6 million was included as an offset to the cost basis of our current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2014 the Company had approximately \$21.9 million of unamortized fees, of which approximately \$17.4 million was included as an offset to the cost basis of our current debt investments and approximately \$4.5 million was deferred contingent upon the occurrence of a funding or milestone.

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

Equity Offering Expenses

The Company's offering costs are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing. Debt issuance costs are recognized as prepaid expenses and amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method. Prepaid financing costs, net of accumulated amortization, were as follows as of December 31, 2015 and December 31, 2014.

(in thousands)	December 31, 2015	December 31, 2014
SBA Debentures	\$ 3,371	\$ 4,038
2019 Notes	2,185	4,352
2024 Notes	2,872	3,205
2017 Asset-Backed Notes		506
2021 Asset-Backed Notes	2,305	3,207
Convertible Senior Notes	44	175
Wells Facility	669	794
Union Bank Facility	229	156
Total	\$ 11,675	\$ 16,433

Cash and Cash Equivalents

Cash and cash equivalents consists solely of funds deposited with financial institutions and short-term liquid investments in money market deposit accounts. Cash and cash equivalents are carried at cost, which approximates fair value.

Other Assets

Other Assets generally consists of prepaid expenses, deferred financing costs net of accumulated amortization, fixed assets net of accumulated depreciation, deferred revenues and deposits and other assets, including escrow receivable. The escrow receivable balance as of December 31, 2015 was approximately \$3.0 million and was fair valued and held in accordance with ASC 820.

Stock Based Compensation

The Company has issued and may, from time to time, issue additional stock options and restricted stock to employees under the Company's 2004 Equity Incentive Plan and Board members under the Company's 2006

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Equity Incentive Plan. Management follows the guidelines set forth under ASC Topic 718, formally known as FAS 123R *Share-Based Payments* to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Income Taxes

The Company operates to qualify to be taxed as a RIC under the Code. Generally, a RIC is entitled to deduct dividends it pays to its shareholders in determining taxable income. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by deductible expenses, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized.

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes dividends in a timely manner to its stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding years (the *Excise Tax Avoidance Requirements*). The Company will not be subject to excise taxes on amounts on which the Company is required to pay corporate income tax (such as retained net capital gains).

Depending on the level of taxable income earned in a taxable year, the Company may choose to carry over taxable income in excess of current taxable year distributions from such taxable income into the next taxable year and pay a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of dividends paid in the following taxable year, subject to certain declaration and payment guidelines. To the extent the Company chooses to carry over taxable income into the next taxable year, dividends declared and paid by the Company in a taxable year may differ from taxable income for that taxable year as such dividends may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

The Company intends to distribute approximately \$8.2 million of spillover earnings from ordinary income for the taxable year ended December 31, 2015 to the Company's shareholders in 2016. The Company distributed 100% of its spillover from long term capital gains for the taxable year ended December 31, 2014 to the Company's shareholders in 2015.

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and net realized securities gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. Permanent differences may also result from the classification of certain items, such as the treatment of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and

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restricted stock for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable pursuant to stock options and to restricted stock for which future service is required as a condition to the delivery of the underlying common stock.

Comprehensive Income

The Company reports all changes in comprehensive income in the Consolidated Statement of Operations. Comprehensive income is equal to net increase in net assets resulting from operations.

Dividends

Dividends and distributions to common stockholders are approved by the Board of Directors on a quarterly basis and the dividend payable is recorded on the ex-dividend date.

The Company maintains an opt out dividend reinvestment plan that provides for reinvestment of the Company's distribution on behalf of the Company's stockholders, unless a stockholder elects to receive cash. As a result, if the Company's Board of Directors authorizes, and the Company declares a cash dividend, then the Company's stockholders who have not opted out of the Company's dividend reinvestment plan will have their cash dividend automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash dividends. During 2015, 2014, and 2013, the Company issued approximately 199,894, 96,976, and 159,000 shares, respectively, of common stock to shareholders in connection with the dividend reinvestment plan.

Segments

The Company lends to and invests in portfolio companies in various technology-related industries, including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment.

Recent Accounting Pronouncements

In February 2015, the FASB issued Accounting Standards Update (ASU) 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis. The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The Company currently consolidates all VIEs of which it is the primary beneficiary, thus the Company does not anticipate a material impact from adopting this standard on its financial statements. ASU 2015-02 is effective for public business entities for annual reporting periods beginning after December 15, 2015.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability and in August 2015, the FASB issued ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies the application of ASU 2015-03 to debt issuance costs associated with line-of-credit arrangements and allows presentation of debt issuance costs on these instruments as assets that are amortized over the term of the instrument. Adoption of these standards will result in the presentation of the Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There will be no changes to the

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accounting or presentation of the Wells Facility as debt issuance costs are amortized over the term of the line of credit. ASU 2015-03 and ASU 2015-15 are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015.

3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables including escrow receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes, the April 2019 Notes, the September 2019 Notes (together with the April 2019 Notes, the 2019 Notes), the 2024 Notes, 2021 Asset-Backed Notes, and the SBA debentures, as each term is defined herein, as sources of liquidity remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. At December 31, 2015, the April 2019 Notes were trading on the New York Stock Exchange (NYSE) for \$25.42 per share at par value, the September 2019 Notes were trading on the NYSE for \$25.23 per share at par value and the 2024 Notes were trading on the NYSE for \$25.34 per share at par value. The par value at underwriting for each of these notes was \$25.00 per share. Based on market quotations on or around December 31, 2015, the Convertible Senior Notes were quoted for 1.110 per dollar at par value and the 2021 Asset-Backed Notes were quoted for 0.996 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately \$194.1 million, compared to the carrying amount of \$190.2 million as of December 31, 2015. The fair value of the outstanding borrowings under the Wells Facility at December 31, 2015 is equal to its transaction price as the Company renegotiated the terms of the agreement with Wells Fargo Capital Finance, LLC in December 2015.

See the accompanying Consolidated Schedule of Investments for the fair value of the Company's investments. The methodology for the determination of the fair value of the Company's investments is discussed in Note 2.

The liabilities of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's liabilities at December 31, 2015 and December 31, 2014.

(in thousands)

Description ⁽¹⁾	December 31, 2015	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 19,540	\$	\$ 19,540	\$
Wells Facility	50,000			50,000
2021 Asset-Backed Notes	128,775		128,775	
April 2019 Notes	65,573		65,573	
September 2019 Notes	46,297		46,297	
2024 Notes	104,401		104,401	
SBA Debentures	194,121			194,121
Total	\$ 608,707	\$	\$ 364,586	\$ 244,121

(in thousands)

Description	December 31, 2014	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 22,799	\$	\$ 22,799	\$
2017 Asset-Backed Notes	22,068			22,068
2021 Asset-Backed Notes	129,300		129,300	
April 2019 Notes	86,450		86,450	
September 2019 Notes	88,073		88,073	
2024 Notes	104,071		104,071	
SBA Debentures	191,779			191,779

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Total	\$	644,540	\$		\$	430,693	\$	213,847
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(1) As of April 16, 2015, the 2017 Asset-Backed Notes were fully repaid.

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At December 31, 2015 and December 31, 2014, the Company had the following available borrowings and outstanding borrowings:

(in thousands)	December 31, 2015		December 31, 2014	
	Total Available	Carrying Value ⁽¹⁾	Total Available	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 190,200	\$ 190,200
2019 Notes	110,364	110,364	170,364	170,364
2024 Notes	103,000	103,000	103,000	103,000
2017 Asset-Backed Notes			16,049	16,049
2021 Asset-Backed Notes	129,300	129,300	129,300	129,300
Convertible Senior Notes ⁽³⁾	17,604	17,522	17,674	17,345
Wells Facility ⁽⁴⁾	75,000	50,000	75,000	
Union Bank Facility ⁽⁴⁾	75,000		75,000	
Total	\$ 700,468	\$ 600,386	\$ 776,587	\$ 626,258

- (1) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding.
- (2) At both December 31, 2015 and December 31, 2014, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) During the year ended December 31, 2015, holders of approximately \$70,000 of the Company's Convertible Senior Notes exercised their conversion rights. The balance at December 31, 2015 represents the remaining aggregate principal amount outstanding of the Convertible Senior Notes less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total remaining unaccreted discount for the Convertible Senior Notes was approximately \$82,000 at December 31, 2015 and \$329,000 at December 31, 2014.
- (4) Availability subject to the Company meeting the borrowing base requirements.

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of December 31, 2015, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of December 31, 2015. As of December 31, 2015, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2015, the Company held investments in HT II in 32 companies with a fair value of approximately \$79.5 million, accounting for approximately 6.6% of the Company's total portfolio. HT II held approximately \$128.3 million in assets and accounted for approximately 7.6% of the Company's total assets prior to consolidation at December 31, 2015.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of December 31, 2015, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of December 31, 2015. As of December 31, 2015, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2015, the Company held investments in HT III in 44 companies with a fair value of approximately \$255.9 million, accounting for approximately 21.3% of the Company's total portfolio. HT III held approximately \$310.8 million in assets and accounted for approximately 18.5% of the Company's total assets prior to consolidation at December 31, 2015.

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SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$19.5 million and have average annual fully taxed net income not exceeding \$6.5 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through the Company's wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of December 31, 2015 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the year ended December 31, 2015 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.52%. The average amount of debentures outstanding for the year ended December 31, 2015 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 6,969	\$ 7,328
Amortization of debt issuance cost (loan fees)	667	1,036
Total interest expense and fees	\$ 7,636	\$ 8,364
Cash paid for interest expense and fees	\$ 6,942	\$ 8,042

As of December 31, 2015, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at

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December 31, 2015, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At December 31, 2015, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

The Company reported the following SBA debentures outstanding on its Consolidated Statement of Assets and Liabilities as of December 31, 2015 and December 31, 2014:

(in thousands) Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	December 31, 2015	December 31, 2014
SBA Debentures:				
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge

2019 Notes

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

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

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

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

In April 2015, the Company redeemed \$20.0 million of the \$84.5 million issued and outstanding aggregate principal amount of April 2019 Notes, as previously approved by the Board of Directors. In December 2015, the Company redeemed \$40.0 million of the \$85.9 million issued and outstanding aggregate principal amount of September 2019 Notes, as previously approved by the Board of Directors.

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As of December 31, 2015 and December 31, 2014, the 2019 Notes payable is comprised of:

(in thousands)	December 31, 2015	December 31, 2014
April 2019 Notes	\$ 64,490	\$ 84,490
September 2019 Notes	45,874	85,874
Carrying Value of 2019 Notes	\$ 110,364	\$ 170,364

April 2019 Notes

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

The April 2019 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the April 2019 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grant security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

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

September 2019 Notes

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

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The September 2019 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the September 2019 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

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

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 10,899	\$ 11,926
Amortization of debt issuance cost (loan fees)	2,167	967
Total interest expense and fees	\$ 13,066	\$ 12,893
Cash paid for interest expense and fees	\$ 11,132	\$ 11,926

As of December 31, 2015, the Company was in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes.

2024 Notes

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated net proceeds of approximately \$99.9 million.

The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after July 30, 2017, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2024 Notes bear

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interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2014, and trade on the NYSE under the trading symbol HTGX.

The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of December 31, 2015, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At both December 31, 2015 and December 31, 2014, the 2024 Notes had an outstanding principal balance of \$103.0 million.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 6,437	\$ 2,955
Amortization of debt issuance cost (loan fees)	333	153
Total interest expense and fees	\$ 6,770	\$ 3,108
Cash paid for interest expense and fees	\$ 6,437	\$ 1,887

2017 Asset-Backed Notes

On December 19, 2012, the Company completed a \$230.7 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the 2017 Asset-Backed Notes), which were rated A2(sf) by Moody's Investors Service, Inc. The 2017 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2012-1 pursuant to a note purchase agreement, dated as of December 12, 2012, by and among the Company, Hercules Capital Funding 2012-1, LLC as trust depositor (the 2012 Trust Depositor), Hercules Capital Funding Trust 2012-1 as issuer (the 2012 Securitization Issuer), and Guggenheim Securities, LLC, as initial purchaser, and were backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and serviced by the Company.

As part of this transaction, the Company entered into a sale and contribution agreement with the 2012 Trust Depositor under which the Company has agreed to sell or have contributed to the 2012 Trust Depositor certain

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senior loans made to certain of the Company's portfolio companies (the 2012 Loans). The Company made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2012 Loans as of the date of their transfer to the 2012 Trust Depositor.

At December 31, 2014, the 2017 Asset-Backed Notes had an outstanding principal balance of \$16.0 million. In February 2015, changes in the payment schedule of obligors in the 2017 Asset-Backed Notes collateral pool triggered a rapid amortization event in accordance with the sale and servicing agreement for the 2017 Asset-Backed Notes. Due to this event, the 2017 Asset-Backed Notes were fully repaid as of April 16, 2015.

Interest on the 2017 Asset-Backed Notes was paid, to the extent of funds available, at a fixed rate of 3.32% per annum. For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2017 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 141	\$ 1,628
Amortization of debt issuance cost (loan fees)	506	2,180
Total interest expense and fees	\$ 647	\$ 3,808

Cash paid for interest expense and fees	\$	\$
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Under the terms of the 2017 Asset Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2017 Asset-Backed Notes. The Company segregated these funds and classified them as restricted cash. There was approximately \$1.2 million of restricted cash as of December 31, 2014, funded through interest collections. As the 2017 Asset-Backed Notes were fully repaid as of April 16, 2015 there were no funds segregated as restricted cash related to the 2017 Asset-Backed Notes at December 31, 2015.

2021 Asset-Backed Notes

On November 13, 2014, the Company completed a \$237.4 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the 2021 Asset-Backed Notes), which were rated A(sf) by Kroll Bond Rating Agency, Inc. (KBRA). The 2021 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1, LLC as trust depositor (the 2014 Trust Depositor), Hercules Capital Funding Trust 2014-1 as issuer (the 2014 Securitization Issuer), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

As part of this transaction, the Company entered into a sale and contribution agreement with the 2014 Trust Depositor under which the Company has agreed to sell or have contributed to the 2014 Trust Depositor certain senior loans made to certain of the Company's portfolio companies (the 2014 Loans). The Company has made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2014 Loans as of the date of their transfer to the 2014 Trust Depositor.

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014

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Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(A)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2(a)(51) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provide by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

The 2014 Loans are serviced by the Company pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. The Company performs certain servicing and administrative functions with respect to the 2014 Loans. The Company is entitled to receive a monthly fee from the 2014 Securitization Issuer for servicing the 2014 Loans. This servicing fee is equal to the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including October 5, 2014 through and including December 5, 2014 over 360) of 2.00% and the aggregate outstanding principal balance of the 2014 Loans plus collections on deposit in the 2014 Securitization Issuer's collections account, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including October 5, 2014, to the close of business on December 5, 2014).

The Company also serves as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At both December 31, 2015 and December 31, 2014, the 2021 Asset-Backed Notes had an outstanding principal balance of \$129.3 million.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 4,557	\$ 608
Amortization of debt issuance cost (loan fees)	902	117
Total interest expense and fees	\$ 5,459	\$ 725

Cash paid for interest expense and fees	\$ 4,557	\$ 418
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Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$9.2 million and \$11.5 million of restricted cash as of December 31, 2015 and December 31, 2014, respectively, funded through interest collections.

Convertible Senior Notes

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible senior notes due 2016 (the Convertible Senior Notes). During the year ended December 31, 2015, holders of approximately \$70,000 of the Company's Convertible Senior Notes exercised their conversion rights. As of

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December 31, 2015, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately \$17.5 million.

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

Prior to the close of business on the business day immediately preceding October 15, 2015, holders could convert their Convertible Senior Notes only under certain circumstances set forth in the indenture governing the Convertible Senior Notes. On or after October 15, 2015, until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The conversion rate was initially 84.0972 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately \$11.89 per share of common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the conversion rate is increased for converting holders. As of December 31, 2015, the conversion rate was 90.6580 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$11.03 per share of common stock).

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

The Convertible Senior Notes are accounted for in accordance with ASC Subtopic 470-20 (previously FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)). In accounting for the Convertible Senior Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

Upon meeting the stock trading price conversion requirement as set forth in the indenture governing the Convertible Senior Notes, dated April 15, 2011, between the Company and U.S. Bank National Association, during the three months ended June 30, 2014, September 30, 2014 and December 31, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. During this period and as of December 31, 2015, approximately \$57.4 million of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the Convertible Senior Notes and

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approximately 1.5 million shares of the Company's common stock, or \$24.3 million. By not meeting the stock trading price conversion requirement during the three months ended March 31, 2015, June 30, 2015, or September 30, 2015 the Convertible Senior Notes were not convertible for the period between April 1, 2015 and October 14, 2015. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time as described above.

The Company recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount on Notes converted during the period. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt the Company recorded for the years ended December 31, 2015 and 2014 was approximately \$1,000 and \$1.6 million, respectively. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

As of December 31, 2015 and December 31, 2014, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	December 31, 2015	December 31, 2014
Principal amount of debt	\$ 17,604	\$ 17,674
Original issue discount, net of accretion	(82)	(329)
Carrying value of Convertible Senior Debt	\$ 17,522	\$ 17,345

For the years ended December 31, 2015 and 2014, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 1,007	\$ 2,753
Accretion of original issue discount	246	843
Amortization of debt issuance cost (loan fees)	131	450
Total interest expense and fees	\$ 1,384	\$ 4,046
Cash paid for interest expense and fees	\$ 1,057	\$ 3,465

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the years ended December 31, 2015 and December 31, 2014. Interest expense decreased by approximately \$1.7 million during the year ended December 31, 2015 from the year ended December 31, 2014, due to Convertible Senior Notes settled in the period. As of December 31, 2015, the Company is in compliance with the terms of the indentures governing the Convertible Senior Notes.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly-owned subsidiary, Hercules Funding II LLC (Hercules Funding II), entered into an Amended and Restated Loan and Security Agreement (the Wells Facility) with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time. The Wells Facility amends, restates, and otherwise replaces the Loan and Security Agreement, which was originally entered into on August 25, 2008, with Wells Fargo Capital Finance, LLC, and had been amended from time to time. The Wells Facility was amended and restated to, among other things, consolidate prior amendments and update certain provisions to reflect current operations and personnel of the Company and Hercules Funding II. Many other terms and provisions of the Wells Facility remain the same or substantially similar to the terms and provisions of the original Wells Facility.

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On December 16, 2015, the Company entered into an amendment to the Wells Facility that extended the revolving credit availability period and maturity date of the facility. As amended, the revolving credit availability period ends on August 1, 2018 and the Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

Under the Wells Facility, Wells Fargo Capital Finance, LLC has made commitments of \$75.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the years ended December 31, 2015 and 2014, this non-use fee was approximately \$294,000 and \$380,000, respectively.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of December 31, 2015, the minimum tangible net worth covenant has increased to \$590.4 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million. The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

On June 20, 2011 the Company paid \$1.1 million in structuring fees in connection with the original Wells Facility. In connection with an amendment to the original Wells Facility in August 2014, the Company paid an additional \$750,000 in structuring fees and in connection with the amendment in December 2015, the Company paid an additional \$188,000 in structuring fees. These fees are being amortized through the end of the term of the Wells Facility.

The Company had aggregate draws of \$138.7 million on the available facility during the year ended December 31, 2015 offset by repayments of \$88.7 million. At December 31, 2015 there was \$50.0 million of borrowings outstanding on this facility. At December 31, 2014 there were no borrowings outstanding on this facility.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 578	\$
Amortization of debt issuance cost (loan fees)	361	198
Total interest expense and fees	\$ 939	\$ 198
Cash paid for interest expense and fees	\$ 402	\$

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The Company has a \$75.0 million revolving senior secured credit facility (the *Union Bank Facility*) with MUFG Union Bank, N.A. (*MUFG Union Bank*). The Company originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to \$75.0 million from \$30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. The Company further amended the Union Bank Facility in November 2015 but the amendment did not result in any material changes to the facility.

LIBOR-based borrowings by the Company under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously the Company paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings by the Company under the Union Bank Facility, which are based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced MUFG Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. The Company continues to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that the Company may incur.

The Union Bank Facility contains an accordion feature, pursuant to which the Company may increase the size of the Union Bank Facility to an aggregate principal amount of \$300.0 million by bringing in additional lenders, subject to the approval of MUFG Union Bank and other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings.

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the years ended December 31, 2015 and 2014, this non-use fee was approximately \$380,000 and \$240,000, respectively. The amount that the Company may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

The Union Bank Facility is collateralized by debt investments in the Company's portfolio companies, and includes an advance rate equal to 50.0% of eligible debt investments placed in the collateral pool.

The Company has various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that the Company maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. As of December 31, 2015, the minimum tangible net worth covenant has increased to \$640.1 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million. The Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control.

At December 31, 2015 there were no borrowings outstanding on the Union Bank Facility.

Citibank Credit Facility

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the *Citibank Credit Facility*) with Citigroup Global Markets Realty Corp. (*Citigroup*), which expired under normal terms. During the first quarter of 2009, the Company paid off all principal and interest owed under

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the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of debt investments and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal \$3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached.

During the year ended December 31, 2015, the Company reduced its realized gain by approximately \$143,000 for Citigroup's participation in the realized gain from the acquisition proceeds the Company received on equity exercised from warrants that were included in the collateral pool. The Company recorded an increase in participation liability and a decrease in unrealized appreciation by a net amount of approximately \$11,000 primarily due to appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement offset by the acquisition proceeds the Company received on its Atrenta, Inc. equity investment. The remaining value of their participation right on unrealized gains in the related equity investments is approximately \$111,000 as of December 31, 2015 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately \$2.2 million under the warrant participation agreement thereby reducing realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between February 2016 and January 2017.

5. Income Taxes

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

To qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing dividends of an amount at least equal 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, to its stockholders. We, among other things, have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal income taxes. However, depending on the level of taxable income earned in a taxable year, we may choose to carry forward taxable income in excess of current taxable year dividend distributions into the next taxable year and pay a 4% excise tax on such taxable income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current taxable year distributions, we will accrue excise tax, if any, on estimated excess taxable income as taxable income is earned.

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Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. Permanent differences may also result from the classification of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. During the year ended December 31, 2015 and 2014, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to accelerated revenue recognition for income tax purposes, respectively, as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Undistributed net investment income (distributions in excess of investment income)	\$ (994)	\$ 6,382
Accumulated realized gains	\$ 8,767	\$ 9,207
Additional paid-in capital	\$ (7,773)	\$ (15,589)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long-term capital gains or a combination thereof. The tax character of distributions paid for the year ended December 31, 2015 was ordinary income in the amount of \$70.6 million and long term capital gains in the amount of \$15.3 million. The tax character of distributions paid for the year ended December 31, 2014 was ordinary income in the amount of \$73.2 million.

The aggregate gross unrealized appreciation of the Company's investments over cost for federal income tax purposes was \$29.3 million and \$46.1 million as of December 31, 2015 and 2014, respectively. The aggregate gross unrealized depreciation of the Company's investments under cost for federal income tax purposes was \$81.4 million and \$63.4 million as of December 31, 2015 and 2014, respectively. The net unrealized depreciation over cost for federal income tax purposes was \$52.1 million and \$17.3 million as of December 31, 2015 and 2014, respectively. The aggregate cost of securities for federal income tax purposes was \$1.3 billion and \$1.0 billion as of December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Statements of Assets and Liabilities by temporary book/tax differences primarily arising from the treatment of loan related yield enhancements.

(in thousands)	Year Ended December 31,	
	2015	2014
Accumulated Capital Gains	\$ 7,962	\$ 16,663
Other Temporary Differences	4,117	1,795
Undistributed Ordinary Income	236	
Unrealized Depreciation	(47,498)	(16,891)
Components of Distributable Earnings	\$ (35,183)	\$ 1,567

The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes.

Based on an analysis of the Company's tax position, there are no uncertain tax positions that met the recognition or measurement criteria. The Company is currently not undergoing any tax examinations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The 2012- 2014 federal tax years for the Company remain subject to examination by the IRS. The 2011-2014 state tax years for the Company remain subject to examination by the state taxing authorities.

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On August 16, 2013, the Company entered into an At-The-Market (ATM) equity distribution agreement (the Equity Distribution Agreement) with JMP Securities LLC (JMP). The Equity Distribution Agreement provides that the Company may offer and sell up to 8.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the year ended December 31, 2014, the Company sold 650,000 shares of common stock for total accumulated net proceeds of approximately \$9.5 million, all of which is accretive to net asset value. The Company has not sold any shares of common stock under this agreement during the year ended December 31, 2015. The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of December 31, 2015, approximately 7.35 million shares remain available for issuance and sale under the equity distribution agreement.

On February 24, 2015, the Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. This plan expired on August 24, 2015. On August 27, 2015, the Board of Directors authorized a replacement stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in the most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. During the year ended December 31, 2015, the Company repurchased 437,006 shares of its common stock at an average price per share of \$10.61 per share and a total cost of approximately \$4.6 million. As of December 31, 2015, approximately \$45.4 million of common stock remains eligible for repurchase under the stock repurchase plan. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for further information on the repurchases made during the period. See Note 14 Subsequent Events.

The Company anticipates that the manner, timing, and amount of any share purchases will be determined by management based upon the evaluation of market conditions, stock price, and additional factors in accordance with regulatory requirements. Pursuant to the 1940 Act, the Company is required to notify shareholders when such a program is initiated or implemented. The repurchase program does not require the Company to acquire any specific number of shares and may be extended, modified, or discontinued at any time.

On March 27, 2015, the Company raised approximately \$100.1 million, after deducting offering expenses, in a public offering of 7,590,000 shares of its common stock.

At the 2015 Annual Meeting of Stockholders on July 7, 2015, the Company's common stockholders approved a proposal to allow the Company to issue common stock at a discount from its then current net asset value (NAV) per share, which is effective for a period expiring on the earlier of July 7, 2016 or the 2016 annual meeting of stockholders. In connection with the receipt of such stockholder approval, the Company will limit the number of shares that it issues at a price below NAV pursuant to this authorization so that the aggregate dilutive effect on the Company's then outstanding shares will not exceed 20%. The Company's Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share. During the year ended December 31, 2015, the Company has not issued common stock at a discount to NAV.

The Company has issued stock options for common stock subject to future issuance, of which 622,171 and 695,672 were outstanding at December 31, 2015 and December 31, 2014, respectively.

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The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7.0 million shares of common stock. On June 1, 2011, stockholders approved an amended and restated plan and provided an increase of 1.0 million shares, authorizing the Company to issue 8.0 million shares of common stock under the 2004 Plan. At the Company's 2015 Annual Meeting of stockholders on July 7, 2015, the Company's stockholders voted to approve an amendment to the 2004 Equity Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder by 4.0 million shares.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan and, together with the 2004 Plan, the Plans) for purposes of attracting and retaining the services of its Board of Directors. Under the 2006 Plan, the Company is authorized to issue 1.0 million shares of common stock. The Company filed an exemptive relief request with the Securities and Exchange Commission (SEC) to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

On June 21, 2007, the stockholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that may be issued under both Plans to 10% of the outstanding shares of the Company's stock on the effective date of the Plans plus 10% of the number of shares of stock issued or delivered by the Company during the terms of the Plans. The amendments further specify that no one person shall be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Plan. Further, the amount of voting securities that would result from the exercise of all of the Company's outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of its outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of the Company's outstanding warrants, options and rights issued to the Company's directors, officers and employees, together with any restricted stock issued pursuant to the Plans, would exceed 15% of the Company's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of the Company's outstanding voting securities.

A summary of the restricted stock activity under the Company's 2006 and 2004 Plans for each of the three periods ended December 31 2015, 2014, and 2013 is as follows:

	2006 Plan	2004 Plan
Outstanding at December 31, 2012	36,668	1,819,041
Granted		607,001
Cancelled		(30,264)
Outstanding at December 31, 2013	36,668	2,395,778
Granted	8,333	981,550
Cancelled		(152,277)
Outstanding at December 31, 2014	45,001	3,225,051
Granted	19,999	656,341
Cancelled		(312,564)
Outstanding at December 31, 2015	65,000	3,568,828

In 2015, 2014, and 2013, the Company granted approximately 676,340, 989,883 and 607,001 shares, respectively, of restricted stock pursuant to the Plans. All restricted stock grants under the 2004 Plan made prior to March 4, 2013 will continue to vest on a monthly basis following their one year anniversary over the succeeding 36 months. During 2012, the Compensation Committee adopted a policy that provided for awards with different vesting schedules for short and long-term awards. Under the 2004 Plan, restricted stock awarded subsequent to March 3, 2013 will vest subject to continued employment based on two vesting schedules: short-term awards vest one-half on the one year anniversary of the date of the grant and quarterly over the succeeding

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12 months, and long-term awards vest one-fourth on the one year anniversary of the date of grant and quarterly over the succeeding 36 months. No restricted stock was granted pursuant to the 2004 Plan prior to 2009. See Note 14 Subsequent Events.

The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the years ended December 31, 2015, 2014, and 2013 was approximately \$9.2 million, \$13.7 million and \$7.7 million, respectively based on the grant date close price and vesting period of each grant. During the years ended December 31, 2015, 2014, and 2013 the Company expensed approximately \$9.2 million, \$9.2 million and \$5.6 million of compensation expense related to restricted stock, respectively. As of December 31, 2015, there was approximately \$8.4 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average period of 1.77 years.

The following table summarizes the activities for the Company's unvested restricted stock for the years ended December 31, 2015, 2014, and 2013:

	Unvested Restricted Stock Awards	
	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested at December 31, 2012	899,789	\$ 10.73
Granted	607,001	\$ 12.72
Vested	(440,629)	\$ 10.59
Forfeited	(30,264)	\$ 11.24
Unvested at December 31, 2013	1,035,897	\$ 11.94
Granted	989,883	\$ 13.82
Vested	(570,723)	\$ 12.00
Forfeited	(152,277)	\$ 12.82
Unvested at December 31, 2014	1,302,780	\$ 13.23
Granted	676,340	\$ 13.67
Vested	(816,484)	\$ 13.26
Forfeited	(312,564)	\$ 13.16
Unvested at December 31, 2015	850,072	\$ 13.59

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company's common stock to pay for the exercise price and applicable taxes with respect to an option exercise (net issuance exercise). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of the Company's stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make a cash payment at the time of option exercise or to pay taxes on restricted stock.

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The following table summarizes the common stock options activities under the Company's 2006 and 2004 Plans for each of the three periods ended December 31, 2015, 2014, and 2013:

	Common Stock Options	Weighted Average Exercise Price
Shares Outstanding at December 31, 2012	2,574,749	\$ 12.00
Granted	443,500	\$ 14.51
Exercised	(2,003,988)	\$ 12.38
Forfeited	(115,338)	\$ 10.38
Expired	(65,000)	\$ 13.30
Shares Outstanding at December 31, 2013	833,923	\$ 12.53
Granted	426,000	\$ 15.54
Exercised	(353,547)	\$ 10.76
Forfeited	(208,344)	\$ 14.80
Expired	(2,360)	\$ 13.78
Shares Outstanding at December 31, 2014	695,672	\$ 14.58
Granted	163,500	\$ 12.68
Exercised	(36,331)	\$ 10.81
Forfeited	(190,006)	\$ 14.83
Expired	(10,664)	\$ 13.21
Shares Outstanding at December 31, 2015	622,171	\$ 14.25
Shares Expected to Vest at December 31, 2015	471,057	\$ 14.25

The following table summarizes stock options outstanding and exercisable at December 31, 2015:

(Dollars in thousands,

except exercise price)

	Options outstanding				Options exercisable			
	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price
Range of exercise prices								
\$9.25 - \$14.02	213,644	6.36	\$ 151,114	\$ 12.06	59,643	3.81	\$ 86,279	\$ 10.76
\$14.60 - \$16.34	408,527	5.44		\$ 15.40	230,874	5.11		\$ 15.36
\$9.25 - \$16.34	622,171	5.76	\$ 151,114	\$ 14.25	290,517	4.84	\$ 86,279	\$ 14.42

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant. At December 31, 2015, options for approximately 290,517 shares were exercisable at a weighted average exercise price of approximately \$14.42 per share with weighted average of remaining contractual term of 4.84 years.

The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the years ended December 31, 2015, 2014, and 2013 was approximately \$57,000, \$211,000 and \$1.1 million, respectively. During the years ended December 31, 2015, 2014, and 2013, approximately \$265,000, \$395,000 and \$422,000, of share-based cost due to stock option grants was expensed, respectively. As of

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December 31, 2015, there was \$232,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 1.25 years.

The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for each of the three periods ended December 31, 2015, 2014, and 2013 is as follows:

	Year Ended December 31,		
	2015	2014	2013
Expected Volatility	18.94%	19.90%	46.90%
Expected Dividends	10%	10%	10%
Expected term (in years)	4.5	4.5	4.5
Risk-free rate	1.08% - 1.70%	1.21% - 1.66%	0.56% - 1.63%

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

(in thousands, except per share data)	Year Ended December 31,		
	2015	2014	2013
Numerator			
Net increase in net assets resulting from operations	\$ 42,916	\$ 71,188	\$ 99,446
Less: Dividends declared-common and restricted shares	(87,438)	(78,562)	(66,454)
Undistributed earnings	(44,522)	(7,374)	32,992
Undistributed earnings-common shares	(44,522)	(7,374)	32,992
Add: Dividend declared-common shares	85,959	76,953	65,123
Numerator for basic and diluted change in net assets per common share	\$ 41,437	\$ 69,579	\$ 98,115
Denominator			
Basic weighted average common shares outstanding	69,479	61,862	58,838
Common shares issuable	184	1,363	1,454
Weighted average common shares outstanding assuming dilution	69,663	63,225	60,292
Change in net assets per common share			
Basic	\$ 0.60	\$ 1.12	\$ 1.67
Diluted	\$ 0.59	\$ 1.10	\$ 1.63

In the table above, unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents are treated as participating securities for calculating earnings per share.

For the purpose of calculating diluted earnings per share for year ended December 31, 2015, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation because the Company's share price was greater than the conversion price in effect (\$11.03 as of December 31, 2015 and \$11.36 as of December 31, 2014) for the Convertible Senior Notes for such period.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the years ended December 31, 2015, 2014, and 2013, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was approximately 627,483, 727,733 and 1,835,880 shares, respectively.

Effective as of April 6, 2015, the Company amended its charter to increase the number of shares of common stock it is authorized to issue from 100 million to 200 million. The Company effected the increase in authorized shares by filing Articles of Amendment with the State Department of Assessments and Taxation of Maryland. At December 31, 2015, the Company was authorized to issue 200 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

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Following is a schedule of financial highlights for the three years ended December 31, 2015.

	Year Ended December 31,		
	2015	2014	2013
Per share data ⁽¹⁾ :			
Net asset value at beginning of period	\$ 10.18	\$ 10.51	\$ 9.75
Net investment income	1.06	1.16	1.24
Net realized gain on investments	0.07	0.32	0.25
Net unrealized appreciation (depreciation) on investments	(0.51)	(0.33)	0.20
Total from investment operations	0.62	1.15	1.69
Net increase (decrease) in net assets from capital share transactions ⁽¹⁾	0.26	(0.37)	0.10
Distributions of net investment income ⁽⁶⁾	(1.26)	(1.27)	(1.13)
Stock-based compensation expense included in investment income ⁽²⁾	0.14	0.16	0.10
Net asset value at end of period	\$ 9.94	\$ 10.18	\$ 10.51
Ratios and supplemental data:			
Per share market value at end of period	\$ 12.19	\$ 14.88	\$ 16.40
Total return ⁽³⁾	(9.70%)	(1.75%)	58.49%
Shares outstanding at end of period	72,118	64,715	61,837
Weighted average number of common shares outstanding	69,479	61,862	58,838
Net assets at end of period	\$ 717,134	\$ 658,864	\$ 650,007
Ratio of total expense to average net assets ⁽⁴⁾	11.55%	10.97%	11.06%
Ratio of net investment income before investment gains and losses to average net assets ⁽⁴⁾	10.15%	10.94%	12.12%
Portfolio turnover rate ⁽⁵⁾	46.34%	56.15%	56.05%
Average debt outstanding	\$ 615,198	\$ 535,127	\$ 580,053
Weighted average debt per common share	\$ 8.85	\$ 8.65	\$ 9.86

- (1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.
- (2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the years ended December 31, 2015, 2014 and 2013 equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution.
- (4) All ratios are calculated based on weighted average net assets for the relevant period.
- (5) The portfolio turnover rate for the years ended December 31, 2015, 2014 and 2013 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period.
- (6) Includes dividends on unvested shares.

10. Commitments and Contingencies

The Company's commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments as of December 31, 2015 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, our credit agreements contain customary lending provisions which allow us relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the Company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company's disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.

At December 31, 2015, the Company had approximately \$75.4 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, the Company had approximately \$40.5

million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions.

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The Company also had approximately \$86.0 million of non-binding term sheets outstanding at December 31, 2015. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent the Company's future cash requirements.

The fair value of the Company's unfunded commitments are considered to be immaterial as the yield determined at the time of underwriting is expected to be materially consistent with the yield upon funding, given that interest rates are generally pegged to a market indices and given the existence of milestones, conditions and/or obligations imbedded in the borrowing agreements.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$1.7 million, \$1.6 million and \$1.1 million, during the years ended December 31, 2015, 2014, and 2013, respectively. The following table shows the Company's contractual obligations as of December 31, 2015:

Contractual Obligations ⁽¹⁾⁽²⁾	Total	Payments due by period (in thousands)			
		Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Borrowings ^{(3) (4)}	\$ 600,386	\$ 17,522	\$ 129,300	\$ 211,564	\$ 242,000
Operating Lease Obligations ⁽⁵⁾	4,843	1,624	2,924	295	
Total	\$ 605,229	\$ 19,146	\$ 132,224	\$ 211,859	\$ 242,000

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) The Company also has a warrant participation agreement with Citigroup. See Note 4 to the Company's consolidated financial statements.

(3) Includes \$190.2 million in borrowings under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the 2024 Notes, \$129.3 million in aggregate principal amount of the 2021 Asset-Backed Notes, \$17.5 million of the Convertible Senior Notes and \$50.0 million in outstanding borrowings on the Wells Facility as of December 31, 2015.

(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes is \$17.6 million less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total remaining unaccreted discount for the Convertible Senior Notes was \$82,000 at December 31, 2015.

(5) Long-Term facility leases.

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

11. Indemnification

The Company has entered into indemnification agreements with its directors. The indemnification agreements are intended to provide the Company's directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that the Company shall indemnify the director who is a party to the agreement, or an Indemnitee, including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, to the maximum extent permitted by Maryland law and the 1940 Act.

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

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The Company's customers are primarily privately held companies and public companies which are active in the drug discovery and development, sustainable and renewable technology, internet consumer and business services, medical devices and equipment, software, drug delivery, information services, communications and networking, healthcare services, specialty pharmaceuticals, surgical devices, electronics and computer hardware, media/content/info, biotechnology tools, semiconductors, consumer and business products and diagnostic industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value for companies in these sectors is often vested in intangible assets and intellectual property.

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

For the years ended December 31, 2015 and December 31, 2014, the Company's ten largest portfolio companies represented approximately 32.1% and 28.6% of the total fair value of the Company's investments in portfolio companies, respectively. At December 31, 2015 and December 31, 2014, the Company had two and three investments, respectively, that represented 5% or more of the Company's net assets. At December 31, 2015, the Company had four equity investments representing approximately 53.2% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of the Company's equity investments. At December 31, 2014, the Company had three equity investments which represented approximately 61.5% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of such investments.

13. Selected Quarterly Data (Unaudited)

The following tables set forth certain quarterly financial information for each of the last eight quarters ended December 31, 2015. This information was derived from the Company's unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any further quarter.

(in thousands, except per share data)	Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Total investment income	\$ 32,494	\$ 38,126	\$ 47,132	\$ 39,380
Net investment income before investment gains and losses	12,993	16,781	23,590	20,137
Net increase (decrease) in net assets resulting from operations	21,919	2,752	4,075	14,170
Change in net assets per common share (basic)	\$ 0.33	\$ 0.03	\$ 0.05	\$ 0.20

	Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Total investment income	\$ 35,770	\$ 34,001	\$ 37,019	\$ 36,875
Net investment income before investment gains and losses	18,304	18,551	18,995	15,899
Net increase (decrease) in net assets resulting from operations	22,185	13,191	15,177	20,635
Change in net assets per common share (basic)	\$ 0.36	\$ 0.21	\$ 0.24	\$ 0.32

14. Subsequent Events*Dividend Declaration*

On February 17, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on March 14, 2016 to shareholders of record as of March 7, 2016. This dividend would represent the Company's forty-second consecutive dividend declaration since the Company's initial public offering, bringing the total cumulative dividend declared to date to \$11.54 per share.

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Corporate Rebranding

On February 25, 2016, the Company changed its name to Hercules Capital, Inc. , from Hercules Technology Growth Capital, Inc. The Company will continue to trade on the New York Stock Exchange under the HTGC ticker symbol.

Share Repurchase Program

On February 24, 2015, the Board of Directors approved a \$50.0 million open market share repurchase program and on February 17, 2016, the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in our then most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. Subsequent to December 31, 2015 and as of February 22, 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of February 22, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

Restricted Stock Award Grants

In January 2016, the Company granted approximately 536,250 restricted stock awards pursuant to the Plans.

Portfolio Company Developments

As of February 22, 2016, the Company held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the Jumpstart Our Business Startups Act of 2012. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

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Schedule 12-14

HERCULES CAPITAL, INC.

(FORMERLY HERCULES TECHNOLOGY GROWTH CAPITAL, INC.)

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

As of and for the year ended December 31, 2015

(in thousands)

Portfolio Company	Investment ⁽¹⁾	Amount of Interest Credited to Income ⁽²⁾	As of December 31, 2014 Fair Value ⁽⁵⁾	Gross Additions ⁽³⁾	Gross Reductions ⁽⁴⁾	As of December 31, 2015 Fair Value
Affiliate Investments						
Optiscan BioMedical, Corp.	Preferred Stock	\$	\$ 5,853	\$ 808	\$	\$ 6,661
	Preferred Warrants		219	93		312
Stion Corporation	Senior Debt	347	1,600		(587)	1,013
Total Control and Affiliate Investments		\$ 347	\$ 7,672	\$ 901	\$ (587)	\$ 7,986

- (1) Stock and warrants are generally non-income producing and restricted. The principal amount for debt is shown in the Consolidated Schedule of Investments as of December 31, 2015.
- (2) Represents the total amount of interest or dividends credited to income for the year an investment was an affiliate or control investment.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation.
- (5) Note that as of December 31, 2014, Gelesis was classified as an affiliate investment on Consolidated Statement of Assets and Liabilities. During the year ended December 31, 2015, changes to the capitalization structure of the portfolio company occurred that reduced the Company's investment below the threshold for classification as an affiliate investment. As such the investment has been removed from this disclosure.

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****(unaudited)****(dollars in thousands, except per share data)**

	March 31, 2016	December 31, 2015
Assets		
Investments:		
Non-control/Non-affiliate investments:		
Debt investments (cost of \$1,239,601 and \$1,150,103, respectively)	\$ 1,204,136	\$ 1,109,196
Equity investments (cost of \$51,208 and \$50,305, respectively)	55,837	60,781
Warrant investments (cost of \$39,789 and \$38,131, respectively)	23,240	22,675
Total Non-control/Non-affiliate investments (cost of \$1,330,598 and \$1,238,539, respectively)	1,283,213	1,192,652
Affiliate investments:		
Debt investments (cost of \$2,185 and \$2,200, respectively)	1,537	1,013
Equity investments (cost of \$8,912 and \$8,912, respectively)	6,304	6,661
Warrant investments (cost of \$2,630 and \$2,630, respectively)	256	312
Total Affiliate investments (cost of \$13,727 and \$13,742, respectively)	8,097	7,986
Total investments, at value (cost of \$1,344,325 and \$1,252,281, respectively)	1,291,310	1,200,638
Cash and cash equivalents	13,478	95,196
Restricted cash	3,646	9,191
Interest receivable	10,993	9,239
Other assets	12,388	9,720
Total assets	\$ 1,331,815	\$ 1,323,984
Liabilities		
Accounts payable and accrued liabilities	\$ 12,086	\$ 17,241
Long-Term Liabilities (Convertible Senior Notes), net (principal of \$17,604 and \$17,604, respectively) ⁽¹⁾	17,572	17,478
Wells Facility	61,003	50,000
2021 Asset-Backed Notes, net (principal of \$129,300 and \$129,300, respectively) ⁽¹⁾	127,227	126,995
2019 Notes, net (principal of \$110,364 and \$110,364, respectively) ⁽¹⁾	108,339	108,179
2024 Notes, net (principal of \$103,000 and \$103,000, respectively) ⁽¹⁾	100,211	100,128
Long-Term SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) ⁽¹⁾	186,997	186,829
Total liabilities	\$ 613,435	\$ 606,850
Net assets consist of:		
Common stock, par value	74	73
Capital in excess of par value	761,565	752,244
Unrealized depreciation on investments ⁽²⁾	(54,142)	(52,808)
Accumulated realized gains on investments	23,525	27,993
Undistributed net investment income (Distributions in excess of net investment income)	(12,642)	(10,368)
Total net assets	\$ 718,380	\$ 717,134
Total liabilities and net assets	\$ 1,331,815	\$ 1,323,984
	73,230	72,118

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Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)

Net asset value per share	\$	9.81	\$	9.94
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- (1) The Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 2 Summary of Significant Accounting Policies and Note 4 Borrowings.
- (2) Amounts include \$1.1 million and \$1.2 million, respectively, in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and Citigroup warrant participation agreement liabilities.

See notes to consolidated financial statements.

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The following table presents the assets and liabilities of our consolidated securitization trust for the 2021 Asset-Backed Notes (see Note 4), which is a variable interest entity (VIE). The assets of our securitization VIE can only be used to settle obligations of our consolidated securitization VIE, these liabilities are only the obligations of our consolidated securitization VIE, and the creditors (or beneficial interest holders) do not have recourse to our general credit. These assets and liabilities are included in the Consolidated Statement of Assets and Liabilities above.

(Dollars in thousands)	March 31, 2016	December 31, 2015
Assets		
Restricted Cash	\$ 3,646	\$ 9,191
Total investments, at value (cost of \$265,038 and \$258,748, respectively)	264,469	257,657
Total assets	\$ 268,115	\$ 266,848
Liabilities		
2021 Asset-Backed Notes, net (principal of \$129,300 and \$129,300, respectively) ⁽¹⁾	\$ 127,227	\$ 126,995
Total liabilities	\$ 127,227	\$ 126,995

(1) The Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 2 Summary of Significant Accounting Policies and Note 4 Borrowings.

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Investment income:		
Interest income		
Non-control/Non-affiliate investments	\$ 36,409	\$ 30,459
Affiliate investments	65	100
Total interest income	36,474	30,559
Fees		
Non-control/Non-affiliate investments	2,465	1,934
Affiliate investments		1
Total fees	2,465	1,935
Total investment income	38,939	32,494
Operating expenses:		
Interest	7,018	7,854
Loan fees	988	1,513
General and administrative	3,580	3,618
Employee compensation:		
Compensation and benefits	4,685	3,796
Stock-based compensation	2,571	2,719
Total employee compensation	7,256	6,515
Total operating expenses	18,842	19,500
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)		(1)
Net investment income	20,097	12,993
Net realized gain (loss) on investments		
Non-control/Non-affiliate investments	(4,468)	3,312
Total net realized gain (loss) on investments	(4,468)	3,312
Net change in unrealized appreciation (depreciation) on investments		
Non-control/Non-affiliate investments	(1,460)	3,301
Affiliate investments	126	2,313
Total net unrealized appreciation (depreciation) on investments	(1,334)	5,614
Total net realized and unrealized gain (loss)	(5,802)	8,926

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Net increase in net assets resulting from operations	\$ 14,295	\$ 21,919
Net investment income before investment gains and losses per common share:		
Basic	\$ 0.28	\$ 0.20
Change in net assets resulting from operations per common share:		
Basic	\$ 0.20	\$ 0.33
Diluted	\$ 0.20	\$ 0.33
Weighted average shares outstanding		
Basic	71,172	63,783
Diluted	71,199	64,163
Dividends declared per common share:		
Basic	\$ 0.31	\$ 0.31
	See notes to consolidated financial statements.	

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Stock			Unrealized Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Undistributed Net Investment Income/ (Distributions in Excess of Investment Income)	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value	Capital in excess of par value					
Balance at December 31, 2014	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations				5,614	3,312	12,993		21,919
Public offering, net of offering expenses	7,591	8	100,084					100,092
Issuance of common stock due to stock option exercises	34		406					406
Retired shares from net issuance	(27)		(401)					(401)
Issuance of common stock under restricted stock plan	580							
Retired shares for restricted stock vesting	(42)		(591)					(591)
Issuance of common stock as stock dividend	40		562					562
Dividends distributed						(20,266)		(20,266)
Stock-based compensation			2,741					2,741
Balance at March 31, 2015	72,891	\$ 73	\$ 760,034	\$ (11,462)	\$ 17,391	\$ (2,368)	\$ (342)	\$ 763,326
Balance at December 31, 2015	72,118	\$ 73	\$ 752,244	\$ (52,808)	\$ 27,993	\$ (10,026)	\$ (342)	\$ 717,134
Net increase (decrease) in net assets resulting from operations				(1,334)	(4,468)	20,097		14,295
Public offering, net of offering expenses	1,109	1	12,403					12,404
Acquisition of common stock under repurchase plan	(449)		(4,789)					(4,789)
Issuance of common stock under restricted stock plan	538							
Retired shares for restricted stock vesting	(129)		(1,385)					(1,385)
Issuance of common stock as stock dividend	43		496					496
Dividends distributed						(22,371)		(22,371)
Stock-based compensation			2,596					2,596
Balance at March 31, 2016	73,230	\$ 74	\$ 761,565	\$ (54,142)	\$ 23,525	\$ (12,300)	\$ (342)	\$ 718,380

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See notes to consolidated financial statements.

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED STATEMENT OF CASH FLOWS****(unaudited)****(dollars in thousands)**

	For the Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 14,295	\$ 21,919
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(170,921)	(209,387)
Principal and fee payments received on investments	77,808	75,368
Proceeds from the sale of investments	4,636	7,001
Net unrealized depreciation (appreciation) on investments	1,334	(5,614)
Net realized loss (gain) on investments	4,468	(3,312)
Accretion of paid-in-kind principal	(1,535)	(665)
Accretion of loan discounts	(1,863)	(1,356)
Accretion of loan discount on Convertible Senior Notes	61	62
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)		1
Payment of loan discount on Convertible Senior Notes		(2)
Accretion of loan exit fees	(5,231)	(2,767)
Change in deferred loan origination revenue	655	1,540
Unearned fees related to unfunded commitments	(87)	527
Amortization of debt fees and issuance costs	785	1,288
Depreciation	56	58
Stock-based compensation and amortization of restricted stock grants	2,596	2,741
Change in operating assets and liabilities:		
Interest and fees receivable	(1,753)	351
Prepaid expenses and other assets	(2,540)	2,674
Accounts payable	(88)	(504)
Accrued liabilities	(5,029)	(3,978)
Net cash used in operating activities	(82,353)	(114,055)
Cash flows from investing activities:		
Purchases of capital equipment	(127)	(42)
Reduction of (investments in) restricted cash	5,545	(9,289)
Net cash provided by (used in) investing activities	5,418	(9,331)
Cash flows from financing activities:		
Issuance of common stock, net	12,404	100,092
Repurchase of common stock, net	(4,789)	
Retirement of employee shares	(1,385)	(586)
Dividends paid	(21,875)	(19,704)
Repayments of 2017 Asset-Backed Notes		(11,846)
Borrowings of credit facilities	106,666	
Repayments of credit facilities	(95,663)	
Cash paid for redemption of Convertible Senior Notes		(30)
Fees paid for credit facilities and debentures	(141)	100

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Net cash provided by (used in) financing activities	(4,783)	68,026
Net decrease in cash and cash equivalents	(81,718)	(55,360)
Cash and cash equivalents at beginning of period	95,196	227,116
Cash and cash equivalents at end of period	\$ 13,478	\$ 171,756
Supplemental non-cash investing and financing activities:		
Dividends Reinvested	\$ 496	\$ 562
	See notes to consolidated financial statements.	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Debt Investments							
Biotechnology Tools							
1-5 Years Maturity							
Exicure, Inc. ⁽¹¹⁾⁽¹³⁾	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 6,000	\$ 5,862	\$ 5,862
Subtotal: 1-5 Years Maturity						5,862	5,862
Subtotal: Biotechnology Tools (0.82%)*						5,862	5,862
Communications & Networking							
1-5 Years Maturity							
Avanti Communications Group ⁽⁴⁾⁽⁹⁾	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 7,500	6,693	5,475
OpenPeak, Inc. ⁽⁷⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,370	9,134	4,379
SkyCross, Inc. ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%, PIK Interest 5.00%	\$ 19,674	20,529	7,050
Spring Mobile Solutions, Inc. ⁽¹³⁾	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	2,959	2,959
Subtotal: 1-5 Years Maturity						39,315	19,863
Subtotal: Communications & Networking (2.76%)*						39,315	19,863
Consumer & Business Products							
Under 1 Year Maturity							
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁴⁾	Consumer & Business	Senior Secured	June 2016	Interest rate PRIME + 8.75%	\$ 158	158	158

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	Products			or Floor rate of 12.00%				
Miles, Inc. (p.k.a. Fluc, Inc.) ⁽⁸⁾	Consumer & Business Products	Convertible Debt	March 2017	Interest rate FIXED 4.00%		\$ 100	100	
Subtotal: Under 1 Year Maturity							258	158
1-5 Years Maturity								
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75%				
				or Floor rate of 10.00%,				
				PIK Interest 2.50%	\$ 4,433	4,359	4,359	
Nasty Gal ⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45%				
				or Floor rate of 8.95%	\$ 15,000	14,996	14,723	
Second Time Around (Simplify Holdings, LLC) ⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	February 2019	Interest rate PRIME + 7.25%				
				or Floor rate of 10.75%	\$ 2,500	2,477	2,477	
Subtotal: 1-5 Years Maturity							21,832	21,559
Subtotal: Consumer & Business Products (3.02%)*							22,090	21,717

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Drug Delivery							
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				or Floor rate of 9.10%	\$ 20,466	\$ 20,914	\$ 20,892
Agile Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%	\$ 16,500	16,347	16,304
BIND Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 5.10%			
				or Floor rate of 8.35%	\$ 13,691	13,919	13,754
BioQ Pharma Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 10,000	10,237	10,174
	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 7.00%			
				or Floor rate of 10.50%	\$ 3,000	2,983	2,983
Total BioQ Pharma Incorporated					\$ 13,000	13,220	13,157
Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 13,276	13,349	13,510
Celsion Corporation ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 5,364	5,575	5,603
Dance Biopharm, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40%			
				or Floor rate of 10.65%	\$ 2,384	2,475	1,380
Edge Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 5.45%			
				or Floor rate of 9.95%	\$ 4,919	4,915	4,942
Egalet Corporation ⁽¹¹⁾⁽¹³⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.15%	\$ 15,000	15,059	15,170

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				or Floor rate of 9.40%			
Neos Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October 2017	Interest rate FIXED 9.00%	\$ 10,000	10,000	10,063
	Drug Delivery	Senior Secured	October 2017	Interest rate FIXED 10.50%	\$ 10,000	10,109	10,123
	Drug Delivery	Senior Secured	October 2017	Interest rate FIXED 9.00%	\$ 5,000	5,017	5,027
Total Neos Therapeutics, Inc.					\$ 25,000	25,126	25,213
Pulmatrix Inc. ⁽⁸⁾⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%			
				or Floor rate of 9.50%	\$ 7,000	6,924	6,935
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%			
				or Floor rate of 7.95%	\$ 15,000	14,996	14,936
Subtotal: 1-5 Years Maturity						152,819	151,796
Subtotal: Drug Delivery (21.13%)*						152,819	151,796
Drug Discovery & Development							
1-5 Years Maturity							
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 6.65%			
				or Floor rate of 11.90%	\$ 10,000	10,149	10,067
Bellicum Pharmaceuticals, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85% or Floor rate of 9.35%	\$ 15,000	14,893	14,893

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Brickell Biotech, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%	\$ 7,500	\$ 7,321	\$ 7,321
Cerecor, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 4,884	4,928	4,980
Cerulean Pharma, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 1.55% or Floor rate of 7.30%	\$ 19,072	19,432	19,454
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$ 25,000	25,607	25,778
CytRx Corporation ⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	February 2020	Interest rate PRIME + 6.00% or Floor rate of 9.50%	\$ 25,000	24,436	24,436
Epirus Biopharmaceuticals, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 15,000	14,944	15,061
Genocoea Biosciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 2.25% or Floor rate of 7.25%	\$ 17,000	17,081	17,147
Immune Pharmaceuticals ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 4.75% or Floor rate of 10.00%	\$ 4,500	4,429	4,388
Insmed, Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 25,000	24,776	24,764
Mast Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 5.70% or Floor rate of 8.95%	\$ 15,000	14,890	14,920
Melinta Therapeutics ⁽¹¹⁾⁽¹³⁾		Senior Secured	June 2018	Interest rate PRIME + 3.75%	\$ 30,000	30,010	30,013

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	Drug Discovery & Development			or Floor rate of 8.25%			
Merrimack Pharmaceuticals, Inc. ⁽⁹⁾	Drug Discovery & Development	Senior Secured	December 2022	Interest rate FIXED 11.50%	\$ 25,000	25,000	25,000
Neothetics, Inc. (p.k.a. Lithera, Inc) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 4,000	4,132	4,137
Neuralstem, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 7,235	7,364	7,341
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%	\$ 20,000	19,893	19,890
uniQure B.V. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.00% or Floor rate of 10.25%	\$ 20,000	20,002	20,053
XOMA Corporation ⁽⁹⁾⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$ 20,000	20,129	20,067
Subtotal: 1-5 Years Maturity						309,416	309,710
Subtotal: Drug Discovery & Development (43.11%)*						309,416	309,710

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Electronics & Computer Hardware							
1-5 Years Maturity							
Persimmon Technologies ⁽¹¹⁾⁽¹³⁾	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50%			
				or Floor rate of 11.00%	\$ 7,000	\$ 6,928	\$ 6,855
Subtotal: 1-5 Years Maturity						6,928	6,855
Subtotal: Electronics & Computer Hardware (0.95%)*						6,928	6,855
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10%			
				or Floor rate of 9.35%	\$ 5,000	4,952	4,977
InstaMed Communications, LLC ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%	\$ 10,000	10,127	10,111
Subtotal: 1-5 Years Maturity						15,079	15,088
Subtotal: Healthcare Services, Other (2.10%)*						15,079	15,088
Information Services							
Under 1 Year Maturity							
InXpo, Inc. ⁽¹³⁾⁽¹⁴⁾	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50%			
				or Floor rate of 10.75%	\$ 1,247	1,304	1,304
Subtotal: Under 1 Year Maturity						1,304	1,304
Subtotal: Information Services (0.18%)*						1,304	1,304
Internet Consumer & Business Services							

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Under 1 Year Maturity

NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹⁴⁾	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%		\$ 381	373		
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%		\$ 44	44		
Total NetPlenish						\$ 425	417		
Subtotal: Under 1 Year Maturity								417	

1-5 Years Maturity

Aria Systems, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%		\$ 2,031	2,008	1,983
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%		\$ 18,191	17,962	17,767
Total Aria Systems, Inc.						\$ 20,222	19,970	19,750
CloudOne, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	April 2019	Interest rate PRIME + 6.35% or Floor rate of 9.85%		\$ 5,000	4,927	4,927

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
LogicSource ⁽¹³⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25% or Floor rate of 9.75%	\$ 8,500	\$ 8,371	\$ 8,371
One Planet Ops Inc. (p.k.a. Reply! Inc.)	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25% or Floor rate of 7.50%	\$ 6,168	5,725	5,262
ReachLocal ⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50% or Floor rate of 11.75%	\$ 25,000	25,147	25,007
Tapjoy, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 20,000	19,653	19,555
Tectura Corporation ⁽⁷⁾⁽¹²⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 6,468	6,468	5,175
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 7,670	7,670	6,136
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 563	563	450
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	5,000	4,000
	Total Tectura Corporation					\$ 19,701	19,701
Subtotal: 1-5 Years Maturity						103,494	98,633
Subtotal: Internet Consumer & Business Services (13.73%)*						103,911	98,633

Media/Content/Info

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1-5 Years Maturity								
Machine Zone, Inc. ⁽¹²⁾	Media/Content/ Info	Senior Secured	May 2018	Interest rate PRIME + 2.50%				
				or Floor rate of 6.75%,				
				PIK Interest 3.00%	\$ 101,437	99,395	98,647	
WP Technology, Inc. (Wattpad, Inc.) ⁽⁴⁾⁽⁹⁾⁽¹³⁾	Media/Content/ Info	Senior Secured	April 2020	Interest rate PRIME + 4.75%				
				or Floor rate of 8.25%	\$ 5,000	4,943	4,943	
Subtotal: 1-5 Years Maturity						104,338	103,590	
Subtotal: Media/Content/Info (14.42%)*						104,338	103,590	

Medical Devices & Equipment

Under 1 Year Maturity								
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00%				
				or Floor rate of 10.50%	\$ 3,992	4,412	3,730	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽⁸⁾⁽¹⁴⁾	Medical Devices & Equipment	Convertible Debt	December 2016	Interest Rate FIXED 8.00%	\$ 431	431	431	
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) ⁽¹³⁾	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75%				
				or Floor rate of 11.00%	\$ 73	481	481	
Subtotal: Under 1 Year Maturity						5,324	4,642	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
1-5 Years Maturity							
Amedica Corporation ⁽⁸⁾⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20% or Floor rate of 12.45%	\$ 15,218	\$ 16,015	\$ 15,753
Aspire Bariatrics, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%	\$ 7,000	6,860	6,827
Avedro, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 11,761	11,688	11,675
Flowonix Medical Incorporated ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 4.75% or Floor rate of 10.00%	\$ 15,000	15,179	15,092
Gamma Medica, Inc. ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 2,500	2,567	2,549
Micell Technologies, Inc. ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 8,500	8,253	8,253
Quanta Fluid Solutions ⁽⁴⁾⁽⁹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05% or Floor rate of 11.55%	\$ 12,500	12,351	12,351
Quanterix Corporation ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75% or Floor rate of 8.00%	\$ 12,661	12,757	12,707
SynergEyes, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 3,804	4,104	4,036
Subtotal: 1-5 Years Maturity						89,774	89,243
Subtotal: Medical Devices & Equipment (13.07%)*						95,098	93,885

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Semiconductors

Under 1 Year Maturity

Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Senior Secured	July 2016	Interest rate PRIME + 4.75%			
				or Floor rate of 8.00%	\$ 4,260	4,260	4,260
Subtotal: Under 1 Year Maturity						4,260	4,260

1-5 Years Maturity

Achronix Semiconductor Corporation ⁽¹³⁾⁽¹⁴⁾	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 4,710	4,787	4,728
Avnera Corporation ⁽¹⁰⁾⁽¹³⁾	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 7,500	7,527	7,596
Subtotal: 1-5 Years Maturity						12,314	12,324
Subtotal: Semiconductors (2.31%)*						16,574	16,584

Software

Under 1 Year Maturity

Clickfox, Inc. ⁽¹⁴⁾⁽¹⁶⁾	Software	Senior Secured	March 2016	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 2,600	2,600	2,600
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,483	1,444	815
Message Systems, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2017	Interest rate PRIME + 2.75%			
				or Floor rate of 6.00%	\$ 318	318	318
Neos, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	May 2016	Interest rate PRIME + 6.75%			
				or Floor rate of 10.50%	\$ 446	616	616
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Senior Secured	August 2016	Interest rate PRIME + 2.25%			
				or Floor rate of 6.50%	\$ 6,000	6,000	6,000
Subtotal: Under 1 Year Maturity						10,978	10,349

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March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
1-5 Years Maturity							
Actifio, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,434	\$30,216	\$ 29,898
	Software	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.75%, PIK Interest 2.50%	\$ 10,000	9,533	9,533
Total Actifio, Inc.					\$ 40,434	39,749	39,431
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 4,935	4,988	4,979
Druva, Inc. ⁽¹⁰⁾⁽¹³⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60% or Floor rate of 7.85%	\$ 12,000	12,173	12,113
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 12,308	11,640	6,568
Message Systems, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 17,500	17,141	16,960
OneLogin, Inc. ⁽¹²⁾⁽¹⁴⁾	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25%	\$ 13,033	12,880	12,880
RedSeal Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 5,000	5,038	4,992

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Signpost, Inc. ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15%			
				or Floor rate of 8.15%,			
				PIK Interest 1.75%	\$ 15,035	14,609	14,609
Touchcommerce, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 10.25%	\$ 12,000	11,957	11,872
Subtotal: 1-5 Years Maturity						130,175	124,404
Subtotal: Software (18.76%)*						141,153	134,753
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Cranford Pharmaceuticals, LLC ⁽¹⁴⁾	Specialty Pharmaceuticals	Senior Secured	August 2016	Interest rate LIBOR + 8.25%			
				or Floor rate of 9.50%	\$ 1,100	1,100	1,100
Subtotal: Under 1 Year Maturity						1,100	1,100
1-5 Years Maturity							
Alimera Sciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%			
				or Floor rate of 10.90%	\$ 35,000	34,137	34,090
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Specialty Pharmaceuticals	Senior Secured	August 2017	Interest rate LIBOR + 9.55%			
				or Floor rate of 10.80%,			
				PIK Interest 1.35%	\$ 8,874	9,071	9,071
Jaguar Animal Health, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%			
				or Floor rate of 9.90%	\$ 5,821	5,897	5,842
Subtotal: 1-5 Years Maturity						49,105	49,003
Subtotal: Specialty Pharmaceuticals (6.97%)*						50,205	50,103

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. ⁽¹³⁾	Surgical Devices	Senior Secured	March 2019	Interest rate PRIME + 5.30% or Floor rate of 9.55%	\$ 8,500	\$ 8,491	\$ 8,428
Subtotal: 1-5 Years Maturity						8,491	8,428
Subtotal: Surgical Devices (1.17%)*						8,491	8,428
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Agrivida, Inc. ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 3,786	4,034	4,034
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 2,667	3,135	3,135
Amyris, Inc. ⁽⁹⁾⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 17,543	17,543	17,543
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 3,497	3,497	3,497
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 10,960	11,224	11,224
Total Amyris, Inc.					\$ 32,000	32,264	32,264
Modumetal, Inc. ⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$ 1,429	1,805	1,805
Stion Corporation ⁽⁵⁾⁽¹³⁾	Sustainable and Renewable	Senior Secured	February 2017	Interest rate PRIME + 8.75%	\$ 1,754	1,754	1,106

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Technology		or Floor rate of 12.00%					
Subtotal: Under 1 Year Maturity						42,992	42,344
1-5 Years Maturity							
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25%			
				or Floor rate of 11.00%	\$ 1,500	1,509	1,500
Modumetal, Inc. ⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 6,170	6,415	6,362
Proterra, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95%			
				or Floor rate of 10.20%	\$ 25,000	25,140	24,592
Rive Technology, Inc. ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20%			
				or Floor rate of 9.45%	\$ 7,500	7,450	7,450
Sungevity, Inc. ⁽¹¹⁾⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70%			
				or Floor rate of 6.95%	\$ 35,000	35,969	35,879

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 20,000	\$ 20,000	\$ 19,975
Total Sungevity, Inc.					\$ 55,000	55,969	55,854
Tendril Networks ⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,908	14,580
Verdezyne, Inc. ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	April 2019	Interest rate PRIME + 8.25% or Floor rate of 11.75%	\$ 15,000	14,820	14,820
Subtotal: 1-5 Years Maturity						126,211	125,158
Subtotal: Sustainable and Renewable Technology (23.32%)*						169,203	167,502
Total Debt Investments (167.83%)*						1,241,786	1,205,673

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. ⁽¹⁴⁾	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 538
Subtotal: Biotechnology Tools (0.07%)*					500	538
Communications & Networking						
GlowPoint, Inc. ⁽³⁾	Communications & Networking	Equity	Common Stock	114,192	102	45
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,304
Ping Identity Corporation	Communications & Networking	Equity	Preferred Series B	684,004	52	391
Subtotal: Communications & Networking (0.66%)*					1,154	4,740
Consumer & Business Products						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		192
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	3
Total Market Force Information, Inc.				668,231	500	195
Subtotal: Consumer & Business Products (0.03%)*					500	195
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	60
Subtotal: Diagnostic (0.01%)*					750	60
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	54,240	108	168
BioQ Pharma Incorporated ⁽¹⁴⁾	Drug Delivery	Equity	Preferred Series D	165,000	500	650
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	157,190	1,000	1,438
Merrion Pharmaceuticals, Plc ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Equity	Common Stock	125,000	1,500	1,349
Revanche Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	22,765	557	397

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Subtotal: Drug Delivery (0.56%)* 3,674 4,002

Drug Discovery & Development

Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	167,864	842	153
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	444
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	367
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	766
Dynavax Technologies ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	385
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	538
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,730
Inotek Pharmaceuticals Corporation ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	28
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	897
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,040

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	76,362	\$ 2,744	\$ 1,158
Subtotal: Drug Discovery & Development (1.18%)*					14,636	8,506
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	14
Subtotal: Electronics & Computer Hardware (0.00%)*					34	14
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	223
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	254
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	241
Total Lightspeed POS, Inc.				428,707	500	495
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	374
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	245
Total Oportun (p.k.a. Progress Financial)				306,153	500	619
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	28
Subtotal: Internet Consumer & Business Services (0.19%)*					1,283	1,365
Medical Devices & Equipment						
AtriCure, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	266	116
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,913
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	198,202		815
		Equity	Preferred Series A-1	191,210	425	859

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	Medical Devices & Equipment					
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	823
Total Gelesis, Inc.				581,038	925	2,497
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	207
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	192
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	504
Total Medrobotics Corporation				374,703	905	903
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	520
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	156
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,628
Total Optiscan Biomedical, Corp.				63,216,799	8,912	6,304

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	\$ 500	\$ 267
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	503
Quanterix Corporation	Medical Devices & Equipment	Equity	Preferred Series D	272,479	1,000	1,216
Subtotal: Medical Devices & Equipment (1.91%)*					15,535	13,719
Software						
Box, Inc. ⁽³⁾⁽¹⁴⁾	Software	Equity	Common Stock	1,287,347	5,654	15,532
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	50	82
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,056
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,363
	Software	Equity	Preferred Series E	80,587	131	348
Total ForeScout Technologies, Inc.				399,686	529	1,711
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Equity	Preferred Series E	669,173	963	699
WildTangent, Inc. ⁽¹⁴⁾	Software	Equity	Preferred Series 3	100,000	402	171
Subtotal: Software (2.68%)*					8,905	19,251
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	26
	Surgical Devices	Equity	Preferred Series C	656,538	282	36
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	602
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	390

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Total Gynesonics, Inc.				5,652,395	1,673	1,054
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	105
	Surgical Devices	Equity	Preferred Series C	119,999	300	59
	Surgical Devices	Equity	Preferred Series D	260,000	650	427
	Surgical Devices	Equity	Preferred Series F	100,200	500	470
Total Transmedics, Inc.				569,160	2,550	1,061
Subtotal: Surgical Devices (0.29%)*					4,223	2,115
Sustainable and Renewable Technology						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	4
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	483
SCIEnergy, Inc.	Sustainable and Renewable Technology	Equity	Common Stock	19,250	761	
Sungevity, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	7,149
Subtotal: Sustainable and Renewable Technology (1.06%)*					8,176	7,636
Total: Equity Investments (8.65%)*					60,120	62,141

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Warrant Investments						
Biotechnology Tools						
Exicure, Inc.	Biotechnology Tools	Warrant	Preferred Series C	104,348	\$ 107	\$ 109
Labcyte, Inc. ⁽¹⁴⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	181
Subtotal: Biotechnology Tools (0.04%)*					430	290
Communications & Networking						
Intelepeer, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	37
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	360
SkyCross, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	55
Subtotal: Communications & Networking (0.06%)*					1,219	452
Consumer & Business Products						
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	
Intelligent Beauty, Inc. ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	281
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	805
Nasty Gal ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	18
The Neat Company ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.15%)*					1,922	1,104
Diagnostic						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) ⁽³⁾⁽¹⁴⁾	Diagnostic	Warrant	Common Stock	333,333	244	4

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Subtotal: Diagnostic (0.00%)* 244 4

Drug Delivery

AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	176,730	785	154
Agile Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	180,274	730	204
BIND Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	152,586	488	5
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	354
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	10
Dance Biopharm, Inc. ⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	43,813	74	
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	78,595	390	228
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	877
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	70,833	285	122
Pulmatrix Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	25,150	116	2
ZP OpcO, Inc (p.k.a. Zosano Pharma) ⁽³⁾	Drug Delivery	Warrant	Common Stock	72,379	266	2

Subtotal: Drug Delivery (0.27%)* 4,157 1,958

Drug Discovery & Development

ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	295	123
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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	\$ 984	\$
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	608,696	194	117
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	125
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	11
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	171,901	369	9
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	2
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	158
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	292,398	165	20
CytRx Corporation ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	634,146	416	773
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	42
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	15
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	219
Immune Pharmaceuticals ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	214,853	164	13
Mast Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	2,272,724	203	185
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	100
Nanotherapeutics, Inc. ⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,035
Neothetics, Inc. (p.k.a. Lithera, Inc) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	8
Neuralstem, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	10
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	21,467	129	20
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	105
XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁴⁾		Warrant	Common Stock	181,268	279	53

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Drug Discovery & Development						
Subtotal: Drug Discovery & Development (0.44%)*					7,086	3,143
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	67
Subtotal: Electronics & Computer Hardware (0.01%)*					52	67
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Healthcare Services, Other	Warrant	Common Stock	419,020	157	201
Subtotal: Healthcare Services, Other (0.03%)*					157	201

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Information Services						
Cha Cha Search, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series G	48,232	\$ 58	\$
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	46,874	82	
InXpo, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,165,183	74	2
Total InXpo, Inc.				1,813,583	172	4
RichRelevance, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.00%)*					410	4
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	74
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	130
CashStar, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	37
CloudOne, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	19
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,417
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	67
LogicSource ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	55
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	134
Prism Education Group, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ReachLocal ⁽³⁾	Internet Consumer & Business Services	Warrant	Common Stock	300,000	155	315
ShareThis, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	127
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	198
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.36%)*					3,200	2,573
Media/Content/Info						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	155,271	1,959	2,822

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Rhapsody International, Inc. ⁽¹⁴⁾	Media/Content/Info	Warrant	Common Stock	715,755	384	221
WP Technology, Inc. (Wattpad, Inc.) ⁽⁴⁾	Media/Content/Info	Warrant	Common Stock	127,909	1	1
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	18
Subtotal: Media/Content/Info (0.43%)*					2,692	3,062

Medical Devices & Equipment

Amedica Corporation ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	103,225	459	65
Aspire Bariatrics, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	220
Avedro, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	128
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	110,947	203	450
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	183

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	\$ 78	\$ 336
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	232
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	280
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	17
NinePoint Medical, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	67
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	256
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	57
Total Oraya Therapeutics, Inc.				1,633,038	742	313
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	243
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	173,428	180	144
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	30
Subtotal: Medical Devices & Equipment (0.38%)*					6,850	2,708
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Warrant	Preferred Series C	360,000	160	18

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	Semiconductors	Warrant	Preferred Series D-1	500,000	6	4
Total Achronix Semiconductor Corporation				860,000	166	22
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	38
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	47	67
Subtotal: Semiconductors (0.02%)*					217	127
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	190
	Software	Warrant	Preferred Series F	31,673	343	343
Total Actifio, Inc.				105,257	592	533
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁴⁾	Software	Warrant	Preferred Series B	413,433	258	609
Clickfox, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	1,038,563	330	193
	Software	Warrant	Preferred Series C	592,019	730	161
	Software	Warrant	Preferred Series C-A	46,109	13	9
Total Clickfox, Inc.				1,676,691	1,073	363

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Hillcrest Laboratories, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	1,865,650	\$ 55	\$ 183
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹⁴⁾	Software	Warrant	Preferred Series E	614,333	16	
Message Systems, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	503,718	334	434
Mobile Posse, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	396,430	130	80
Neos, Inc. ⁽¹⁴⁾	Software	Warrant	Common Stock	221,150	22	110
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	28
OneLogin, Inc. ⁽¹⁴⁾	Software	Warrant	Common Stock	228,972	150	148
Poplicus, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	2,595,230		98
Signpost, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	324,005	314	305
Soasta, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	410,800	691	273
Sonian, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	185,949	106	26
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	2,282,968	446	575
Subtotal: Software (0.52%)*					4,408	3,765
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	862,069	729	313
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
Subtotal: Specialty Pharmaceuticals (0.04%)*					1,036	313
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Warrant	Preferred Series C	180,480	75	8
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	200
Total Gynesonics, Inc.				1,756,445	395	208
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	224	
	Surgical Devices	Warrant	Preferred Series D	175,000	100	121
	Surgical Devices	Warrant	Preferred Series F	16,476	3	2
Total Transmedics, Inc.				231,912	327	123
Subtotal: Surgical Devices (0.05%)*					722	331
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	79
Alphabet Energy, Inc. ⁽¹⁴⁾		Warrant	Preferred Series A	86,329	82	149

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American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	103
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	7
Calera, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	134
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	38
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	207
GreatPoint Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	12
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	397,931	37	55
Rive Technology, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	24

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	\$ 181	\$
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	6,229	50	
Total SCIEnergy, Inc.				537,040	231	
Solexel, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	649
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	763
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	807
Total Sungevity, Inc.				52,472,222	1,445	1,570
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	208
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	108
Trilliant, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	51

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Subtotal: Sustainable and Renewable Technology (0.47%)*	7,617	3,394
Total: Warrant Investments (3.27%)*	42,419	23,496
Total Investments (179.75%)*	\$ 1,344,325	\$ 1,291,310

* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$24.3 million, \$77.2 million and \$52.9 million respectively. The tax cost of investments is \$1.3 billion.
- (3) Except for warrants in 37 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at March 31, 2016 and were valued at fair value as determined in good faith by the Company's board of directors (the Board of Directors). No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the 1940 Act) in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board. There were no control investments at March 31, 2016.
- (7) Debt is on non-accrual status at March 31, 2016, and is therefore considered non-income producing.
- (8) Denotes that all or a portion of the debt investment is convertible debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or payment-in-kind, interest and is net of repayments.
- (13) Denotes that all or a portion of the debt investment includes an exit fee receivable. This fee ranges from 1.0% to 19.4% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (14) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly-owned SBIC subsidiaries.
- (15) The stated maturity date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) Repayment of debt investment is delinquent of the contractual maturity date.

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Debt Investments							
Communications & Networking							
1-5 Years Maturity							
Avanti Communications Group ⁽⁴⁾⁽⁹⁾	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 10,000	\$ 8,900	\$ 7,812
OpenPeak, Inc. ⁽⁷⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75%	\$ 12,370	9,134	2,444
SkyCross, Inc. ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 7.70%			
				or Floor rate of 10.95%,			
Spring Mobile Solutions, Inc. ⁽¹³⁾	Communications & Networking	Senior Secured	January 2019	PIK Interest 5.00%	\$ 19,649	20,080	14,859
				Interest rate PRIME + 6.70%			
				or Floor rate of 9.95%	\$ 3,000	2,935	2,935
Subtotal: 1-5 Years Maturity						41,049	28,050
Subtotal: Communications & Networking (3.91%)*						41,049	28,050
Consumer & Business Products							
Under 1 Year Maturity							
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	June 2016	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 308	308	308
Subtotal: Under 1 Year Maturity						308	308
1-5 Years Maturity							
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%,			
				PIK Interest 2.50%	\$ 4,955	4,785	4,783
Miles, Inc. (p.k.a. Fluc, Inc.) ⁽⁸⁾	Consumer & Business Products	Convertible Debt	March 2017	Interest rate FIXED 4.00%	\$ 100	100	
Nasty Gal ⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45%	\$ 15,000	14,876	14,876

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The Neat Company ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior Secured	September 2017	Interest rate PRIME + 7.75% or Floor rate of 8.95%			
				Interest rate PRIME + 4.75% or Floor rate of 11.00%,			
				PIK Interest 1.00%	\$ 15,936	15,545	5,527
Subtotal: 1-5 Years Maturity						35,306	25,186
Subtotal: Consumer & Business Products (3.55%)*						35,614	25,494
Drug Delivery							
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				Interest rate PRIME + 4.75% or Floor rate of 9.10%	\$ 20,466	\$ 20,772	\$ 20,678
Agile Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				Interest rate PRIME + 5.10% or Floor rate of 9.00%	\$ 16,500	16,231	16,107
BIND Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 5.10%			
				Interest rate PRIME + 8.00% or Floor rate of 8.35%	\$ 15,000	15,119	15,044
BioQ Pharma Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%			
				Interest rate PRIME + 7.00% or Floor rate of 11.25%	\$ 10,000	10,180	10,066
	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 7.00%			
				Interest rate PRIME + 6.50% or Floor rate of 10.50%	\$ 3,000	2,962	2,962
Total BioQ Pharma Incorporated					\$ 13,000	13,142	13,028
Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50%			
				Interest rate PRIME + 8.00% or Floor rate of 9.75%	\$ 14,573	14,594	14,609
Celsion Corporation ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				Interest rate PRIME + 7.40% or Floor rate of 11.25%	\$ 6,346	6,501	6,544
Dance Biopharm, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40%			
				Interest rate PRIME + 6.45% or Floor rate of 10.65%	\$ 2,705	2,776	2,757
Edge Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 6.45%			
				Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 5,466	5,431	5,455

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Egalet Corporation ⁽¹¹⁾⁽¹³⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.15%			
				or Floor rate of 9.40%	\$ 15,000	\$ 14,967	\$ 15,036
Neos Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 5.75%			
				or Floor rate of 9.00%	\$ 10,000	10,000	10,007
	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$ 10,000	10,043	9,998
	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 5.75%			
				or Floor rate of 9.00%	\$ 5,000	4,977	4,957
Total Neos Therapeutics, Inc.					\$ 25,000	25,020	24,962
Pulmatrix Inc. ⁽⁸⁾⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%			
				or Floor rate of 9.50%	\$ 7,000	6,877	6,856
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%			
				or Floor rate of 7.95%	\$ 15,000	14,925	14,781
Subtotal: 1-5 Years Maturity						156,355	155,857
Subtotal: Drug Delivery (21.73%)*						156,355	155,857
Drug Discovery & Development							
1-5 Years Maturity							
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹³⁾	Drug Discovery	Senior Secured	January 2018	Interest rate PRIME + 6.65%			
	& Development			or Floor rate of 11.90%	\$ 10,000	10,076	9,944
Cerecor, Inc. ⁽¹³⁾	Drug Discovery	Senior Secured	August 2017	Interest rate PRIME + 4.70%			
	& Development			or Floor rate of 7.95%	\$ 5,688	5,705	5,740
Cerulean Pharma, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery	Senior Secured	July 2018	Interest rate PRIME + 1.55%			
	& Development			or Floor rate of 7.30%	\$ 21,000	21,132	21,109
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽¹⁰⁾⁽¹³⁾	Drug Discovery	Senior Secured	December 2018	Interest rate PRIME + 7.70%			
	& Development			or Floor rate of 10.95%	\$ 25,000	25,507	25,550

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Epirus Biopharmaceuticals, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery	Senior Secured	April 2018	Interest rate PRIME + 4.70%			
	& Development			or Floor rate of 7.95%	\$ 15,000	14,852	14,924
Genocea Biosciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Discovery	Senior Secured	January 2019	Interest rate PRIME + 3.75%			
	& Development			or Floor rate of 7.25%	\$ 17,000	17,008	16,948
Immune Pharmaceuticals ⁽¹⁰⁾⁽¹³⁾	Drug Discovery	Senior Secured	September 2018	Interest rate PRIME + 6.50%			
	& Development			or Floor rate of 10.00%	\$ 4,500	4,374	4,374
Insmed, Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Discovery	Senior Secured	January 2018	Interest rate PRIME + 4.75%			
	& Development			or Floor rate of 9.25%	\$ 25,000	25,128	24,991
Mast Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery	Senior Secured	January 2019	Interest rate PRIME + 5.70%			
	& Development			or Floor rate of 8.95%	\$ 15,000	14,808	14,808
Melinta Therapeutics ⁽¹¹⁾⁽¹³⁾	Drug Discovery	Senior Secured	June 2018	Interest rate PRIME + 3.75%			
	& Development			or Floor rate of 8.25%	\$ 30,000	29,843	29,703
Merrimack Pharmaceuticals, Inc. ⁽⁹⁾	Drug Discovery	Senior Secured	December 2022	Interest rate FIXED 11.50%			
	& Development				\$ 25,000	25,000	25,000
Neotherics, Inc. (p.k.a. Lithera, Inc) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery	Senior Secured	January 2018	Interest rate PRIME + 5.75%			
	& Development			or Floor rate of 9.00%	\$ 10,000	9,966	9,940
Neuralstem, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery	Senior Secured	April 2017	Interest rate PRIME + 6.75%			
	& Development			or Floor rate of 10.00%	\$ 8,335	8,418	8,397
Paratek Pharmaceutcals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery	Senior Secured	September 2020	Interest rate PRIME + 2.75%			
	& Development			or Floor rate of 8.50%	\$ 20,000	19,828	19,828
uniQure B.V. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹³⁾	Drug Discovery	Senior Secured	June 2018	Interest rate PRIME + 5.00%			
	& Development			or Floor rate of 10.25%	\$ 20,000	19,956	19,929
XOMA Corporation ⁽⁹⁾⁽¹³⁾⁽¹⁴⁾	Drug Discovery	Senior Secured	September 2018	Interest rate PRIME + 2.15%			
	& Development			or Floor rate of 9.40%	\$ 20,000	19,974	19,815
Subtotal: 1-5 Years Maturity						271,575	271,000
Subtotal: Drug Discovery & Development (37.79%)*						271,575	271,000

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Electronics & Computer Hardware							
1-5 Years Maturity							
Persimmon Technologies ⁽¹³⁾	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 7,000	\$ 6,873	\$ 6,873
Subtotal: 1-5 Years Maturity						6,873	6,873
Subtotal: Electronics & Computer Hardware (0.96%)*						6,873	6,873
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Agrivida, Inc. ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 4,362	4,587	4,587
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 3,667	4,106	4,106
Fluidic, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 784	931	931
Polyera Corporation ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 637	890	890
Stion Corporation ⁽⁵⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 2,200	2,200	1,013
Sungevity, Inc. ⁽¹¹⁾	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 20,000	20,000	20,000
Subtotal: Under 1 Year Maturity						32,714	31,527
1-5 Years Maturity							
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 1,500	1,496	1,484
Amyris, Inc. ⁽⁹⁾⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable	Senior Secured	February 2017	Interest rate PRIME + 6.25%	\$ 17,543	17,543	17,499

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	Technology			or Floor rate of 9.50%			
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 3,497	3,497	3,488
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25%			
				or Floor rate of 9.50%	\$ 10,960	11,045	11,045
Total Amyris, Inc. Modumetal, Inc. ⁽¹³⁾					\$ 32,000	32,085	32,032
	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70%			
				or Floor rate of 11.95%	\$ 1,759	2,062	2,032
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 7,061	7,101	7,080
Total Modumetal, Inc. Polyera Corporation ⁽¹³⁾					\$ 8,820	9,163	9,112
	Sustainable and Renewable Technology	Senior Secured	January 2017	Interest rate PRIME + 6.70%			
				or Floor rate of 9.95%	\$ 1,254	1,455	1,455
Proterra, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95%			
				or Floor rate of 10.20%	\$ 25,000	24,995	24,550

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Sungevity, Inc. ⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 35,000	\$ 34,733	\$ 34,773
Tendril Networks ⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,735	14,477
Subtotal: 1-5 Years Maturity						118,662	117,883
Subtotal: Sustainable and Renewable Technology (20.83%)*						151,376	149,410
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10% or Floor rate of 9.35%	\$ 5,000	4,907	4,918
InstaMed Communications, LLC ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,048	10,049
Subtotal: 1-5 Years Maturity						14,955	14,967
Subtotal: Healthcare Services, Other (2.09%)*						14,955	14,967
Information Services							
Under 1 Year Maturity							
Eccentex Corporation ⁽¹³⁾⁽¹⁶⁾	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 13	28	28
InXpo, Inc. ⁽¹³⁾⁽¹⁴⁾	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 1,589	1,624	1,624
Subtotal: Under 1 Year Maturity						1,652	1,652
Subtotal: Information Services (0.23%)*						1,652	1,652
Internet Consumer & Business Services							

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Under 1 Year Maturity

NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹⁴⁾	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%			
					\$ 381	373	
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%	\$ 45	45	
Total NetPlenish					\$ 426	418	
Subtotal: Under 1 Year Maturity						418	

1-5 Years Maturity

Aria Systems, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%	\$ 18,101	17,850	17,673
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%	\$ 2,021	1,995	1,972
Total Aria Systems, Inc.					\$ 20,122	19,845	19,645
One Planet Ops Inc. (p.k.a. Reply! Inc.) ⁽⁷⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25% or Floor rate of 7.50% PIK Interest 2.00%	\$ 6,321	5,811	5,811
	Internet Consumer & Business Services	Senior Secured	March 2019		\$ 2,129	2,129	55
Total One Planet Ops Inc. (p.k.a. Reply! Inc.)					\$ 8,450	7,940	5,866

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ReachLocal ⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50% or Floor rate of 11.75%	\$ 25,000	\$ 24,868	\$ 24,769
Tapjoy, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 20,000	19,598	19,514
Tectura Corporation ⁽⁷⁾⁽¹²⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 6,468	6,468	4,851
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 8,170	8,170	6,128
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 563	563	422
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	5,000	3,750
Total Tectura Corporation					\$ 20,201	20,201	15,151
Subtotal: 1-5 Years Maturity						92,452	84,945
Subtotal: Internet Consumer & Business Services (11.85%)*						92,870	84,945
Media/Content/Info Under 1 Year Maturity							
Zoom Media Group, Inc.	Media/Content/Info	Senior Secured	January 2016	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 5,060	5,060	5,060
Subtotal: Under 1 Year Maturity						5,060	5,060
1-5 Years Maturity							
Machine Zone, Inc. ⁽¹²⁾	Media/Content/Info	Senior Secured	May 2018	Interest rate PRIME + 2.50%	\$ 90,729	88,730	88,101

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or Floor rate of 6.75%,

PIK Interest 3.00%

Subtotal: 1-5 Years Maturity 88,730 88,101

Subtotal: Media/Content/Info (12.99%)* 93,790 93,161

Medical Devices & Equipment

Under 1 Year Maturity

Medrobotics Corporation ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85%			
				or Floor rate of 11.10%	\$ 576	735	735
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) ⁽¹³⁾	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 292	700	700

Subtotal: Under 1 Year Maturity 1,435 1,435

1-5 Years Maturity

Amedica Corporation ⁽⁸⁾⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20%			
				or Floor rate of 12.45%	\$ 17,051	17,642	17,350
Aspire Bariatrics, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00%			
				or Floor rate of 9.25%	\$ 7,000	6,771	6,739
Avedro, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 12,500	12,391	12,201
Flowonix Medical Incorporated ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 10.00%	\$ 15,000	15,071	14,974
Gamma Medica, Inc. ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 4,000	4,009	3,989
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00%			
				or Floor rate of 10.50%	\$ 5,009	5,380	3,764

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Quanterix Corporation ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 9,661	\$ 9,718	\$ 9,659
SynergEyes, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 4,263	4,516	4,464
Subtotal: 1-5 Years Maturity						75,498	73,140
Subtotal: Medical Devices & Equipment (10.40%)*						76,933	74,575
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Senior Secured	July 2016	Interest rate PRIME + 4.75%			
				or Floor rate of 8.00%	\$ 5,000	5,000	5,000
Subtotal: Under 1 Year Maturity						5,000	5,000
1-5 Years Maturity							
Achronix Semiconductor Corporation ⁽¹³⁾⁽¹⁴⁾	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 5,000	5,027	4,999
Aquantia Corporation	Semiconductors	Senior Secured	February 2017	Interest rate PRIME + 2.95%			
				or Floor rate of 6.20%	\$ 5,001	5,001	5,001
Avnera Corporation ⁽¹⁰⁾⁽¹³⁾	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 7,500	7,498	7,568
Subtotal: 1-5 Years Maturity						17,526	17,568
Subtotal: Semiconductors (3.15%)*						22,526	22,568
Software							
Under 1 Year Maturity							
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁶⁾	Software	Senior Secured	December 2015	Interest rate PRIME + 8.75%	\$ 3,300	3,465	3,465

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JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	October 2016	or Floor rate of 12.00% Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,335	1,350	875
Neos, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	May 2016	Interest rate PRIME + 6.75%			
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Senior Secured	August 2016	or Floor rate of 10.50% Interest rate PRIME + 2.25%	\$ 729	895	895
				or Floor rate of 6.50%	\$ 5,511	5,511	5,511
Subtotal: Under 1 Year Maturity						11,221	10,746
1-5 Years Maturity							
Actifio, Inc. ⁽¹²⁾	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,263	30,019	29,712
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25%			
Druva, Inc. ⁽¹⁰⁾⁽¹³⁾	Software	Senior Secured	March 2018	or Floor rate of 11.50% Interest rate PRIME + 4.60%	\$ 5,475	5,490	5,490
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	or Floor rate of 7.85% Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 12,000	12,080	12,034
Message Systems, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25%	\$ 11,082	11,174	7,245
	Software	Senior Secured	February 2017	or Floor rate of 10.50% Interest rate PRIME + 2.75%	\$ 17,500	17,103	17,013
				or Floor rate of 6.00%	\$ 1,618	1,618	1,616
Total Message Systems, Inc. RedSeal Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25%	\$ 19,118	18,721	18,629
	Software	Senior Secured	June 2018	or Floor rate of 6.50% Interest rate PRIME + 7.75%	\$ 3,000	3,000	2,987
				or Floor rate of 11.00%	\$ 5,000	5,006	4,979
Total RedSeal Inc.					\$ 8,000	8,006	7,966

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Soasta, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25%	\$ 3,500	\$3,432	\$ 3,419
				or Floor rate of 5.50%			
	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75%	\$ 15,000	14,699	14,646
				or Floor rate of 8.00%			
Total Soasta, Inc.					\$ 18,500	18,131	18,065
Touchcommerce, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00%	\$ 12,000	11,853	11,721
				or Floor rate of 10.25%			
Subtotal: 1-5 Years Maturity						115,474	110,862
Subtotal: Software (16.96%)*						126,695	121,608
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾	Specialty Pharmaceuticals	Senior Secured	August 2016	Interest rate LIBOR + 8.25%	\$ 1,100	1,100	1,100
				or Floor rate of 9.50%			
Subtotal: Under 1 Year Maturity						1,100	1,100
1-5 Years Maturity							
Alimera Sciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%	\$ 35,000	34,296	34,309
				or Floor rate of 10.90%			
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Specialty Pharmaceuticals	Senior Secured	August 2017	Interest rate LIBOR + 9.55%	\$ 10,041	10,164	10,235
				or Floor rate of 10.80%,			
				PIK Interest 1.35%			
Jaguar Animal Health, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%	\$ 6,000	6,009	6,009
				or Floor rate of 9.90%			
Subtotal: 1-5 Years Maturity						50,469	50,553

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Subtotal: Specialty Pharmaceuticals (7.20%)*					51,569	51,653
Surgical Devices						
1-5 Years Maturity						
Transmedics, Inc. ⁽¹³⁾	Surgical Devices	Senior Secured	March 2019	Interest rate PRIME + 5.30%		
				or Floor rate of 9.55%	\$ 8,500	8,471
						8,396
Subtotal: 1-5 Years Maturity					8,471	8,396
Subtotal: Surgical Devices (1.17%)*					8,471	8,396
Total Debt Investments (154.81%)*					1,152,303	1,110,209

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. ⁽¹⁴⁾	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 532
Subtotal: Biotechnology Tools (0.07%)*					500	532
Communications & Networking						
GlowPoint, Inc. ⁽³⁾	Communications & Networking	Equity	Common Stock	114,192	102	57
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,380
Subtotal: Communications & Networking (0.62%)*					1,102	4,437
Consumer & Business Products						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		217
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	3
Total Market Force Information, Inc.				668,231	500	220
Subtotal: Consumer & Business Products (0.03%)*					500	220
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	304
Subtotal: Diagnostic (0.04%)*					750	304
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	54,240	108	209
BioQ Pharma Incorporated ⁽¹⁴⁾	Drug Delivery	Equity	Preferred Series D	165,000	500	660
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	157,190	1,000	1,965
Merrion Pharmaceuticals, Plc ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Equity	Common Stock	125,000	1,500	1,790
Revanche Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	22,765	557	778
Subtotal: Drug Delivery (0.75%)*					3,674	5,402

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Drug Discovery & Development						
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	167,864	842	212
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	399
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	379
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,695
Dynavax Technologies ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	483
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	618
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,178
Inotek Pharmaceuticals Corporation ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	43

See notes to consolidated financial statements.

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2015****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	\$ 1,000	\$ 1,284
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,026
Paratek Pharmaceutcals, Inc. (p.k.a. Transept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,450
Subtotal: Drug Discovery & Development (1.36%)*					14,635	9,767
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	13
Subtotal: Electronics & Computer Hardware (0.00%)*					34	13
Sustainable and Renewable Technology						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	6
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	455
SCIEnergy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	
Sungevity, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,912
Subtotal: Sustainable and Renewable Technology (1.03%)*					8,176	7,373
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	244
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	264
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	249
Total Lightspeed POS, Inc.				428,707	500	513
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	349
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	248

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Total Oportun (p.k.a. Progress Financial)				306,153	500	597
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	28
Taptera, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	454,545	150	99
Subtotal: Internet Consumer & Business Services (0.21%)*					1,433	1,481
Medical Devices & Equipment						
AtriCure, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	266	155
Flownix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,953

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	198,202	\$	\$ 1,005
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	1,051
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	1,012
Total Gelesis, Inc.				581,038	925	3,068
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	208
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	189
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	500
Total Medrobotics Corporation				374,703	905	897
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	565
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	169
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,927
Total Optiscan Biomedical, Corp.				63,216,799	8,912	6,661
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	266
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	543
Subtotal: Medical Devices & Equipment (1.89%)*					14,535	13,543

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Software						
Box, Inc. ⁽³⁾⁽¹⁴⁾	Software	Equity	Common Stock	1,287,347	5,653	17,957
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,031
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,368
	Software	Equity	Preferred Series E	80,587	131	350
Total ForeScout Technologies, Inc.				399,686	529	1,718
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Equity	Preferred Series E	669,173	963	1,016
WildTangent, Inc. ⁽¹⁴⁾	Software	Equity	Preferred Series 3	100,000	402	190
Subtotal: Software (3.07%)*					8,905	21,991
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Equity	Preferred Series B	219,298	\$ 250	\$ 32
	Surgical Devices	Equity	Preferred Series C	656,538	282	46
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	637
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	422
Total Gynesonics, Inc.				5,652,395	1,673	1,137
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	154
	Surgical Devices	Equity	Preferred Series C	119,999	300	96
	Surgical Devices	Equity	Preferred Series D	260,000	650	521
	Surgical Devices	Equity	Preferred Series F	100,200	500	471
Total Transmedics, Inc.				569,160	2,550	1,242
Subtotal: Surgical Devices (0.33%)*					4,223	2,379
Total: Equity Investments (9.40%)*					59,217	67,442
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc. ⁽¹⁴⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	187
Subtotal: Biotechnology Tools (0.03%)*					323	187
Communications & Networking						
Intelepeer, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	62
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	375
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	236
SkyCross, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	53

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Subtotal: Communications & Networking (0.10%)*				1,271	726	
Consumer & Business Products						
Antenna 79 (p.k.a. Pong Research Corporation) ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	2
Intelligent Beauty, Inc. ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	214
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	651
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A-1	150,212	24	10
Nasty Gal ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	20
The Neat Company ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.13%)*				1,946	897	

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2015****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Diagnostic						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) ⁽³⁾⁽¹⁴⁾	Diagnostic	Warrant	Common Stock	333,333	\$ 244	\$ 17
Subtotal: Diagnostic (0.00%)*					244	17
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	176,730	786	238
Agile Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	180,274	730	680
BIND Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	152,586	488	6
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	423
Celator Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	210,675	138	59
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	20
Dance Biopharm, Inc. ⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	43,813	74	55
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	78,595	390	417
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,217
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	70,833	285	275
Pulmatrix Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	25,150	116	12
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽³⁾	Drug Delivery	Warrant	Common Stock	72,379	266	4
Subtotal: Drug Delivery (0.47%)*					4,296	3,406
Drug Discovery & Development						
ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	295	98
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	608,696	194	216
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	10

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Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	171,901	369	90
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	5
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	368
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	292,398	165	59
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	55
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	11
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	92
Immune Pharmaceuticals ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	214,853	164	40
Mast Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	1,524,389	203	215

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2015****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	\$ 626	\$ 130
Nanotherapeutics, Inc. ⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,762
Neothetics, Inc. (p.k.a. Lithera, Inc) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	2
Neuralstem, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	12
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	21,467	129	36
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	183
XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	181,268	279	115
Subtotal: Drug Discovery & Development (0.49%)*					6,551	3,499
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	42
Subtotal: Electronics & Computer Hardware (0.01%)*					52	42
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	38
Alphabet Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	159
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	82
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	6
Calera, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	176
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	43
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series	280,897	275	152

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GreatPoint Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	10
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	397,931	37	50
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 1	145,811	50	
Total SCIEnergy, Inc.				676,622	231	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Scifiniti (p.k.a. Integrated Photovoltaics, Inc.) ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	\$ 82	\$ 48
Solexel, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	466
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	569
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	525
Total Sungevity, Inc.				52,472,222	1,445	1,094
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	188	242
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	85
Trilliant, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	53
Subtotal: Sustainable and Renewable Technology (0.38%)*					7,686	2,704
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽¹⁴⁾	Healthcare Services, Other	Warrant	Common Stock	419,020	157	164
Subtotal: Healthcare Services, Other (0.02%)*					157	164
Information Services						
Cha Cha Search, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	46,874	82	3
InXpo, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,032,416	74	

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Total InXpo, Inc.				1,680,816	172	2
RichRelevance, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.00%)*					410	5
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	88
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	148
CashStar, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	34
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,104
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	82
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	104
Prism Education Group, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
ReachLocal ⁽³⁾	Internet Consumer & Business Services	Warrant	Common Stock	300,000	\$ 155	\$ 290
ShareThis, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	93
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	8
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.27%)*					3,151	1,951
Media/Content/Info						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	143,626	1,802	2,086
Rhapsody International, Inc. ⁽¹⁴⁾	Media/Content/Info	Warrant	Common Stock	715,755	384	218
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	23
Subtotal: Media/Content/Info (0.32%)*					2,534	2,327
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	1,548,387	459	31
Aspire Bariatrics, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	236
Avedro, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	142
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	110,947	203	428
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	144
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	262
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	244
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	19
NinePoint Medical, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	119

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Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	312
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	63
Total Oraya Therapeutics, Inc.				1,633,038	742	63

See notes to consolidated financial statements.

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2015****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	\$ 402	\$ 298
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	115,618	156	60
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	84
Subtotal: Medical Devices & Equipment (0.34%)*					6,564	2,442
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Warrant	Preferred Series C	360,000	160	27
	Semiconductors	Warrant	Preferred Series D-1	500,000	6	6
Total Achronix Semiconductor Corporation				860,000	166	33
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	39
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	47	65
Subtotal: Semiconductors (0.02%)*					217	137
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	210
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁴⁾	Software	Warrant	Preferred Series B	413,433	258	625
Clickfox, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	1,038,563	330	362
	Software	Warrant	Preferred Series C	592,019	730	272
	Software	Warrant	Preferred Series C-A	46,109	13	16
Total Clickfox, Inc.				1,676,691	1,073	650
Hillcrest Laboratories, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	1,865,650	55	138
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹⁴⁾	Software	Warrant	Preferred Series E	614,333	16	
Message Systems, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	408,011	334	497
Mobile Posse, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	396,430	130	59

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Neos, Inc. ⁽¹⁴⁾	Software	Warrant	Common Stock	221,150	22	113
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	55
Poplicus, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	2,595,230		110
Soasta, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	410,800	691	561
Sonian, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	185,949	106	39
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	2,282,968	446	581

Subtotal: Software (0.51%)* 3,601 3,638

Specialty Pharmaceuticals

Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	660,377	729	435
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	

Subtotal: Specialty Pharmaceuticals (0.06%)* 1,036 435

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Warrant	Preferred Series C	180,480	\$ 75	\$ 12
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	223
Total Gynesonics, Inc.				1,756,445	395	235
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	224	2
	Surgical Devices	Warrant	Preferred Series D	175,000	100	170
	Surgical Devices	Warrant	Preferred Series F	16,476	3	3
Total Transmedics, Inc.				231,912	327	175
Subtotal: Surgical Devices (0.06%)*					722	410
Total: Warrant Investments (3.21%)*					40,761	22,987
Total Investments (167.42%)*					\$ 1,252,281	\$ 1,200,638

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$29.3 million, \$81.4 million and \$52.1 million respectively. The tax cost of investments is \$1.3 billion.

(3) Except for warrants in 37 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at December 31, 2015 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Non-U.S. company or the company's principal place of business is outside the United States.

(5) Affiliate investment as defined under the 1940 Act in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.

(6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board. There were no control investments at December 31, 2015.

(7) Debt is on non-accrual status at December 31, 2015, and is therefore considered non-income producing. Note that at December 31, 2015, only the PIK interest is on non-accrual for the Company's debt investment in Skycross, Inc and only the \$2.1 million PIK loan is on non-accrual for the Company's debt investment in One Planet Ops Inc. (p.k.a. Reply! Inc.).

(8) Denotes that all or a portion of the debt investment is convertible senior debt.

(9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.

(10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitizations.

(11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility.

(12) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.

(13)

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Denotes that all or a portion of the debt investment includes an exit fee receivable. This fee ranges from 0.8% to 17.1% of the total debt commitment based on the contractual terms of our loan servicing agreements.

- (14) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly-owned SBIC subsidiaries.
- (15) The stated maturity date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) Repayment of debt investment is delinquent of the contractual maturity date.
See notes to consolidated financial statements.

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Table of Contents**Index to Financial Statements****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****1. Description of Business and Basis of Presentation**

Hercules Capital, Inc. (the Company) is a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a broadly diversified variety of technology, life sciences, and sustainable and renewable technology industries. The Company sources its investments through its principal office located in Palo Alto, CA, as well as through its additional offices in Boston, MA, New York, NY, McLean, VA, Santa Monica, CA., and Hartford, CT. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). From incorporation through December 31, 2005, the Company was taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended (the Code). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company, or RIC, under Subchapter M of the Code (see Note 5). As an investment company, the Company follows accounting and reporting guidance as set forth in Topic 946 (Financial Services Investment Companies) of the Accounting Standards Codification, as amended (ASC).

Hercules Technology II, L.P. (HT II), Hercules Technology III, L.P. (HT III), and Hercules Technology IV, L.P. (HT IV), are Delaware limited partnerships that were formed in January 2005, September 2009 and December 2010, respectively. HT II and HT III were licensed to operate as small business investment companies (SBICs) under the authority of the Small Business Administration (SBA) on September 27, 2006 and May 26, 2010, respectively. As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. HT IV was formed in anticipation of receiving an additional SBIC license; however, the Company has not yet applied for such license, and HT IV currently has no material assets or liabilities. The Company also formed Hercules Technology SBIC Management, LLC, or (HTM), a limited liability company in November 2003. HTM is a wholly owned subsidiary of the Company and serves as the limited partner and general partner of HT II and HT III (see Note 4 to the Company's consolidated financial statements).

HT II and HT III hold approximately \$111.6 million and \$289.1 million in assets, respectively, and they accounted for approximately 6.6% and 17.1% of the Company's total assets, respectively, prior to consolidation at March 31, 2016.

The Company also established wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to hold portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities). By investing through these wholly owned subsidiaries, the Company is able to benefit from the tax treatment of these entities and create a tax structure that is more advantageous with respect to the Company's RIC status. These taxable subsidiaries are consolidated for U.S. GAAP financial reporting purposes, and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated financial statements and recorded at fair value. The taxable subsidiaries are not consolidated with Hercules for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments.

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 and 10 of Regulation S-X the Securities Exchange Act of 1934, as amended (the Exchange Act), the Company does not consolidate portfolio company investments. It is not appropriate for an investment company to consolidate a portfolio company that is not an investment company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC 946.

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The accompanying consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Exchange Act. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair statement of consolidated financial statements for the interim periods have been included. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the full fiscal year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2015. The year-end Consolidated Statement of Assets and Liabilities data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

As of the date of this report, the VIE consolidated by the Company is its securitization VIE formed in conjunction with the issuance of the 2021 Asset-Backed Notes (as defined herein). See Note 4 Borrowings .

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Certain balances from prior years have been reclassified in order to conform to the current year presentation.

Change in Accounting Principle

As of January 1, 2016, the Company adopted Accounting Standards Update (ASU) 2015-03 Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements , which require debt issuance costs to be presented on the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line-of-credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of the Company s SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. In addition, the comparative Consolidated Statement of Assets and Liabilities as of December 31, 2015 has been adjusted to apply the change in accounting principle retrospectively. Specifically, the presentation of the Company s Other Assets, SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes line items were adjusted by the amount of unamortized debt issuance costs for each instrument. There is no impact to the Company s Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities.

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method. In accordance with ASU 2015-03 debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, were as follows as of March 31, 2016 and December 31, 2015.

(in thousands)	March 31, 2016	December 31, 2015
SBA Debentures	\$ 3,203	\$ 3,371
2019 Notes	2,025	2,185
2024 Notes	2,789	2,872
2021 Asset-Backed Notes	2,073	2,305
Convertible Senior Notes	12	44
Wells Facility ⁽¹⁾	737	669
Union Bank Facility ⁽¹⁾	190	229
Total	\$ 11,029	\$ 11,675

(1) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASU 2015-15.

Valuation of Investments

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

At March 31, 2016, approximately 97.0% of the Company s total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company s investments are carried at fair value in accordance with the 1940 Act and ASC 946 and measured in accordance with ASC 820 (Fair Value Measurements). The Company s debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable

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technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy by the Company's Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

The Company may from time to time engage an independent valuation firm to provide the Company with valuation assistance with respect to certain portfolio investments on a quarterly basis. The Company engages independent valuation firms on a discretionary basis. Specifically, on a quarterly basis, the Company will identify portfolio investments with respect to which an independent valuation firm will assist in valuing. The Company selects these portfolio investments based on a number of factors, including, but not limited to, the potential for material fluctuations in valuation results, credit quality and the time lapse since the last valuation of the portfolio investment by an independent valuation firm.

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

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

- (1) the Company's quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and business based assumptions are discussed with the Company's investment committee;
- (3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio as provided by the investment committee, which incorporates the results of the independent valuation firm as appropriate; and
- (4) the Board of Directors, upon the recommendation of the Audit Committee, discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the investment committee.

ASC 820 establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. ASC 820 also requires disclosure for fair value measurements based on the level within the hierarchy of the information used in the valuation. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of March 31, 2016 and as of December 31, 2015. The Company transfers investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three months ended March 31, 2016, there were no transfers between Levels 1 or 2.

(in thousands)	Balance	Quoted Prices In Active Markets For	Significant Other Observable	Significant Unobservable
Description	March 31, 2016	Identical Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Senior Secured Debt	\$ 1,205,673	\$	\$ 5,475	\$ 1,200,198
Preferred Stock	35,542			35,542
Common Stock	26,599	25,531		1,068
Warrants	23,496		3,641	19,855
Escrow Receivable	2,967			2,967
Total	\$ 1,294,277	\$ 25,531	\$ 9,116	\$ 1,259,630

(in thousands)	Balance	Quoted Prices In Active Markets For	Significant Other Observable	Significant Unobservable
Description	December 31, 2015	Identical Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Senior Secured Debt	\$ 1,110,209	\$	\$ 7,813	\$ 1,102,396
Preferred Stock	35,245			35,245
Common Stock	32,197	30,670		1,527
Warrants	22,987		4,422	18,565
Escrow Receivable	2,967			2,967
Total	\$ 1,203,605	\$ 30,670	\$ 12,235	\$ 1,160,700

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The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three months ended March 31, 2016 and the year ended December 31, 2015.

(in thousands)	Balance January 1, 2016	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized		Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance March 31, 2016
			(Depreciation) ⁽²⁾	Purchases ⁽⁵⁾					
Senior Debt	\$ 1,102,396	\$ (6,451)	\$ 6,112	\$ 175,552	\$	\$ (77,411)	\$	\$	\$ 1,200,198
Preferred Stock	35,245	(150)	156	1,000			52	(761)	35,542
Common Stock	1,527		(1,220)				761		1,068
Warrants	18,565	(106)	(91)	1,539				(52)	19,855
Escrow Receivable	2,967								2,967
Total	\$ 1,160,700	\$ (6,707)	\$ 4,957	\$ 178,091	\$	\$ (77,411)	\$ 813	\$ (813)	\$ 1,259,630

(in thousands)	Balance January 1, 2015	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized		Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽⁴⁾	Gross Transfers out of Level 3 ⁽⁴⁾	Balance December 31, 2015
			(Depreciation) ⁽²⁾	Purchases ⁽⁵⁾					
Senior Debt	\$ 923,906	\$ (2,295)	\$ (12,930)	\$ 699,555	\$	\$ (505,274)	\$	\$ (566)	\$ 1,102,396
Preferred Stock	57,548	2,598	(1,539)	15,076	(4,542)		685	(34,581)	35,245
Common Stock	1,387	(298)	743		(305)				1,527
Warrants	21,923	(3,849)	(4,749)	5,311	1,220			(1,291)	18,565
Escrow Receivable	3,598	71		511	(1,032)	(181)			2,967
Total	\$ 1,008,362	\$ (3,773)	\$ (18,475)	\$ 720,453	\$ (4,659)	\$ (505,455)	\$ 685	\$ (36,438)	\$ 1,160,700

(1) Included in net realized gains or losses in the accompanying Consolidated Statement of Operations.

(2) Included in change in net unrealized appreciation (depreciation) in the accompanying Consolidated Statement of Operations.

(3) Transfers out of Level 3 during the three months ended March 31, 2016 relate to the exercise of warrants in Ping Identity Corporation to preferred stock and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc. Transfers into Level 3 during the three months ended March 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc..

(4) Transfers out of Level 3 during the year ended December 31, 2015 relate to the initial public offerings, or IPOs of Box, Inc., ZP Opco, Inc. (p.k.a. Zosano Pharma, Inc), Neos Therapeutics, Edge Therapeutics Inc., ViewRay, Inc., and Cerecor, Inc. in addition to the exercise of warrants in both Forescout, Inc. and Atrenta, Inc. to preferred stock. Transfers into Level 3 during the year ended December 31, 2015 relate to the acquisition of preferred stock as a result of the exercise of warrants in both Forescout, Inc. and Atrenta, Inc and the conversion of debt to equity in Home Dialysis Plus and Gynesonics.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period.

(6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

For the three months ended March 31, 2016, approximately \$104,000 in net unrealized appreciation and \$1.2 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$6.1 million in net unrealized depreciation and \$45,000 in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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For the year ended December 31, 2015, approximately \$179,000 in net unrealized depreciation and \$745,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$13.7 million and \$5.9 million in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

The following tables provide quantitative information about the Company's Level 3 fair value measurements of the Company's investments as of March 31, 2016 and December 31, 2015. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining the Company's fair value

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measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

The significant unobservable input used in the fair value measurement of the Company's escrow receivables is the amount recoverable at the contractual maturity date of the escrow receivable.

Investment Type -Level Three	Fair Value at March 31, 2016 (in thousands)	Valuation Techniques/			Weighted Average ^(b)
		Methodologies	Unobservable Input ^(a)	Range	
Pharmaceuticals	\$92,845	Originated Within 6 Months	Origination Yield	12.00% - 14.48%	13.15%
	430,402	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	8.86% - 16.81% (0.75%) - 1.00%	12.39%
Technology	55,262	Originated Within 6 Months	Origination Yield	11.00% - 15.73%	13.78%
	273,064	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.75% - 17.85% (0.50%) - 0.50%	13.38%
	28,591	Liquidation ^(c)	Probability weighting of alternative outcomes	5.00% - 100.00%	
Sustainable and Renewable Technology	22,270	Originated Within 6 Months	Origination Yield	12.74% - 16.13%	15.00%
	102,890	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	7.54% - 25.68% (0.50%) - 0.00%	17.60%
	1,106	Liquidation ^(c)	Probability weighting of alternative outcomes	100.00%	
Medical Devices	8,253	Originated Within 6 Months	Origination Yield	15.34%	15.34%
	77,067	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.73% - 19.86% 0.00% - 0.50%	14.67%
	5,110	Liquidation ^(c)	Probability weighting of alternative outcomes	25.00% - 75.00%	
Lower Middle Market	5,436	Originated Within 6 Months	Origination Yield	13.61% - 14.50%	14.10%
	14,723	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	13.78% 0.25%	13.78%
	15,761	Liquidation ^(c)	Probability weighting of alternative outcomes	20.00% - 60.00%	
		Debt Investments Where Fair Value Approximates Cost			
	14,074	Imminent Payoffs ^(d)			
	53,344	Debt Investments Maturing in Less than One Year			
	\$1,200,198	Total Level Three Debt Investments			

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

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

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

Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

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

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

- (b) The weighted averages are calculated based on the fair market value of each investment.
- (c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (d) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type -Level Three	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(b)
Debt Investments Pharmaceuticals	\$72,981	Originated Within 6 Months	Origination Yield	10.35% - 16.16%	12.29%
	406,590	Market Comparable Companies	Hypothetical Market Yield	9.55% - 16.75%	12.67%
			Premium/(Discount)	(0.75%) - 0.00%	
Technology	6,873	Originated Within 6 Months	Origination Yield	15.19%	15.19%
	283,045	Market Comparable Companies	Hypothetical Market Yield	6.57% - 23.26%	13.22%
	36,815	Liquidation ^(c)	Premium/(Discount) Probability weighting of alternative outcomes	(0.25% - 0.50%) 10.00% - 100.00%	
Sustainable and Renewable Technology	11,045	Originated Within 6 Months	Origination Yield	19.74%	19.74%
	105,382	Market Comparable Companies	Hypothetical Market Yield	10.62% - 27.31%	15.91%
	1,013		Premium/(Discount)	0.00%	
		Liquidation ^(c)	Probability weighting of alternative outcomes	100.00%	
Medical Devices	80,530	Market Comparable Companies	Hypothetical Market Yield	11.65% - 19.90%	15.26%
			Premium/(Discount)	0.00% - 0.50%	
	3,764	Liquidation ^(c)	Probability weighting of alternative outcomes	50.00%	
Lower Middle Market	17,811	Originated Within 6 Months	Origination Yield	12.70% - 14.50%	13.00%
	15,151	Liquidation ^(c)	Probability weighting of alternative outcomes	25.00% - 75.00%	
Debt Investments Where Fair Value Approximates Cost					
	12,434	Imminent Payoffs ^(d)			
	48,962	Debt Investments Maturing in Less than One Year			
	\$1,102,396	Total Level Three Debt Investments			

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

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

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

Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

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

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

- (b) The weighted averages are calculated based on the fair market value of each investment.
- (c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (d) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type -Level Three	Fair Value		Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(e)
	at March 31, 2016 (in thousands)					
Equity and Warrant Investments						
Equity Investments	\$5,518		Market Comparable Companies	EBITDA Multiple ^(b)	4.3x - 20.8x	7.5x
				Revenue Multiple ^(b)	0.7x - 3.8x	2.0x
				Discount for Lack of Marketability ^(c)	15.08% - 26.98%	17.22%
				Average Industry Volatility ^(d)	40.32% - 111.12%	64.44%
				Risk-Free Interest Rate	0.56% - 0.74%	0.60%
				Estimated Time to Exit (in months)	10 - 23	12
	31,092		Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	28.52% - 82.81%	66.30%
				Risk-Free Interest Rate	0.54% - 1.36%	0.72%
				Estimated Time to Exit (in months)	10 - 47	17
Warrant Investments	9,115		Market Comparable Companies	EBITDA Multiple ^(b)	5.4x - 50.0x	11.3x
				Revenue Multiple ^(b)	0.5x - 7.3x	1.9x
				Discount for Lack of Marketability ^(c)	15.15% - 32.23%	20.70%
				Average Industry Volatility ^(d)	36.84% - 98.38%	56.47%
				Risk-Free Interest Rate	0.54% - 1.11%	0.59%
				Estimated Time to Exit (in months)	10 - 50	16
	10,740		Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	28.52% - 111.12%	65.82%
				Risk-Free Interest Rate	0.44% - 1.43%	0.78%
				Estimated Time to Exit (in months)	7 - 47	21
Total Level Three Warrant and Equity Investments	\$56,465					

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

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Investment Type -Level Three	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(e)
Equity and Warrant Investments	\$5,898	Market Comparable Companies	EBITDA Multiple ^(b)	3.3x - 19.5x	7.6x
Equity Investments			Revenue Multiple ^(b)	0.7x - 3.7x	2.1x
			Discount for Lack of Marketability ^(c)	14.31% - 25.11%	18.05%
			Average Industry Volatility ^(d)	37.72% - 109.64%	60.27%
			Risk-Free Interest Rate	0.61% - 1.09%	0.74%
			Estimated Time to Exit (in months)	10 - 26	15
	30,874	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	28.52% - 86.41%	65.40%
			Risk-Free Interest Rate	0.36% - 1.51%	0.80%
			Estimated Time to Exit (in months)	10 - 47	17
Warrant Investments	7,904	Market Comparable Companies	EBITDA Multiple ^(b)	5.1x - 57.9x	16.0x
			Revenue Multiple ^(b)	0.4x - 9.6x	3.0x
			Discount for Lack of Marketability ^(c)	10.09% - 31.37%	23.11%
			Average Industry Volatility ^(d)	39.51% - 73.36%	41.19%
			Risk-Free Interest Rate	0.32% - 1.51%	0.87%
			Estimated Time to Exit (in months)	4 - 47	23
	10,661	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	28.52% - 109.64%	64.31%
			Risk-Free Interest Rate	0.36% - 1.45%	0.85%
			Estimated Time to Exit (in months)	10 - 44	20
Total Level Three Warrant and Equity Investments	\$55,337				

(a) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes OPM include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation may result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

(b) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.

(c) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.

(d) Represents the range of industry volatility used by market participants when pricing the investment.

(e) Weighted averages are calculated based on the fair market value of each investment.

Debt Investments

The Company follows the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. In addition, the Company may, from time to time, invest in public debt of companies that meet the Company's investment objectives. These investments are considered Level 2 assets.

In making a good faith determination of the value of the Company's investments, the Company generally starts with the cost basis of the investment, which includes the value attributed to the original issue discount (OID), if any, and payment-in-kind (PIK) interest or other

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receivables which have been accrued to principal as earned. The Company then applies the valuation methods as set forth below.

The Company applies a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. The Company determines the yield at inception for each debt investment. The Company then uses senior

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secured, leveraged loan yields provided by third party providers to determine the change in market yields between inception of the debt security and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

Under this process, the Company also evaluates the collateral for recoverability of the debt investments. The Company considers each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a credit adjusted hypothetical yield for each investment as of the measurement date. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date.

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

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

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

Debt investments that are traded on a public exchange will be valued at the prevailing market price at period end.

Equity-Related Securities and Warrants

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

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

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

The following table summarizes the Company's realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on affiliate investments for the three months ended March 31, 2016 and 2015. The Company did not hold any Control investments at either March 31, 2016 or 2015.

(in thousands)

Portfolio Company	Type	Fair Value at March 31, 2016	Investment Income	For the Three Months Ended March 31, 2016		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation / (Depreciation)	Realized Gain/(Loss)
Optiscan BioMedical, Corp.	Affiliate	\$ 6,991	\$ 7	\$ (413)	\$	\$
Stion Corporation	Affiliate	1,106	58	539		
Total		\$ 8,097	\$ 65	\$ 126	\$	\$

(in thousands)

Portfolio Company	Type	Fair Value at March 31, 2015	Investment Income	For the Three Months Ended March 31, 2015		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation / (Depreciation)	Realized Gain/(Loss)
Gelesis, Inc.	Affiliate	\$ 2,414	\$	\$ 2,087	\$	\$
Optiscan BioMedical, Corp.	Affiliate	6,768		695		
Stion Corporation	Affiliate	1,600	101	(469)		
Total		\$ 10,782	\$ 101	\$ 2,313	\$	\$

As of December 31, 2015, changes to the capitalization structure of the portfolio company Gelesis, Inc. reduced the Company's investment below the threshold for classification as an affiliate investment.

The following table shows the fair value of the Company's portfolio of investments by asset class as of March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 1,007,751	78.0%	\$ 961,464	80.1%
Senior Secured Debt	221,418	17.1%	171,732	14.3%
Preferred Stock	35,542	2.8%	35,245	2.9%

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Common Stock	26,599	2.1%	32,197	2.7%
Total	\$ 1,291,310	100.0%	\$ 1,200,638	100.0%

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A summary of the Company's investment portfolio, at value, by geographic location as of March 31, 2016 and December 31, 2015 is shown as follows:

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,243,362	96.3%	\$ 1,167,281	97.2%
Netherlands	20,158	1.6%	20,112	1.7%
England	18,553	1.4%	8,884	0.8%
Canada	5,507	0.4%	595	0.0%
Israel	3,730	0.3%	3,764	0.3%
India		0.0%	2	0.0%
Total	\$ 1,291,310	100.0%	\$ 1,200,638	100.0%

The following table shows the fair value of the Company's portfolio by industry sector at March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 321,359	24.9%	\$ 284,266	23.7%
Sustainable and Renewable Technology	178,532	13.8%	159,487	13.3%
Software	157,769	12.2%	147,237	12.3%
Drug Delivery	157,756	12.2%	164,665	13.7%
Medical Devices & Equipment	110,312	8.6%	90,560	7.5%
Media/Content/Info	106,652	8.3%	95,488	7.9%
Internet Consumer & Business Services	102,571	8.0%	88,377	7.4%
Specialty Pharmaceuticals	50,416	3.9%	52,088	4.3%
Communications & Networking	25,055	1.9%	33,213	2.8%
Consumer & Business Products	23,016	1.8%	26,611	2.2%
Semiconductors	16,711	1.3%	22,705	1.9%
Healthcare Services, Other	15,289	1.2%	15,131	1.3%
Surgical Devices	10,874	0.8%	11,185	0.9%
Electronics & Computer Hardware	6,936	0.5%	6,928	0.6%
Biotechnology Tools	6,690	0.5%	719	0.1%
Information Services	1,308	0.1%	1,657	0.1%
Diagnostic	64	0.0%	321	0.0%
Total	\$ 1,291,310	100.0%	\$ 1,200,638	100.0%

No single portfolio investment represents more than 10% of the fair value of the investments as of March 31, 2016 and December 31, 2015.

Portfolio Activity

During the three months ended March 31, 2016, the Company funded and or restructured investments in debt securities totaling approximately \$169.9 million. During the three months ended March 31, 2016, the Company funded equity investments totaling approximately \$1.0 million.

During the three months ended March 31, 2015, the Company funded and or restructured investments in debt securities totaling approximately \$207.0 million. During the three months ended March 31, 2015, the Company funded equity investments totaling approximately \$2.4 million.

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During the three months ended March 31, 2016, the Company recognized net realized losses of approximately \$4.5 million. During the three months ended March 31, 2016, the Company recorded gross realized gains of approximately \$2.8 million primarily from the sale of investments in two portfolio companies, including Celator Pharmaceuticals, Inc. (\$1.5 million) and the sale of options on Box, Inc. (\$1.1 million). These gains were offset by gross realized losses of approximately \$7.3 million primarily from the liquidation or write off of the Company's investment in six portfolio companies, including the settlement of our outstanding debt investment in The Neat Company (\$6.2 million).

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During the three months ended March 31, 2015, the Company recognized net realized gains of approximately \$3.3 million. During the three months ended March 31, 2015, the Company recorded gross realized gains of approximately \$4.3 million primarily from the sale of investments in four portfolio companies, including Cembra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000). These gains were partially offset by gross realized losses of approximately \$1.0 million from the liquidation of the Company's investments in three portfolio companies.

Investment Collateral

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At March 31, 2016, approximately 91.8% of the Company's debt investments were in a senior secured first lien position, with 40.4% secured by a first priority security interest in all of the assets of the portfolio company, including its intellectual property; 48.1% secured by a first priority security interest in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property, or subject to a negative pledge; and 3.3% secured by a first priority security interest in all of the assets of the portfolio company, including its intellectual property, with a second lien on the portfolio company's cash and accounts receivable. The remaining 8.2% of the Company's debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property. At March 31, 2016 the Company had no equipment only liens on material investments in the Company's portfolio companies.

Income Recognition

The Company records interest income on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect that principal, interest and other obligations due will be collected in full, the Company will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or the Company believes the portfolio company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection.

At March 31, 2016, the Company had four debt investments on non-accrual with a cumulative investment cost and approximate fair value of \$49.8 million and \$27.2 million, respectively. At December 31, 2015, the Company had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively. In addition, at December 31, 2015, the Company had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest is on non-accrual. During the three months ended March 31, 2016, the Company recognized a realized loss of approximately \$6.2 million on the settlement of one debt investment that was on non-accrual at December 31, 2015. In addition, the Company recognized a realized loss of \$430,000 on the partial write off of one debt investment that was on non-accrual as of December 31, 2015.

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

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origination fees. The Company had approximately \$26.8 million of unamortized fees at March 31, 2016, of which approximately \$24.3 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2015 the Company had approximately \$26.1 million of unamortized fees, of which approximately \$23.6 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone.

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

In addition, the Company may also be entitled to an end-of-term payment that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At March 31, 2016 the Company had approximately \$26.0 million in exit fees receivable, of which approximately \$20.8 million was included as a component of the cost basis of the Company's current debt investments and approximately \$5.2 million was a deferred receivable related to expired commitments. At December 31, 2015 the Company had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included a component of the cost basis of the Company's current debt investments and approximately \$5.3 million was a deferred receivable related to expired commitments.

The Company has debt investments in its portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$1.7 million and \$907,000 in PIK income during the three months ended March 31, 2016 and 2015, respectively.

To maintain the Company's status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three months ended March 31, 2016 and 2015.

3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables including escrow receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes, the April 2019 Notes, the September 2019 Notes (together with the April 2019 Notes, the 2019 Notes), the 2024 Notes, the 2021 Asset-Backed Notes, and the SBA debentures, provide a strategic advantage as sources of liquidity due to their flexible structure, long-term duration, and low fixed interest rates. At March 31, 2016, the April 2019 Notes were trading on the New York Stock Exchange, or NYSE, for \$25.59 per share at par value, the September 2019 Notes were trading on the NYSE for \$25.32 per share at par value and the 2024 Notes were trading on the NYSE for \$25.12 per share at par value. The par value at underwriting for

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each of these notes was \$25.00 per share. Based on market quotations on or around March 31, 2016, the Convertible Senior Notes were quoted for 1.086 per dollar at par value and the 2021 Asset-Backed Notes were quoted for 0.991 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately \$196.7 million, compared to the carrying amount of \$190.2 million as of March 31, 2016. The fair value of the outstanding borrowings under the Wells Facility at March 31, 2016 is equal to its transaction price as the Company added Alostara Bank of Commerce as an additional lender to the agreement with Wells Fargo Capital Finance, LLC at the same terms in March 2016.

See the accompanying Consolidated Schedule of Investments for the fair value of the Company's investments. The methodology for the determination of the fair value of the Company's investments is discussed in Note 2.

The liabilities of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's liabilities at March 31, 2016 and December 31, 2015:

(in thousands)

Description	March 31, 2016	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 19,111	\$	\$ 19,111	\$
Wells Facility	61,003			61,003
2021 Asset-Backed Notes	128,169		128,169	
April 2019 Notes	66,012		66,012	
September 2019 Notes	46,462		46,462	
2024 Notes	103,494		103,494	
SBA Debentures	196,692			196,692
Total	\$ 620,943	\$	\$ 363,248	\$ 257,695

(in thousands)

Description	December 31, 2015	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 19,540	\$	\$ 19,540	\$
Wells Facility	50,000			50,000
2021 Asset-Backed Notes	128,775		128,775	
April 2019 Notes	65,573		65,573	
September 2019 Notes	46,297		46,297	
2024 Notes	104,401		104,401	
SBA Debentures	194,121			194,121
Total	\$ 608,707	\$	\$ 364,586	\$ 244,121

4. Borrowings

Outstanding Borrowings

At March 31, 2016 and December 31, 2015, the Company had the following available borrowings and outstanding borrowings:

(in thousands)	March 31, 2016			December 31, 2015		
	Total Available	Principal	Carrying Value ⁽¹⁾	Total Available	Principal	Carrying Value ⁽¹⁾

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SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 186,997	\$ 190,200	\$ 190,200	\$ 186,829
2019 Notes	110,364	110,364	108,339	110,364	110,364	108,179
2024 Notes	103,000	103,000	100,211	103,000	103,000	100,128
2021 Asset-Backed Notes	129,300	129,300	127,227	129,300	129,300	126,995
Convertible Senior Notes	17,604	17,604	17,572	17,604	17,604	17,478
Wells Facility ⁽³⁾	95,000	61,003	61,003	75,000	50,000	50,000
Union Bank Facility ⁽³⁾	75,000			75,000		
Total	\$ 720,468	\$ 611,471	\$ 601,349	\$ 700,468	\$ 600,468	\$ 589,609

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- (1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See Note 2 Summary of Significant Accounting Policies for the amount of debt issuance cost associated with each borrowing.
- (2) At both March 31, 2016 and December 31, 2015, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) Availability subject to the Company meeting the borrowing base requirements.

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of March 31, 2016, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of March 31, 2016. As of March 31, 2016, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2016 the Company held investments in HT II in 35 companies with a fair value of approximately \$98.7 million, accounting for approximately 7.6% of the Company's total portfolio at March 31, 2016. HT II held approximately \$111.6 million in assets and accounted for approximately 6.6% of the Company's total assets prior to consolidation at March 31, 2016.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of March 31, 2016, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, of which \$149.0 million was outstanding as of March 31, 2016. As of March 31, 2016, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2016, the Company held investments in HT III in 49 companies with a fair value of approximately \$272.5 million, accounting for approximately 21.1% of the Company's total portfolio at March 31, 2016. HT III held approximately \$289.1 million in assets and accounted for approximately 17.1% of the Company's total assets prior to consolidation at March 31, 2016.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$19.5 million and have average annual fully taxed net income not exceeding \$6.5 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through the Company's wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn,

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negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of March 31, 2016 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the three months ended March 31, 2016 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.52%. The average amount of debentures outstanding for the three months ended March 31, 2016 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,738	\$ 1,718
Amortization of debt issuance cost (loan fees)	168	165
Total interest expense and fees	\$ 1,906	\$ 1,883

Cash paid for interest expense and fees	\$ 3,461	\$ 3,442
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As of March 31, 2016, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at March 31, 2016, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2016, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

The Company reported the following SBA debentures outstanding principal balances as of March 31, 2016 and December 31, 2015:

(in thousands) Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	March 31, 2016	December 31, 2015
SBA Debentures:				
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge

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

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

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

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

In April 2015, the Company redeemed \$20.0 million of the \$84.5 million issued and outstanding aggregate principal amount of April 2019 Notes, as previously approved by the Board of Directors. In December 2015 the Company redeemed \$40.0 million of the \$85.9 million issued and outstanding aggregate principal amount of September 2019 Notes, as previously approved by the Board of Directors.

As of March 31, 2016 and December 31, 2015, the 2019 Notes payable outstanding principal balance consists of:

(in thousands)	March 31, 2016	December 31, 2015
April 2019 Notes	\$ 64,490	\$ 64,490
September 2019 Notes	45,874	45,874
Total 2019 Notes Principal Outstanding	\$ 110,364	\$ 110,364

April 2019 Notes

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

The April 2019 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the April 2019 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is

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initially unsecured to which the Company subsequently grant security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

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

September 2019 Notes

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

The September 2019 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the September 2019 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

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

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the April 2019 Notes and September 2019 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,932	\$ 2,981
Amortization of debt issuance cost (loan fees)	160	240
Total interest expense and fees	\$ 2,092	\$ 3,221

Cash paid for interest expense and fees	\$ 1,932	\$ 2,981
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As of March 31, 2016, the Company was in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes.

2024 Notes

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated net proceeds of approximately \$99.9 million.

The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after July 30, 2017, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2024 Notes bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2014, and trade on the NYSE under the trading symbol HTGX.

The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding

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2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of March 31, 2016, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At both March 31, 2016 and December 31, 2015, the 2024 Notes had an outstanding principal balance of \$103.0 million. See Note 12 Subsequent Events .

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,609	\$ 1,609
Amortization of debt issuance cost (loan fees)	83	83
Total interest expense and fees	\$ 1,692	\$ 1,692
Cash paid for interest expense and fees	\$ 1,609	\$ 1,609

2021 Asset-Backed Notes

On November 13, 2014, the Company completed a \$237.4 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of fixed rate asset-backed notes (the 2021 Asset-Backed Notes), which were rated A(sf) by Kroll Bond Rating Agency, Inc. (KBRA). The 2021 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1, LLC as trust depositor (the 2014 Trust Depositor), Hercules Capital Funding Trust 2014-1 as issuer (the 2014 Securitization Issuer), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company s portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

As part of this transaction, the Company entered into a sale and contribution agreement with the 2014 Trust Depositor under which the Company has agreed to sell or have contributed to the 2014 Trust Depositor certain senior loans made to certain of the Company s portfolio companies (the 2014 Loans). The Company has made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2014 Loans as of the date of their transfer to the 2014 Trust Depositor.

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended, (the Securities Act) (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2 (a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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The 2014 Loans are serviced by the Company pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. The Company performs certain servicing and administrative functions with respect to the 2014 Loans. The Company is entitled to receive a monthly fee from the 2014 Securitization Issuer for servicing the 2014 Loans. This servicing fee is equal to the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including October 5, 2014 through and including December 5, 2014 over 360) of 2.00% and the aggregate outstanding principal balance of the 2014 Loans plus collections on deposit in the 2014 Securitization Issuer's collections account, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including October 5, 2014, to the close of business on December 5, 2014). The Company also serves as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At both March 31, 2016 and December 31, 2015, the 2021 Asset-Backed Notes had an outstanding principal balance of \$129.3 million.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 1,139	\$ 1,139
Amortization of debt issuance cost (loan fees)	232	222
Total interest expense and fees	\$ 1,371	\$ 1,361

Cash paid for interest expense and fees	\$ 1,139	\$ 1,139
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Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$3.6 million and \$9.2 million of restricted cash as of March 31, 2016 and December 31, 2015, respectively, funded through interest collections.

Convertible Senior Notes

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible senior notes due 2016 (the *Convertible Senior Notes*). As of March 31, 2016, the outstanding principal balance of the *Convertible Senior Notes* is \$17.6 million and the carrying value, comprised of the aggregate principal amount outstanding less the remaining unamortized debt issuance costs associated with the borrowing and the remaining unaccreted discount initially recorded upon issuance of the *Convertible Senior Notes*, is approximately \$17.6 million.

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

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Prior to the close of business on the business day immediately preceding October 15, 2015, holders could convert their Convertible Senior Notes only under certain circumstances set forth in the indenture governing the Convertible Senior Notes. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The conversion rate was initially 84.0972 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately \$11.89 per share of common stock). The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the conversion rate is increased for converting holders. As of March 31, 2016, the conversion rate was 91.3937 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$10.94 per share of common stock).

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

The Convertible Senior Notes are accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the Convertible Senior Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

Upon meeting the stock trading price conversion requirement as set forth in the indenture governing the Convertible Senior Notes, dated April 15, 2011, between the Company and U.S. Bank National Association, during the three months ended June 30, 2014, September 30, 2014 and December 31, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. During this period and as of March 31, 2016, approximately \$57.4 million of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 1.5 million shares of the Company's common stock, or \$24.3 million. By not meeting the stock trading price conversion requirement during the three months ended March 31, 2015, June 30, 2015, or September 30, 2015 the Convertible Senior Notes were not convertible for the period between April 1, 2015 and October 14, 2015. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time as described above. See Note 12 Subsequent Events .

The Company recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the Convertible Senior Notes and the fair value of the debt instrument. The net loss on extinguishment of debt the Company recorded for the year ended December 31, 2015 was \$1,000. The Company did not record a loss on extinguishment of debt in the three months ended March 31, 2016. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

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As of March 31, 2016 and December 31, 2015, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	March 31, 2016	December 31, 2015
Principal amount of debt	\$ 17,604	\$ 17,604
Unamortized debt issuance cost	(12)	(44)
Original issue discount, net of accretion	(20)	(82)
Carrying value of Convertible Senior Notes	\$ 17,572	\$ 17,478

For the three months ended March 31, 2016 and 2015, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 264	\$ 215
Accretion of original issue discount	61	62
Amortization of debt issuance cost (loan fees)	32	33
Total interest expense and fees	\$ 357	\$ 310
Cash paid for interest expense and fees	\$	\$

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the three months ended March 31, 2016 and 2015. As of March 31, 2016, the Company is in compliance with the terms of the indentures governing the Convertible Senior Notes.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly-owned subsidiary, Hercules Funding II LLC (Hercules Funding II), entered into an Amended and Restated Loan and Security Agreement (the Wells Facility) with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time. The Wells Facility amends, restates, and otherwise replaces the Loan and Security Agreement, which was originally entered into on August 25, 2008, with Wells Fargo Capital Finance, LLC, and had been amended from time to time. The Wells Facility was amended and restated to, among other things, consolidate prior amendments and update certain provisions to reflect current operations and personnel of the Company and Hercules Funding II. Many other terms and provisions of the Wells Facility remain the same or substantially similar to the terms and provisions of the original Wells Facility.

On December 16, 2015, the Company entered into an amendment to the Wells Facility that extended the revolving credit availability period and maturity date of the facility. As amended, the revolving credit availability period ends on August 1, 2018 and the Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

On March 8, 2016, the Company entered into a further amendment to the Wells Facility that amended the minimum interest coverage ratio covenant and added Alostair Bank of Commerce as a lender of the facility, expanding the available commitment to \$95.0 million under the accordion feature. See Note 12 Subsequent Events .

Under the Wells Facility, Wells Fargo Capital Finance, LLC has made commitments of \$75.0 million and Alostair Bank of Commerce has made commitments of \$20.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules

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Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three months ended March 31, 2016, this non-use fee was approximately \$66,000. For the three months ended March 31, 2015, this non-use fee was approximately \$94,000.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of March 31, 2016, the minimum tangible net worth covenant has increased to \$601.9 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million and the 1.1 million shares of common stock issued under the At-The-Market (ATM) equity distribution agreement with JPM Securities (JPM) for gross proceeds of \$12.8 million during the three months ended March 31, 2016. The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

On June 20, 2011 the Company paid \$1.1 million in structuring fees in connection with the original Wells Facility. In connection with an amendment to the original Wells Facility in August 2014, the Company paid an additional \$750,000 in structuring fees and in connection with the amendment in December 2015, the Company paid an additional \$188,000 in structuring fees. These fees are being amortized through the end of the term of the Wells Facility.

The Company had aggregate draws of \$106.7 million on the available facility during the three months ended March 31, 2016 offset by repayments of \$95.7 million. At March 31, 2016 and December 31, 2015 there was \$61.0 million and \$50.0 million, respectively, of borrowings outstanding on this facility.

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Three Months Ended March 31,	
	2016	2015
Interest expense	\$ 275	\$ 86
Amortization of debt issuance cost (loan fees)	104	86
Total interest expense and fees	\$ 379	\$ 86
Cash paid for interest expense and fees	\$ 244	\$

Union Bank Facility

The Company has a \$75.0 million revolving senior secured credit facility (the Union Bank Facility) with MUFG Union Bank, N.A. (MUFG Union Bank). The Company originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to \$75.0 million from \$30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. The Company further amended the Union Bank Facility in November 2015 but the amendment did not result in any material changes to the facility.

LIBOR-based borrowings by the Company under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously the Company paid a per annum interest

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rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings by the Company under the Union Bank Facility, which are based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced MUFG Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. The Company continues to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that the Company may incur.

The Union Bank Facility contains an accordion feature, pursuant to which the Company may increase the size of the Union Bank Facility to an aggregate principal amount of \$300.0 million by bringing in additional lenders, subject to the approval of MUFG Union Bank and other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings.

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three months ended March 31, 2016, this non-use fee was approximately \$95,000. For the three months ended March 31, 2015, this non-use fee was approximately \$94,000. The amount that the Company may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

The Union Bank Facility is collateralized by debt investments in the Company's portfolio companies, and includes an advance rate equal to 50.0% of eligible debt investments placed in the collateral pool.

The Company has various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that the Company maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. As of March 31, 2016, the minimum tangible net worth covenant has increased to \$651.2 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million and the 1.1 million shares of common stock issued under the ATM equity distribution agreement with JMP for net proceeds of \$12.4 million during the three months ended March 31, 2016. The Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control.

At March 31, 2016 there were no borrowings outstanding on the Union Bank Facility.

Citibank Credit Facility

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

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During the three months ended March 31, 2016, the Company recorded a decrease in participation liability and an increase in unrealized appreciation by a net amount of approximately \$1,000 primarily due to depreciation of fair value on the pool of warrants collateralized under the warrant participation. The remaining value of Citigroup's participation right on unrealized gains in the related equity investments is approximately \$110,000 as of March 31, 2016 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately \$2.2 million under the warrant participation agreement thereby reducing realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between April 2016 and January 2017.

5. Income taxes

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed as dividends to stockholders. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

To qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing dividends of an amount at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, to its stockholders. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company's earnings fall below the amount of dividends declared, however, a portion of the total amount of the Company's dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

During the three months ended March 31, 2016, the Company declared a distribution of \$0.31 per share. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's taxable year based upon its taxable income for the full taxable year and distributions paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. If the Company had determined the tax attributes of our distributions taxable year-to-date as of March 31, 2016, 100% would be from our current and accumulated earnings and profits. However there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2016 distributions to shareholders will actually be.

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes dividends in a timely manner to our shareholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding calendar years (the Excise Tax Avoidance Requirements). The Company will not be subject to excise taxes on amounts on which the Company is required to pay corporate income tax (such as retained net capital gains).

Depending on the level of taxable income earned in a taxable year, the Company may choose to carry over taxable income in excess of current taxable year distributions from such taxable income into the next taxable year and pay a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of dividends

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paid in the following taxable year, subject to certain declaration and payment guidelines. To the extent the Company chooses to carry over taxable income into the next taxable year, dividends declared and paid by the Company in a taxable year may differ from taxable income for that taxable year as such dividends may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

The Company has taxable subsidiaries which are designed to hold certain portfolio investments in an effort to limit potential legal liability and/or comply with source-income type requirements contained in the RIC tax provisions of the Code. These taxable subsidiaries are consolidated for U.S. GAAP financial reporting purposes and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated financial statements, and recorded at fair value. The taxable subsidiaries are not consolidated with the Company for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments. Any income generated by the taxable subsidiaries would be taxed at normal corporate tax rates based on its taxable income.

Taxable income for the three months ended March 31, 2016 was approximately \$21.7 million or \$0.30 per share. Taxable net realized losses for the same period was \$3.7 million or approximately \$0.05 per share. Taxable income for the three months ended March 31, 2015 was approximately \$16.3 million or \$0.26 per share. Taxable net realized losses for the same period were \$2.6 million or approximately \$0.04 per share.

The Company intends to distribute approximately \$8.2 million of spillover earnings from ordinary income from the year ended December 31, 2015 to the Company's shareholders in 2016.

6. Shareholders' Equity

On August 16, 2013, the Company entered into an ATM equity distribution agreement (the "Equity Distribution Agreement") with JMP and on March 7, 2016, the Company renewed the Equity Distribution Agreement. The Equity Distribution Agreement provides that the Company may offer and sell up to 8.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market," as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the three months ended March 31, 2016 the Company sold 1.1 million shares of common stock for total accumulated net proceeds of approximately \$12.4 million. The Company did not sell any shares under the program during the year ended December 31, 2015. The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of March 31, 2016 approximately 6.2 million shares remain available for issuance and sale under the equity distribution agreement. See Note 12 Subsequent Events.

On February 24, 2015, the Company's Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. This plan expired on August 24, 2015. On August 27, 2015, the Company's Board of Directors authorized a replacement stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock and on February 17, 2016 the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in the most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. During the three months ended March 31, 2016 the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of

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March 31, 2016 approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan. See Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for further information on the repurchases made during the period.

The Company anticipates that the manner, timing, and amount of any share purchases will be determined by management based upon the evaluation of market conditions, stock price, and additional factors in accordance with regulatory requirements. Pursuant to the 1940 Act, the Company is required to notify shareholders when such a program is initiated or implemented. The repurchase program does not require the Company to acquire any specific number of shares and may be extended, modified, or discontinued at any time.

On March 27, 2015, the Company raised approximately \$100.1 million, after deducting offering expenses, in a public offering of 7,590,000 shares of its common stock.

At the 2015 Annual Meeting of Stockholders on July 7, 2015, the Company's common stockholders approved a proposal to allow the Company to issue common stock at a discount from its then current net asset value (NAV) per share, which is effective for a period expiring on the earlier of July 7, 2016 or the 2016 annual meeting of stockholders. In connection with the receipt of such stockholder approval, the Company will limit the number of shares that it issues at a price below NAV pursuant to this authorization so that the aggregate dilutive effect on the Company's then outstanding shares will not exceed 20%. The Company's Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share. During the three months ended March 31, 2016 the Company has not issued common stock at a discount to NAV. The Company did not issue common stock at a discount to NAV during the year ended December 31, 2015.

The Company has issued stock options for common stock subject to future issuance, of which 695,838 and 622,171 were outstanding at March 31, 2016 and December 31, 2015, respectively.

7. Equity Incentive Plan

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7.0 million shares of common stock. On June 1, 2011, stockholders approved an amended and restated plan and provided an increase of 1.0 million shares, authorizing the Company to issue 8.0 million shares of common stock under the 2004 Plan. At the Company's 2015 Annual Meeting of stockholders on July 7, 2015, the Company's stockholders voted to approve an amendment to the 2004 Equity Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder by 4.0 million shares.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan and, together with the 2004 Plan, the Plans) for purposes of attracting and retaining the services of its Board of Directors. Under the 2006 Plan, the Company is authorized to issue 1.0 million shares of common stock. The Company filed an exemptive relief request with the Securities and Exchange Commission (SEC) to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

On June 21, 2007, the stockholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that may be issued under both Plans to 10% of the outstanding shares of the Company's stock on the effective date of the Plans plus 10% of the number of shares of stock issued or delivered by the Company during the terms of the Plans. The amendments further specify that no one person shall be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Plan. Further, the amount of voting securities that would result from the exercise of all of the Company's outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of its outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of the Company's outstanding warrants, options and rights issued to the Company's directors, officers and

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employees, together with any restricted stock issued pursuant to the Plans, would exceed 15% of the Company's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of the Company's outstanding voting securities.

The following table summarizes the common stock options activities for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at December 31,	622,171	\$ 14.25	695,672	\$ 14.58
Granted	124,000	\$ 11.29	68,500	\$ 14.10
Exercised		\$	(34,664)	\$ 10.69
Forfeited	(45,890)	\$ 14.23	(141,280)	\$ 14.71
Expired	(4,443)	\$ 16.34	(2,499)	\$ 11.01
Outstanding at March 31,	695,838	\$ 13.71	585,729	\$ 14.74
Shares Expected to Vest at March 31,	367,032	\$ 13.71	438,472	\$ 14.74

The following table summarizes common stock options outstanding and exercisable at March 31, 2016:

(Dollars in thousands,

except exercise price)

Range of exercise prices	Options Outstanding				Options Exercisable			
	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price
\$9.25 - \$14.02	302,644	6.38	\$ 214,703	\$ 11.52	67,890	3.84	\$ 75,893	\$ 11.15
\$14.60 - \$16.34	393,194	4.82		\$ 15.40	260,916	4.35		\$ 15.33
\$9.25 - \$16.34	695,838	5.50	\$ 214,703	\$ 13.71	328,806	4.25	\$ 75,893	\$ 14.47

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months.

All options may be exercised for a period ending seven years after the date of grant. At March 31, 2016 options for 328,806 shares were exercisable at a weighted average exercise price of approximately \$14.47 per share with a weighted average remaining contractual term of 4.25 years.

The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the three months ended March 31, 2016 and 2015 was approximately \$39,000 and \$27,000, respectively. During the three months ended March 31, 2016 and 2015, approximately \$51,000 and \$67,000 of share-based cost due to stock option grants was expensed, respectively. As of March 31, 2016 there was approximately \$181,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average remaining vesting period of 1.42 years.

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The Company follows ASC 718 (Compensation Stock Compensation) to account for stock options granted. Under ASC 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Expected Volatility	18.94%	18.94%
Expected Dividends	10%	10%
Expected term (in years)	4.5	4.5
Risk-free rate	1.04%-1.63%	1.08%-1.57%

During the three months ended March 31, 2016 and 2015 the Company granted 538,250 shares and 579,833 shares, respectively, of restricted stock pursuant to the Plans. The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the three months ended March 31, 2016 and 2015 was approximately \$6.5 million and \$8.1 million, respectively. During the three months ended March 31, 2016 and 2015, the Company expensed approximately \$2.5 million and \$2.7 million of compensation expense related to restricted stock, respectively. As of March 31, 2016, there was approximately \$12.2 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average remaining vesting period of 2.27 years.

The following table summarizes the activities for the Company's unvested restricted stock for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016	Weighted Average Grant Date Fair Value	2015	Weighted Average Grant Date Fair Value
Unvested at December 31,	850,072	\$ 13.59	1,302,780	\$ 13.23
Granted	538,250	\$ 12.00	579,833	\$ 14.02
Vested	(285,155)	\$ 13.65	(102,042)	\$ 12.01
Forfeited	(7,138)	\$ 14.02	(1,438)	\$ 12.88
Unvested at March 31,	1,096,029	\$ 12.79	1,779,133	\$ 13.56

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company's common stock to pay for the exercise price and applicable taxes with respect to an option exercise (net issuance exercise). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of the Company's stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make a cash payment at the time of option exercise or to pay taxes on restricted stock.

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

(in thousands, except per share data)	Three Months Ended March 31,	
	2016	2015
Numerator		
Net increase in net assets resulting from operations	\$ 14,295	\$ 21,919
Less: Dividends declared-common and restricted shares	(22,371)	(20,266)
Undistributed (distributions in excess of) earnings	(8,076)	1,653
Undistributed (distributions in excess of) earnings-common shares	(8,076)	1,653
Add: Dividend declared-common shares	21,975	19,712
Numerator for basic and diluted change in net assets per common share	\$ 13,899	\$ 21,365
Denominator		
Basic weighted average common shares outstanding	71,172	63,783
Common shares issuable	27	380
Weighted average common shares outstanding assuming dilution	71,199	64,163
Change in net assets per common share		
Basic	\$ 0.20	\$ 0.33
Diluted	\$ 0.20	\$ 0.33

In the table above, unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents are treated as participating securities for calculating earnings per share.

For the purpose of calculating diluted earnings per share for the three months ended March 31, 2016 and 2015, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation because the Company's share price was greater than the conversion price in effect (\$10.94 as of March 31, 2016 and \$11.28 as of March 31, 2015) for the Convertible Senior Notes for such periods.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the three months ended March 31, 2016 and 2015, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was approximately 717,679 shares and 652,102 shares, respectively.

At March 31, 2016, the Company was authorized to issue 200.0 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

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Following is a schedule of financial highlights for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Per share data⁽¹⁾:		
Net asset value at beginning of period	\$ 9.94	\$ 10.18
Net investment income	0.28	0.20
Net realized gain on investments	(0.06)	0.05
Net unrealized appreciation (depreciation) on investments	(0.02)	0.09
Total from investment operations	0.20	0.34
Net increase (decrease) in net assets from capital share transactions ⁽¹⁾	(0.06)	0.23
Distributions of net investment income ⁽⁶⁾	(0.31)	(0.32)
Stock-based compensation expense included in investment income ⁽²⁾	0.04	0.04
Net asset value at end of period	\$ 9.81	\$ 10.47
Ratios and supplemental data:		
Per share market value at end of period	\$ 12.01	\$ 13.48
Total return ⁽³⁾	1.18%	(7.35%)
Shares outstanding at end of period	73,230	72,891
Weighted average number of common shares outstanding	71,172	63,783
Net assets at end of period	\$ 718,380	\$ 763,326
Ratio of total expense to average net assets ⁽⁴⁾	10.47%	11.73%
Ratio of net investment income before investment gains and losses to average net assets ⁽⁴⁾	11.17%	7.82%
Portfolio turnover rate ⁽⁵⁾	7.16%	7.64%
Average debt outstanding	\$ 578,406	\$ 624,132
Weighted average debt per common share	\$ 8.13	\$ 9.79

- (1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.
- (2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the three months ended March 31, 2016 and 2015 equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution. As such, the total return is not annualized.
- (4) All ratios are calculated based on weighted average net assets for the relevant period and are annualized.
- (5) The portfolio turnover rate for the three months ended March 31, 2016 and 2015 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period. As such, portfolio turnover rate is not annualized.
- (6) Includes dividends on unvested shares.

10. Commitments and Contingencies

The Company's commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, our credit agreements contain customary lending provisions which allow us relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the Company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company's disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.

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At March 31, 2016, the Company had approximately \$64.6 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, the Company had approximately \$98.0 million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions.

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The Company also had approximately \$60.5 million of non-binding term sheets outstanding at March 31, 2016. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

The fair value of the Company's unfunded commitments are considered to be immaterial as the yield determined at the time of underwriting is expected to be materially consistent with the yield upon funding, given that interest rates are generally pegged to a market indices and given the existence of milestones, conditions and/or obligations imbedded in the borrowing agreements.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$436,000 during the three months ended March 31, 2016. Total rent expense amounted to approximately \$408,000 during the same period ended March 31, 2015. The Company's contractual obligations as of March 31, 2016 include:

	Total	Payments due by period (in thousands)			After 5 years
		Less than 1 year	1 - 3 years	3 - 5 years	
Contractual Obligations⁽¹⁾⁽²⁾					
Borrowings ⁽³⁾⁽⁴⁾	\$ 611,471	\$ 17,604	\$ 147,700	\$ 232,917	\$ 213,250
Operating Lease Obligations ⁽⁵⁾	4,427	1,598	2,593	236	
Total	\$ 615,898	\$ 19,202	\$ 150,293	\$ 233,153	\$ 213,250

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) The Company also has a warrant participation agreement with Citigroup. See Note 4 to the Company's consolidated financial statements.

(3) Includes \$190.2 million in principal outstanding under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the 2024 Notes, \$129.3 million of the 2021 Asset-Backed Notes, \$17.6 million of the Convertible Senior Note, and \$61.0 million under the Wells Facility as of March 31, 2016.

(4) Amounts represent future principal repayments and not the carrying value of each liability. See Note 4 to the Company's consolidated financial statements.

(5) Long-term facility leases.

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

11. Recent Accounting Pronouncements

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810) Amendments to the Consolidation Analysis". The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. There is not a material impact from adopting this standard on the Company's financial statements. The Company has adopted this standard for the three months ended March 31, 2016.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability and in August 2015, the FASB issued ASU 2015-15 "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements", which clarifies the application of ASU

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2015-03 to debt issuance costs associated with line-of-credit arrangements and allows presentation of debt issuance costs on these instruments as assets that are amortized over the term of the instrument. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of the Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There is no impact to the Company's Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. The Company has adopted this standard for the three months ended March 31, 2016. Refer to Note 2 Summary of Significant Accounting Policies.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which, among other things, requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted for certain provisions. The Company is currently evaluating the impact that ASU 2016-01 will have on its consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Additionally the ASU requires the classification of all cash payments on leases within operating activities in the Consolidated Statement of Cash Flows. ASU 2016-02 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-09 will have on its consolidated financial statements and disclosures.

12. Subsequent Events*Dividend Declaration*

On April 27, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on May 23, 2016 to shareholders of record as of May 16, 2016. This dividend represents the Company's forty-third consecutive dividend declaration since the Company's IPO, bringing the total cumulative dividend declared to date to \$11.85 per share.

Convertible Senior Notes

The Convertible Senior Notes were convertible into shares of the Company's common stock beginning October 15, 2015 until the close of business on the scheduled trading day immediately preceding the April 15, 2016 maturity date. Subsequent to March 31, 2016, approximately \$17.4 million of the Convertible Senior Notes were converted pursuant to the conversion procedures as set forth in the indenture governing the Convertible

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Senior Notes and were settled in April 2016 with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 137,854 shares of the Company's common stock. The remaining Convertible Senior Notes outstanding were fully repaid at maturity on April 15, 2016.

Wells Facility

On April 7, 2016, the Company entered into a further amendment to the Wells Facility that amended the concentration limits on eligible assets in the collateral pool and added Everbank Commercial Finance, Inc. as a lender of the facility, expanding the available commitment to \$120.0 million under the accordion feature.

2024 Notes

On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of its 6.25% unsecured notes due 2024 (the Additional 2024 Notes). The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallocments. The Additional 2024 Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$103.0 million in aggregate principal amount of the 6.25% unsecured notes due 2024 that the Company initially issued on July 14, 2014 (the Existing 2024 Notes).

The Existing 2024 Notes currently trade on the NYSE under the symbol HTGX and it is anticipated that the additional \$74.8 million in aggregate principal amount of the Additional 2024 Notes will trade under the same symbol. The Existing 2024 Notes and the Additional 2024 Notes will mature on July 30, 2024, and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after July 30, 2017. The Additional 2024 Notes will bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30, of each year, beginning July 30, 2016. The Company intends to invest the net proceeds of this public offering to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

ATM Issuances

Subsequent to March 31, 2016 and as of May 2, 2016, the Company sold 331,000 shares of common stock for total accumulated net proceeds of approximately \$4.0 million under its ATM equity distribution agreement with JMP. As of May 2, 2016 approximately 5.9 million shares remain available for issuance and sale under the equity distribution agreement.

Credit Rating

On April 26, 2016, Standard and Poor's assigned a BBB- credit rating to the Company's 2024 Notes and 2019 Notes.

Portfolio Company Developments

As of May 2, 2016, the Company held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All four companies filed confidentially under the Jumpstart Our Business Startups Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely matter or at all.

On May 2, 2016, Bind Therapeutics, Inc. (BIND), a portfolio company, filed for Voluntary Chapter 11 Bankruptcy Protection in the District of Delaware. In that filing, BIND claims it will pursue strategic and financial alternatives to continue as a going concern and that their cash and assets exceed the loan amount due to Hercules Capital. The Company's agreements with BIND have affirmative and negative covenants and events of defaults customary for a senior secured lending transaction of this nature. As of the date of these financial statements, the Company believes that BIND has the ability to meet its Secured Obligations and given that BIND is current on all payments, the Company has left our investment in BIND on accrual status.

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Schedule 12-14

HERCULES CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

As of and for the Three Months Ended March 31, 2016

(in thousands)

Portfolio Company	Investment ⁽¹⁾	Amount of Interest Credited to Income ⁽²⁾	As of December 31, 2015 Fair Value	Gross Additions ⁽³⁾	Gross Reductions ⁽⁴⁾	Net Change in Unrealized Appreciation/ (Depreciation)	As of March 31, 2016 Fair Value
Affiliate Investments							
Optiscan BioMedical, Corp.	Senior Debt	\$ 7	\$	\$ 431	\$	\$	\$ 431
	Preferred Stock		6,661			(357)	6,304
	Preferred Warrants		312			(56)	256
Stion Corporation	Senior Debt	58	1,013		(446)	539	1,106
Total Control and Affiliate Investments		\$ 65	\$ 7,986	\$ 431	\$ (446)	\$ 126	\$ 8,097

(1) Stock and warrants are generally non-income producing and restricted. The principal amount for debt is shown in the Consolidated Schedule of Investments as of March 31, 2016

(2) Represents the total amount of interest or dividends credited to income for the year an investment was an affiliate or control investment.

(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities.

(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities.

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\$500,000,000

Common Stock

Preferred Stock

Warrants

Subscription Rights

Debt Securities

This prospectus relates to the offer, from time to time, in one or more offerings or series, up to \$500,000,000 of shares of our common stock, par value \$0.001 per share, preferred stock, par value \$0.001 per share, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities, which we refer to, collectively, as the securities. The preferred stock, debt securities, subscription rights and warrants offered hereby may be convertible or exchangeable into shares of our common stock. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale, including auctions. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

We may offer shares of common stock at a discount to net asset value per share in certain circumstances. On July 7, 2015, our common stockholders voted to allow us to issue common stock at a price below net asset value per share effective for a period expiring on the earlier of July 7, 2016 or the 2016 annual meeting of our common stockholders. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of net asset value per share. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In the event we offer common stock, the offering price per share will not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the holders of the majority of our voting securities and approval of our board of directors, or (3) under such circumstances as the Securities and Exchange Commission may permit. See Risk Factors for more information.

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related industries, including technology, biotechnology, life science and energy and renewables technology industries at all stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms and publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We source our investments through our principal office located in Palo Alto, CA, as well as through additional offices in Boston, MA, New York, NY, McLean, VA and Radnor, PA. Our goal is to be the leading structured debt financing provider for venture capital-backed companies in technology-related industries requiring sophisticated and customized financing solutions. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We use the term structured debt with warrants to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by select or all of the assets of the portfolio company. We invest primarily in private companies but also have investments in public companies.

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

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol HTGC. On September 28, 2015, the last reported sale price of a share of our common stock on the NYSE, was \$10.34. The net asset value per share of our common stock at June 30, 2015 (the last date prior to the date of this prospectus on which we determined net asset value) was \$10.26.

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An investment in our securities may be speculative and involves risks including a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 11 to read about risks that you should consider before investing in our securities, including the risk of leverage.

Please read this prospectus before investing and keep it for future reference. It contains important information about us that a prospective investor ought to know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. The information is available free of charge by contacting us at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 or by telephone calling collect at (650) 289-3060 or on our website at www.htgc.com. The SEC also maintains a website at www.sec.gov that contains such information.

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

This prospectus may not be used to consummate sales of any securities unless accompanied by a prospectus supplement.

The date of this prospectus is November 3, 2015

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

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, we may offer, from time to time, up to \$500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities on the terms to be determined at the time of the offering. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Please carefully read this prospectus and any such supplements together with the additional information described under **Where You Can Find Additional Information** in the **Summary** and **Risk Factors** sections before you make an investment decision.

A prospectus supplement may also add to, update or change information contained in this prospectus.

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SUMMARY

This summary highlights some of the information in this prospectus and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus and the documents that are referenced in this prospectus, together with any accompanying supplements. In this prospectus, unless the context otherwise requires, the Company, Hercules Technology Growth Capital, we, us and our refer to Hercules Technology Growth Capital, Inc. and our wholly-owned subsidiaries.

Our Company

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related industries, including technology, biotechnology, life science and energy and renewables technology, at all stages of development. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally-managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. We have qualified as and have elected to be treated for tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of June 30, 2015, our total assets were approximately \$1.4 billion, of which our investments comprised \$1.2 billion at fair value and \$1.3 billion at cost. Since inception through June 30, 2015, we have made debt and equity commitments of over \$5.5 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company, or SBIC, subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III. At June 30, 2015, we have issued approximately \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in this prospectus for additional information regarding our SBIC subsidiaries.

As of June 30, 2015, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 33 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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The following chart shows the ownership structure and relationship of certain entities with us.

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 investments in structured debt with warrants in technology-related 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 as the number of lenders has declined due to the recent financial market turmoil; and

Structured debt with warrants products are less dilutive and complement equity financing from venture capital and private equity funds.

Technology-Related Companies are Underserved by Traditional Lenders. We believe many viable technology-related companies backed by financial sponsors have been unable to obtain sufficient growth

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financing from traditional lenders, including financial services companies such as commercial banks and finance companies, because traditional lenders have continued to consolidate and have adopted a more risk-averse approach to lending. More importantly, we believe traditional lenders are typically unable to underwrite the risk associated with these companies effectively.

The unique cash flow characteristics of many technology-related companies, which typically 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 these 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 debt financing marketplace, instead preferring the risk-reward profile of asset based lending. 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.

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 is a function of the level of annual venture equity investment activity.

We believe that demand for structured debt financing is currently underserved. The venture capital market for the technology-related companies in which we invest has been active and is continuing to show signs of increased investment activity. Therefore, to the extent we have capital available, we believe this is an opportune time to be active in the structured lending market for technology-related companies.

Structured Debt with Warrants 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 debt with warrants product provides access to growth capital 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 technology-related companies at all stages of development 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 reached a more mature stage 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.

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.

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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 seek to mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities (generally 12-60 months), security interests in the assets of our portfolio companies, and on select investment 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.

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.

Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, including select publicly listed companies, select special opportunity lower middle market companies that require additional capital to fund acquisitions, recapitalizations and refinancing and established-stage companies.

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

Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive structured query language-based (SQL) database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance.

Dividend Reinvestment Plan

We maintain an opt-out dividend reinvestment plan that provides for reinvestment of our distribution on behalf of our stockholders, unless a stockholder elects to receive cash. See Dividend Reinvestment Plan. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

Taxation

Effective January 1, 2006, we elected to be treated for tax purposes as a RIC under the Code. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends, which allows us to reduce or eliminate our corporate level tax. See Certain United States Federal Income Tax Considerations. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. There is no assurance that we will meet these tests and be able to maintain our RIC status. If we do not qualify as a RIC, we would be taxed as a C corporation.

Use of Proceeds

We intend to use the net proceeds from selling our securities for general corporate purposes, which includes investing in debt and equity securities, repayment of indebtedness and other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such offering.

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Leverage

We borrow funds to make additional investments, and we have granted, and may in the future grant, a security interest in our assets to a lender in connection with any such borrowings, including any borrowings by any of our subsidiaries. We use this practice, which is known as leverage, to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See Risk Factors. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. We received an exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity, and Capital Resources for additional information related to our outstanding debt.

Distributions

As a RIC, we are required to distribute annually to our stockholders at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We are not subject to corporate level income taxation on income we timely distribute to our stockholders as dividends. See Certain Material United States Federal Income Tax Considerations. We pay regular quarterly dividends based upon an estimate of annual taxable income available for distribution to stockholders and the amount of taxable income carried over from the prior year for distribution in the current year.

Principal Risk Factors

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

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

Certain Anti-Takeover Provisions

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

General Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, McLean, VA and Radnor,

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PA. We maintain a website on the Internet at www.htgc.com. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, which we refer to as the Exchange Act. This information is available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC's public reference room by calling the SEC at (202) 551-8090. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

Table of Contents**Index to Financial Statements****FEES AND EXPENSES**

The following table is intended to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. The footnotes to the fee table state which items are estimates. 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, Inc.

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Sales load (as a percentage of offering price) ⁽¹⁾	%
Offering expenses	%(2)
Dividend reinvestment plan fees	%(3)
Total stockholder transaction expenses (as a percentage of the public offering price)	%(4)
Annual Expenses (as a percentage of net assets attributable to common stock):⁽⁵⁾	
Operating expenses	6.18%(6)(7)
Interest and fees paid in connection with borrowed funds	5.20%(8)
Total annual expenses	11.38%(9)

- (1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement to this prospectus will disclose the applicable sales load.
- (2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement to this prospectus will disclose the estimated offering expenses.
- (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) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
- (5) Net assets attributable to common stock equals the weighted average net assets for the six-month period ended June 30, 2015, which is approximately \$712.7 million.
- (6) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the six-months ended June 30, 2015, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. This percentage for the year ended December 31, 2014 was 5.55%. See Management s Discussion and Analysis and Results of Operations, Management, and Compensation of Executive Officers and Directors .
- (7) 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.
- (8) Interest and fees paid in connection with borrowed funds represents our estimated interest, fees and credit facility expenses by annualizing our actual interest, fees and credit facility expenses incurred for the six-months ended June 30, 2015, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the 2024 Notes, the 2017 Asset-Backed Notes, the 2021 Asset-Backed Notes and the SBA debentures, each of which is defined herein. This percentage for the year ended December 31, 2014 was 5.42%.
- (9) Total annual expenses is the sum of operating expenses, and interest and fees paid in connection with borrowed funds. This percentage for the year ended December 31, 2014 was 10.97%. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

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Example

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return	\$ 110	\$ 311	\$ 487	\$ 841

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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The selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2014, 2013, 2012, 2011 and 2010 and the financial statement of operations data for fiscal 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the six months ended June 30, 2015 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

(in thousands, except per share amounts)	For the Six Months Ended June 30, (unaudited)		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
Investment income:							
Interest	\$ 65,800	\$ 61,382	\$ 126,618	\$ 123,671	\$ 87,603	\$ 70,346	\$ 54,700
Fees	4,820	8,389	17,047	16,042	9,917	9,509	4,774
Total investment income	70,620	69,771	143,665	139,713	97,520	79,855	59,474
Operating expenses:							
Interest	15,425	13,682	28,041	30,334	19,835	13,252	8,572
Loan fees	3,093	3,167	5,919	4,807	3,917	2,635	1,259
General and administrative	7,687	4,587	10,209	9,354	8,108	7,992	7,086
Employee Compensation:							
Compensation and benefits	9,653	7,454	16,604	16,179	13,326	13,260	10,474
Stock-based compensation	4,987	4,026	9,561	5,974	4,227	3,128	2,709
Total employee compensation	14,640	11,480	26,165	22,153	17,553	16,388	13,183
Total operating expenses	40,845	32,916	70,334	66,648	49,413	40,267	30,100
Loss on debt extinguishment (Long-term Liabilities - Convertible Senior Notes)	(1)		(1,581)				
Net investment income	29,774	36,855	71,750	73,065	48,107	39,588	29,374
Net realized gain (loss) on investments	2,058	7,343	20,112	14,836	3,168	2,741	(26,382)
Net increase (decrease) in unrealized appreciation (depreciation) on investments	(7,162)	(8,822)	(20,674)	11,545	(4,516)	4,607	1,990
Total net realized and unrealized gain (loss)	(5,104)	(1,479)	(562)	26,381	(1,348)	7,348	(24,392)
Net increase in net assets resulting from operations	\$ 24,670	\$ 35,376	\$ 71,188	\$ 99,446	\$ 46,759	\$ 46,936	\$ 4,982
Change in net assets per common share (basic)	\$ 0.35	\$ 0.57	\$ 1.12	\$ 1.67	\$ 0.93	\$ 1.08	\$ 0.12
Cash dividends declared per common share	\$ 0.62	\$ 0.62	\$ 1.24	\$ 1.11	\$ 0.95	\$ 0.88	\$ 0.80

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(in thousands, except per share amounts)	For the Six Months Ended June 30, (unaudited)			For the Years Ended December 31,			
	2015	2014	2014	2013	2012	2011	2010
Balance sheet data:							
Investments, at value	\$ 1,238,655	\$ 991,345	\$ 1,020,737	\$ 910,295	\$ 906,300	\$ 652,870	\$ 472,032
Cash and cash equivalents	115,987	116,008	227,116	268,368	182,994	64,474	107,014
Total assets	1,396,553	1,149,473	1,299,223	1,221,715	1,123,643	747,394	591,247
Total liabilities	652,862	490,564	640,359	571,708	607,675	316,353	178,716
Total net assets	743,691	658,909	658,864	650,007	515,968	431,041	412,531
Other Data:							
Total debt investments, at value	1,137,619	898,030	923,906	821,988	827,540	585,767	401,618
Total warrant investments, at value	29,842	23,036	25,098	35,637	29,550	30,045	23,690
Total equity investments, at value	71,194	70,279	71,733	52,670	49,210	37,058	46,724
Unfunded Commitments	413,935	229,318	339,014	150,986	61,851	168,196	117,200
Net asset value per share ⁽¹⁾	\$ 10.26	\$ 10.42	\$ 10.18	\$ 10.51	\$ 9.75	\$ 9.83	\$ 9.50

(1) Based on common shares outstanding at period end

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2014. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(in thousands, except per share data)	For the Quarter Ended (unaudited)	
	June 30, 2015	March 31, 2015
Total investment income	\$ 38,125	\$ 32,494
Net investment income before investment gains and losses	16,781	12,993
Net increase (decrease) in net assets resulting from operations	2,752	21,919
Change in net assets per common share (basic)	\$ 0.35	\$ 0.33

(in thousands, except per share data)	Quarter Ended			
	3/31/2014	6/30/2014	9/30/2014	12/31/2014
Total investment income	\$ 35,770	\$ 34,001	\$ 37,019	\$ 36,875
Net investment income before investment gains and losses	18,304	18,551	18,995	15,899
Net increase (decrease) in net assets resulting from operations	22,185	13,191	15,177	20,635
Change in net assets per common share (basic)	\$ 0.36	\$ 0.21	\$ 0.24	\$ 0.32

(in thousands, except per share data)	Quarter Ended			
	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Total investment income	\$ 30,957	\$ 34,525	\$ 41,021	\$ 33,210
Net investment income before investment gains and losses	15,032	17,610	21,560	18,864
Net increase (decrease) in net assets resulting from operations	16,689	20,879	36,981	24,897
Change in net assets per common share (basic)	\$ 0.30	\$ 0.34	\$ 0.61	\$ 0.40

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RISK FACTORS

Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below in this prospectus and those set forth in any prospectus supplement accompanying this prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus and the supplement accompanying this prospectus, before you decide whether to make an investment in our common stock. The risks set out below and in this prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline and you may lose all or part of your investment. The risk factors described below, together with those set forth in any prospectus supplement accompanying this prospectus, are the principal risk factors associated with an investment in our common stock, as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

Risks Related to our Business Structure

We are dependent upon key management personnel for their time availability and for our future success, particularly Manuel A. Henriquez, our Chief Executive Officer, and if we are not able to hire and retain qualified personnel, or if we lose any member of our senior management team, our ability to implement our business strategy could be significantly harmed.

We depend upon the members of our senior management, particularly Mr. Henriquez, as well as other key personnel for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships on which we rely to implement our business plan. If we lose the services of Mr. Henriquez, or of any other senior management members, we may not be able to operate the business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. Furthermore, we do not have an employment agreement with Mr. Henriquez and our senior management is not restricted from creating new investment vehicles subject to compliance with applicable law. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining such personnel, we may not be able to operate our business as we expect.

Our business model depends to a significant extent upon strong referral relationships with venture capital and private equity fund sponsors, and our inability to develop or maintain these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that members of our management team will maintain their relationships with venture capital and private equity firms, and we will rely to a significant extent upon these relationships to provide us with our deal flow. If we fail to maintain our existing relationships, our relationships become strained as a result of enforcing our rights with respect to non-performing portfolio companies in protecting our investments or we fail to develop new relationships with other firms or sources of investment opportunities, then we will not be able to grow our investment portfolio. In addition, persons with whom members of our management team have relationships are not obligated to provide us with investment opportunities and, therefore, there is no assurance that such relationships will lead to the origination of debt or other investments.

We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively.

A number of entities compete with us to make the types of investments that we plan to make in prospective portfolio companies. We compete with a large number of venture capital and private equity firms, as well as with

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other investment funds, business development companies, investment banks and other sources of financing, including traditional financial services companies such as commercial banks and finance companies. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. For example, some competitors may have a lower cost of funds and/or access to funding sources that are not available to us. This may enable some competitors to make loans with interest rates that are comparable to or lower than the rates that we typically offer. A significant increase in the number and/or the size of our competitors, including traditional commercial lenders and other financing sources, in technology-related industries could force us to accept less attractive investment terms. We may miss opportunities if we do not match competitors' pricing, terms and structure. If we do match competitors' pricing, terms or structure, we may experience decreased net interest income and increased risk of credit losses. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, establish more relationships and build their market shares. Furthermore, many potential competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company or that the Code imposes on us as a RIC. If we are not able to compete effectively, our business, financial condition, and results of operations will be adversely affected. As a result of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities, or that we will be able to fully invest our available capital.

If we are unable to manage our future growth effectively, we may be unable to achieve our investment objective, which could adversely affect our financial condition and results of operations and cause the value of your investment to decline.

Our ability to achieve our investment objective will depend on our ability to sustain growth. Sustaining growth will depend, in turn, on our senior management team's ability to identify, evaluate, finance and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our marketing capabilities, our management of the investment process, our ability to provide efficient services and our access to financing sources on acceptable terms. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Because we intend to distribute substantially all of our income to our stockholders in order to qualify as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.

In order to satisfy the tax requirements applicable to a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and realized net capital gains except for certain realized net capital gains, which we may retain, pay applicable income taxes with respect thereto and elect to treat as deemed distributions to our stockholders. As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which includes all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. This limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. If we are unable to incur additional debt, we may be required to raise additional equity at a time when it may be disadvantageous to do so. In addition, shares of closed-end investment companies have recently traded at discounts to their net asset values. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. If our common stock trades below its net asset value, we generally will not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline. In addition, our results of operations and financial condition could be adversely affected.

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Because we have substantial indebtedness, there could be increased risk in investing in our company.

Lenders have fixed dollar claims on our assets that are superior to the claims of stockholders, and we have granted, and may in the future grant, lenders a security interest in our assets in connection with borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. In addition, borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets increases, then leverage would cause the net asset value attributable to our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause the net asset value attributable to our common stock to decline more than it otherwise would have had we not used leverage. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on common stock. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. We and, indirectly, our stockholders will bear the cost associated with our leverage activity. If we are not able to service our substantial indebtedness, our business could be harmed materially.

Our secured credit facilities with Wells Fargo Capital Finance LLC (the Wells Facility) and MUFG Union Bank, N.A. (the Union Bank Facility, and together with the Wells Facility, our Credit Facilities) our Convertible Senior Notes, our 2019 Notes, our 2024 Notes, our 2017 Asset-Backed Notes and our 2021 Asset-Backed Notes (as each term is defined below) contain financial and operating covenants that could restrict our business activities, including our ability to declare dividends if we default under certain provisions.

As of June 30, 2015, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$49.6 million in aggregate principal amount of our Wells Facility, approximately \$17.6 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes), approximately \$150.4 million in aggregate principal amount of 7.00% notes due 2019 (the 2019 Notes), approximately \$103.0 million in aggregate principal amount of 6.25% notes due 2024 (the 2024 Notes), and approximately \$129.3 million in aggregate principal amount of fixed rate asset-backed notes issued in November 2014 (the 2021 Asset-Backed Notes) in connection with our \$237.4 million debt securitization (the 2014 Debt Securitization). As of June 30, 2015, we did not have any outstanding borrowings under our Union Bank Facility.

There can be no assurance that we will be successful in obtaining any additional debt capital on terms acceptable to us or at all. If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

As a business development company, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. As of December 31, 2014 our asset coverage ratio under our regulatory requirements as a business development company was 250.8% excluding our SBIC debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio.

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Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

	Annual Return on Our Portfolio (Net of Expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to stockholder ⁽¹⁾	(24.04%)	(14.65%)	(5.26%)	4.13%	13.52%

(1) Assumes \$1.4 billion in total assets, \$640.1 million in debt outstanding, \$743.7 million in stockholders' equity, and an average cost of funds of 6.11%, which is the approximate average cost of borrowed funds, including our Credit Facilities, our Convertible Senior Notes, 2019 Notes, 2024 Notes, 2017

Asset-Backed Notes, 2021 Asset-Backed Notes and our SBA debentures for the period ended June 30, 2015. Actual interest payments may be different.

It is likely that the terms of any current or future long-term or revolving credit or warehouse facility we may enter into in the future could constrain our ability to grow our business.

Under our borrowings and our Credit Facilities, current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets in the collateral pool. Our Credit Facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a security interest in our assets in connection with any such credit facilities and borrowings.

Our Credit Facilities generally contain customary default provisions such as a minimum net worth amount, a profitability test, and a restriction on changing our business and loan quality standards. In addition, our Credit Facilities require or are expected to require the repayment of all outstanding debt on the maturity which may disrupt our business and potentially the business of our portfolio companies that are financed through the facilities. An event of default under these facilities would likely result, among other things, in termination of the availability of further funds under the facilities and accelerated maturity dates for all amounts outstanding under the facilities, which would likely disrupt our business and, potentially, the business of the portfolio companies whose loans we finance through the facilities. This could reduce our revenues and, by delaying any cash payment allowed to us under our facilities until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and our ability to make distributions sufficient to maintain our status as a RIC.

The terms of future available financing may place limits on our financial and operation flexibility. If we are unable to obtain sufficient capital in the future, we may be forced to reduce or discontinue our operations, not be able to make new investments, or otherwise respond to changing business conditions or competitive pressures.

In addition to regulatory requirements that restrict our ability to raise capital, our Credit Facilities, the Convertible Senior Notes, the 2019 Notes and the 2024 Notes contain various covenants which, if not complied with, could require accelerated repayment under the facility or require us to repurchase the Convertible Senior Notes, the 2019 Notes and the 2024 Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay dividends.

The credit agreements governing our Credit Facilities, the Convertible Senior Notes, the 2019 Notes, and the 2024 Notes require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, debt to equity and interest coverage. Our ability to continue to comply with these covenants in the future depends on many factors, some of which are beyond our control. There are no assurances that we will be able to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver

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from the lenders under our Credit Facilities or the trustee or holders under the Convertible Senior Notes and could accelerate repayment under the facilities or the Convertible Senior Notes, the 2019 Notes or 2024 Notes and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay dividends. In addition, holders of the Convertible Senior Notes will have the right to require us to repurchase the Convertible Senior Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases. See Management's Discussion and Analysis of Results of Operations and Financial Condition Borrowings.

We may be unable to obtain debt capital on favorable terms or at all, in which case we would not be able to use leverage to increase the return on our investments.

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

We are subject to certain risks as a result of our interests in connection with the Debt Securitizations and our equity interest in the Securitization Issuers.

On December 19, 2012, in connection with the 2012 Debt Securitization and the offering of the 2017 Asset-Backed Notes by Hercules Capital Funding Trust 2012-1 (the 2012 Securitization Issuer), we sold and/or contributed to Hercules Capital Funding 2012-1 LLC, as trust depositor (the 2012 Trust Depositor), certain senior loans made to certain of our portfolio companies (the 2012 Loans), which the 2012 Trust Depositor in turn sold and/or contributed to the 2012 Securitization Issuer in exchange for 100% of the equity interest in the 2012 Securitization Issuer, cash proceeds and other consideration. Following these transfers, the 2012 Securitization Issuer, and not the 2012 Trust Depositor or us, held all of the ownership interest in the 2012 Loans.

In addition, on November 13, 2014, in connection with the 2014 Debt Securitization and the offering of the 2021 Asset-Backed Notes by Hercules Capital Funding Trust 2014-1 (the 2014 Securitization Issuer, together with the 2012 Securitization Issuer, the Securitization Issuers), we sold and/or contributed to Hercules Capital Funding 2014-1 LLC, as trust depositor (the 2014 Trust Depositor, together with the 2014 Trust Depositor, the Trust Depositors), certain senior loans made to certain of our portfolio companies (the 2014 Loans, together with the 2012 Loans, the Loans), which the 2014 Trust Depositor in turn sold and/or contributed to the 2014 Securitization Issuer in exchange for 100% of the equity interest in the 2014 Securitization Issuer, cash proceeds and other consideration. Following these transfers, the 2014 Securitization Issuer, and not the 2014 Trust Depositor or us, held all of the ownership interest in the 2014 Loans.

As a result of the Debt Securitizations, we hold, indirectly through the 2012 Trust Depositor and the 2014 Trust Depositor, 100% of the equity interests in the 2012 Securitization Issuer and 2014 Securitization Issuer, respectively. As a result, we consolidate the financial statements of the Trust Depositors and the Securitization Issuers, as well as our other subsidiaries, in our consolidated financial statements. Because the Trust Depositors and the Securitization Issuers are disregarded as entities separate from their owners for U.S. federal income tax purposes, the sale or contribution by us to the Trust Depositors, and by the Trust Depositors to the Securitization Issuers, as applicable, did not constitute a taxable event for U.S. federal income tax purposes. If the U.S. Internal Revenue Service (IRS) were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

Further, a failure of the 2012 Securitization Issuer or the 2014 Securitization Issuer to be treated as a disregarded entity for U.S. federal income tax purposes would constitute an event of default pursuant to the indenture under the 2012 Debt Securitization or the indenture under the 2014 Debt Securitization, respectively, upon which the trustee under the 2012 Debt Securitization (the 2012 Trustee) or the trustee under the 2014 Debt Securitization (the 2014 Trustee, together with the 2012 Trustee, the Trustees), respectively, may and

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will at the direction of a supermajority of the holders of the 2017 Asset-Backed Notes (the 2017 Noteholders) or at the direction of a supermajority of the holders of the 2021 Asset-Backed Notes (the 2021 Noteholders, together with the 2017 Noteholders, the Noteholders), respectively, declare the 2017 Asset-Backed Notes or 2021 Asset-Backed Notes, respectively, to be immediately due and payable and exercise remedies under the applicable indenture, including (i) to institute proceedings for the collection of all amounts then payable on the 2017 Asset-Backed Notes or the 2021 Asset-Backed Notes, respectively, or under the applicable indenture, enforce any judgment obtained, and collect from the 2012 Securitization Issuer or 2014 Securitization Issuer, respectively, and any other obligor upon the 2017 Asset-Backed Notes or the 2021 Asset-Backed Notes, respectively, monies adjudged due; (ii) institute proceedings from time to time for the complete or partial foreclosure of the applicable indenture with respect to the property of the 2012 Securitization Issuer or the 2014 Securitization Issuer, respectively; (iii) exercise any remedies as a secured party under the relevant UCC and take other appropriate action under applicable law to protect and enforce the rights and remedies of the 2012 Trustee or 2014 Trustee, respectively, and the 2017 Noteholders and 2021 Noteholders, respectively; or (iv) sell the property of the 2012 Securitization Issuer or the 2014 Securitization Issuer, respectively, or any portion thereof or rights or interest therein at one or more public or private sales called and conducted in any matter permitted by law. Any such exercise of remedies could have a material adverse effect on our business, financial condition, results of operations or cash flows.

An event of default in connection with either Debt Securitization could give rise to a cross-default under our other material indebtedness.

The documents governing our other material indebtedness contain customary cross-default provisions that could be triggered if an event of default occurs in connection with either Debt Securitization. An event of default with respect to our other indebtedness could lead to the acceleration of such indebtedness and the exercise of other remedies as provided in the documents governing such other indebtedness. This could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our status as a RIC.

We may not receive cash distributions in respect of our indirect ownership interests in the Securitization Issuers.

Apart from fees payable to us in connection with our role as servicer of the Loans and the reimbursement of related amounts under the documents governing the Debt Securitizations, we receive cash in connection with the Debt Securitizations only to the extent that the Trust Depositors receive payments in respect of their respective equity interests in the Securitization Issuers. The respective holders of the equity interests in the Securitization Issuers are the residual claimants on distributions, if any, made by the respective Securitization Issuers after the respective Noteholders and other claimants have been paid in full on each payment date or upon maturity of the Asset-Backed Notes, subject to the priority of payments under the Debt Securitization documents governing the Debt Securitizations. To the extent that the value of a Securitization Issuer's portfolio of loans is reduced as a result of conditions in the credit markets (relevant in the event of a liquidation event), other macroeconomic factors, distressed or defaulted loans or the failure of individual portfolio companies to otherwise meet their obligations in respect of the loans, or for any other reason, the ability of a Securitization Issuer to make cash distributions in respect of a Trust Depositor's equity interests would be negatively affected and consequently, the value of the equity interests in the Securitization Issuer would also be reduced. In the event that we fail to receive cash indirectly from the Securitization Issuers, we could be unable to make distributions, if at all, in amounts sufficient to maintain our status as a RIC.

The interests of the Noteholders may not be aligned with our interests.

The Asset-Backed Notes are debt obligations ranking senior in right of payment to the rights of the holder of the equity interests in the Securitization Issuers, as residual claimants in respect of distributions, if any, made by the Securitization Issuers. As such, there are circumstances in which the interests of the Noteholders may not be

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aligned with the interests of holders of the equity interests in the Securitization Issuers. For example, under the terms of the documents governing each Debt Securitization, the respective Noteholders have the right to receive payments of principal and interest prior to holders of the equity interests.

For as long as the Asset-Backed Notes remain outstanding, the respective Noteholders have the right to act in certain circumstances with respect to the Loans in ways that may benefit their interests but not the interests of the respective holders of the equity interests in the Securitization Issuers, including by exercising remedies under the documents governing the Debt Securitizations.

If an event of default occurs, the respective Noteholders will be entitled to determine the remedies to be exercised, subject to the terms of the documents governing the Debt Securitizations. For example, upon the occurrence of an event of default with respect to the Asset-Backed Notes, the applicable Trustee may and will at the direction of the holders of a supermajority of the applicable Asset-Backed Notes declare the principal, together with any accrued interest, of the notes to be immediately due and payable. This would have the effect of accelerating the principal on such notes, triggering a repayment obligation on the part of the applicable Securitization Issuer. The Asset-Backed Notes then outstanding will be paid in full before any further payment or distribution on the equity interest is made. There can be no assurance that there will be sufficient funds through collections on the applicable Loans or through the proceeds of the sale of the applicable Loans in the event of a bankruptcy or insolvency to repay in full the obligations under the Asset-Backed Notes, or to make any distribution to holders of the equity interests in the Securitization Issuers.

Remedies pursued by the Noteholders could be adverse to our interests as the indirect holder of the equity interests in the Securitization Issuers. The Noteholders have no obligation to consider any possible adverse effect on such other interests. Thus, there can be no assurance that any remedies pursued by the Noteholders will be consistent with the best interests of the Trust Depositors or that we will receive, indirectly through the Trust Depositors, any payments or distributions upon an acceleration of the Asset-Backed Notes. Any failure of the Securitization Issuers to make distributions in respect of the equity interests that we indirectly hold, whether as a result of an event of default and the acceleration of payments on the Asset-Backed Notes or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our status as a RIC.

Certain events related to the performance of Loans could lead to the acceleration of principal payments on the Asset-Backed Notes.

The following constitute rapid amortization events (Rapid Amortization Events) under the documents governing each Debt Securitization: (i) the aggregate outstanding principal balance of delinquent 2012 Loans or 2014 Loans, respectively, and restructured 2012 Loans or 2014 Loans, respectively, that would have been delinquent 2012 Loans or 2014 Loans, respectively, had such loans not become restructured loans exceeds 10% of the current aggregate outstanding principal balance of the 2012 Loans or 2014 Loans, respectively, for a period of three consecutive months; (ii) the aggregate outstanding principal balance of defaulted 2012 Loans or 2014 Loans, respectively, exceeds 5% of the initial outstanding principal balance of the 2012 Loans or outstanding principal balance of the 2014 Loans, respectively, determined as of December 19, 2012 for the 2012 Notes and November 13, 2014 for the 2014 Notes, for a period of three consecutive months; (iii) the aggregate outstanding principal balance of the 2017 Asset-Backed Notes or 2021 Asset-Backed Notes, respectively, exceeds the borrowing base for a period of three consecutive months; (iv) the 2012 Securitization Issuer's pool of 2012 Loans or the 2014 Securitization Issuer's pool of 2014 Loans contains 2012 Loans or 2014 Loans, respectively, to ten or fewer obligors; and (v) the occurrence of an event of default under the documents governing the respective Debt Securitization. After a Rapid Amortization Event has occurred, subject to the priority of payments under the documents governing each Debt Securitization, principal collections on the 2012 Loans or 2014 Loans, respectively, will be used to make accelerated payments of principal on the 2017 Asset-Backed Notes or the 2021 Asset-Backed Notes, respectively, until the principal balance of the 2017 Asset-Backed Notes or the 2021 Asset-Back Notes, respectively, is reduced to zero. Such an event could delay, reduce

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or eliminate the ability of either or both Securitization Issuers to make distributions in respect of the equity interests that we indirectly hold, which could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our status as a RIC.

We have certain repurchase obligations with respect to the Loans transferred in connection with the Debt Securitizations.

As part of the Debt Securitizations, we entered into a sale and contribution agreement and a sale and servicing agreement under which we would be required to repurchase any Loan (or participation interest therein) which was sold to the Securitization Issuers in breach of certain customary representations and warranty made by us or by the Trust Depositors with respect to such Loan or the legal structure of the Debt Securitizations. To the extent that there is a breach of such representations and warranties and we fail to satisfy any such repurchase obligation, a Trustee may, on behalf of the respective Securitization Issuer, bring an action against us to enforce these repurchase obligations.

Because most of our investments typically are not in publicly-traded securities, there is uncertainty regarding the value of our investments, which could adversely affect the determination of our net asset value.

At June 30, 2015, portfolio investments, which are valued at fair value by the Board of Directors, were approximately 88.7% of our total assets. We expect our investments to continue to consist primarily of securities issued by privately-held companies, the fair value of which is not readily determinable. In addition, we are not permitted to maintain a general reserve for anticipated loan losses. Instead, we are required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value.

There is no single standard for determining fair value in good faith. We value these securities at fair value as determined in good faith by our Board of Directors, based on the recommendations of our Audit Committee. In making a good faith determination of the value of these securities, we generally start with the cost basis of each security, which includes the amortized OID and PIK interest, if any. The Audit Committee uses its best judgment in arriving at the fair value of these securities. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while applying a valuation process for the types of investments we make, which includes but is not limited to deriving a hypothetical exit price. However, the Board of Directors retains ultimate authority as to the appropriate valuation of each investment. Because such valuations are inherently uncertain and may be based on estimates, our determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. We adjust quarterly the valuation of our portfolio to reflect the Board of Directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized appreciation or depreciation. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Our investments in a portfolio company, whether debt, equity, or a combination thereof, may lead to our receiving material non-public information (MNPI) or obtaining control of the target company. Our ability to exit an investment where we have MNPI or control could be limited and could result in a realized loss on the investment.

If we receive MNPI, or a controlling interest in a portfolio company, our ability to divest ourselves from a debt or equity investment could be restricted. Causes of such restriction could include market factors, such as liquidity in a private stock, or limited trading volume in a public company's securities, or regulatory factors, such as the receipt of MNPI or insider blackout periods, where we are under legal obligation not to sell. Additionally,

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we may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

Regulations governing our operations as a business development company may affect our ability to, and the manner in which, we raise additional capital, which may expose us to risks.

Our business will require a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowings, securitization transactions or other indebtedness, or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities, other evidences of indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the 1940 Act, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. Our ability to pay dividends or issue additional senior securities would be restricted if our asset coverage ratio were not at least 200%. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such transaction may be disadvantageous. As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights and might have rights, preferences, or privileges more favorable than those of our common stockholders and the issuance of preferred stock could have the effect of delaying, deferring, or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

To the extent that we are constrained in our ability to issue debt or other senior securities, we will depend on issuances of common stock to finance operations. Other than in certain limited situations such as rights offerings, as a business development company, we are generally not able to issue our common stock at a price below net asset value without first obtaining required approvals from our stockholders and our independent directors. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and management of the company may make decisions that could decrease the value of our portfolio holdings.

We make both debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such

company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we may not acquire any assets other than qualifying assets as defined under the 1940 Act, unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See Regulation in this prospectus.

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We believe that most of the senior loans we make will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

A failure on our part to maintain our qualification as a business development company would significantly reduce our operating flexibility.

If we fail to continuously qualify as a business development company, we might be subject to regulation as a registered closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility, and lead to situations where we might have to restrict our borrowings, reduce our leverage, sell securities and pursue other activities that we are allowed to engage in as a business development company. In addition, failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us. For additional information on the qualification requirements of a business development company, see Regulation in this prospectus.

To the extent OID and PIK interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include OID instruments and contractual PIK interest arrangements, which represents contractual interest added to a loan balance and due at the end of such loan's term. To the extent OID or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

The higher interest rates of OID and PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans.

Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation.

OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK income may also create uncertainty about the source of our cash distributions.

For accounting purposes, any cash distributions to shareholders representing OID and PIK income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. As a result, despite the fact that a distribution representing OID and PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

If we are unable to satisfy Code requirements for qualification as a RIC, then we will be subject to corporate-level U.S. federal income tax, which would adversely affect our results of operations and financial condition.

We elected to be treated as a RIC for federal income tax purposes with the filing of our federal corporate income tax return for 2006. We will not qualify for the tax treatment allowable to RICs if we are unable to

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comply with the source of income, asset diversification and distribution requirements contained in subchapter M of the Code, or if we fail to maintain our election to be regulated as a business development company under the 1940 Act. If we fail to qualify for the federal income tax benefits allowable to RICs for any reason and become subject to a corporate-level U.S. federal income tax, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders and the actual amount of our distributions. Such a failure would have a material adverse effect on us, the net asset value of our common stock and the total return, if any, obtainable from your investment in our common stock. Any net operating losses that we incur in periods during which we qualify as a RIC will not offset net capital gains (i.e., net realized long-term capital gains in excess of net realized short-term capital losses), and we cannot pass such net operating losses through to our stockholders.

We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.

In accordance with U.S. federal tax requirements, we include in income for tax purposes certain amounts that we have not yet received in cash, such as contractual PIK interest arrangements, which represents contractual interest added to a loan balance and due at the end of such loan's term. In addition to the cash yields received on our loans, in some instances, our loans generally include one or more of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees or prepayment fees. In some cases our loans also include contractual PIK interest arrangements. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash.

Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in original issue discount for tax purposes, which we must recognize as ordinary income, increasing the amount that we are required to distribute to qualify for the federal income tax benefits applicable to RICs. Because these warrants generally will not produce distributable cash for us at the same time as we are required to make distributions in respect of the related OID, if ever, we would need to obtain cash from other sources or to pay a portion of our distributions using shares of newly issued common stock, consistent with IRS requirements, to satisfy such distribution requirements.

Other features of the debt instruments that we hold may also cause such instruments to generate original issue discount, resulting in a dividend distribution requirement in excess of current cash interest received. Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to distribute generally an amount equal to at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Under such circumstances, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level U.S. federal income tax on all our income.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We intend to make distributions on a quarterly basis to our stockholders. We cannot assure you that we will achieve investment results, or our business may not perform in a manner that will allow us to make a specified level of distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Also, our Credit Facilities limit our ability to declare dividends if we default under certain provisions.

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We have and may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

Under applicable Treasury regulations and certain private rulings issued by the IRS, RICs are permitted to treat certain distributions payable in up to 80% in their stock, as taxable dividends that will satisfy their annual distribution obligations for federal income tax and excise tax purposes provided that shareholders have the opportunity to elect to receive the distribution in cash. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, then such sales may put downward pressure on the trading price of our stock. We may in the future determine to distribute taxable dividends that are partially payable in our common stock.

We are exposed to risks associated with changes in interest rates, including fluctuations in interest rates which could adversely affect our profitability or the value of our portfolio

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities, and, accordingly, may have a material adverse effect on our investment objective and rate of return on investment capital. A portion of our income will depend upon the difference between the rate at which we borrow funds and the interest rate on the debt securities in which we invest. Because we will borrow money to make investments and may issue debt securities, preferred stock or other securities, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities, preferred stock or other securities and the rate at which we invest these funds. Typically, we anticipate that our interest-earning investments will accrue and pay interest at both variable and fixed rates, and that our interest-bearing liabilities will generally accrue interest at fixed rates.

A significant increase in market interest rates could harm our ability to attract new portfolio companies and originate new loans and investments. We expect that most of our current initial investments in debt securities will be at floating rate with a floor. However, in the event that we make investments in debt securities at variable rates, a significant increase in market interest rates could also result in an increase in our non-performing assets and a decrease in the value of our portfolio because our floating-rate loan portfolio companies may be unable to meet higher payment obligations. In periods of rising interest rates, our cost of funds would increase, resulting in a decrease in our net investment income. In addition, a decrease in interest rates may reduce net income, because new investments may be made at lower rates despite the increased demand for our capital that the decrease in interest rates may produce. We may, but will not be required to, hedge against the risk of adverse movement in interest rates in our short-term and long-term borrowings relative to our portfolio of assets. If we engage in hedging activities, it may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition, and results of operations.

We may expose ourselves to risks if we engage in hedging transactions.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio

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positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments

Our realized gains are reduced by amounts paid pursuant to the warrant participation agreement.

Citigroup Global Markets Realty Corp. (Citigroup), a former credit facility provider to Hercules, has an equity participation right through a warrant participation agreement (the Warrant Participation Agreement) on the pool of loans and certain warrants formerly collateralized under its then existing credit facility (the Citibank Credit 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 certain 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 Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached.

During the six months ended June 30, 2015, we recorded an increase in participation liability and a decrease in unrealized appreciation by a net amount of approximately \$7,000 primarily due to appreciation of fair value on the pool of warrants collateralized under the Warrant Participation Agreement. The remaining value of Citigroup's participation right on unrealized gains in the related equity investments was approximately \$108,000 as of June 30, 2015 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the Warrant Participation Agreement, we have paid Citigroup approximately \$2.1 million under the Warrant Participation Agreement thereby reducing our realized gains by this amount. We will continue to pay Citigroup under the Warrant Participation Agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Warrant Participation Agreement are set to expire between February 2016 and January 2017.

Legislation may allow us to incur additional leverage.

As a business development company, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). If recent legislation in the U.S. House of Representatives is passed, or similar legislation is introduced, it would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase. However, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

Two of our wholly-owned subsidiaries are licensed by the U.S. Small Business Administration, and as a result, we will be subject to SBA regulations.

Our wholly-owned subsidiaries HT II and HT III are licensed to act as SBICs and are regulated by the SBA. HT II and HT III hold approximately \$155.1 million and \$323.3 million in assets, respectively, and they accounted for approximately 8.9% and 18.5% of our total assets, respectively, prior to consolidation at June 30, 2015. The SBIC licenses allow our SBIC subsidiaries to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. The SBA regulations require, among other things, that a licensed SBIC be examined periodically and audited by an independent auditor to determine the SBIC's compliance with the relevant SBA regulations.

Under current SBA regulations, a licensed SBIC can provide capital to those entities that have a tangible net worth not exceeding \$19.5 million and an average annual net income after Federal income taxes not exceeding

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\$6.5 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 25.0% of its investment activity to those entities that have a tangible net worth not exceeding \$6.0 million and an average annual net income after Federal income taxes not exceeding \$2.0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on factors such as the number of employees and gross sales. The SBA regulations permit licensed SBICs to make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause HT II and HT III to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. If either HT II or HT III fail to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of June 30, 2015 as a result of having sufficient capital as defined under the SBA regulations. See Regulation Small Business Administration Regulations in this prospectus.

SBA regulations limit the outstanding dollar amount of SBA guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to \$150.0 million or to a group of SBICs under common control to \$225.0 million. Bills have been proposed in the U.S. Senate that would increase the total SBIC leverage capacity for affiliated SBIC funds from \$225.0 million to \$350.0 million. However, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of June 30, 2015, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC Subsidiaries, which is the maximum allowed for a group of SBICs under common control. During times that we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital is likely to increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Moreover, the current status of our SBIC subsidiaries as SBICs does not automatically assure that our SBIC subsidiaries will continue to receive SBA-guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon our SBIC subsidiaries continuing to be in compliance with SBA regulations and policies and available SBA funding. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by our SBIC subsidiaries.

The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. Our SBIC subsidiaries will need to generate sufficient cash flow to make required interest payments on the debentures. If our SBIC subsidiaries are unable to meet their financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to our SBIC subsidiaries' assets over our stockholders in the event we liquidate our SBIC subsidiaries or the SBA exercises its remedies under such debentures as the result of a default by us.

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Our wholly-owned SBIC subsidiaries may be unable to make distributions to us that will enable us to maintain RIC status, which could result in the imposition of an corporate-level U.S. federal income or excise tax.

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level U.S. federal taxes, we will be required to distribute substantially all of our net ordinary income and net capital gain income, including income from certain of our subsidiaries, which includes the income from our SBIC subsidiaries. We will be partially dependent on our SBIC subsidiaries for cash distributions to enable us to meet the RIC distribution requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiaries to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such waiver. If our SBIC subsidiaries are unable to obtain a waiver, compliance with the SBA regulations may result in loss of RIC tax treatment and a consequent imposition of an corporate-level U.S. federal income tax on us.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted below), may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors and lenders to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Our Board may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our Board has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have

on our business, operating results and the market price of our common stock. Nevertheless, any such changes could materially and adversely affect our business and impair our ability to make distributions to our stockholders.

Changes in laws or regulations governing our business could negatively affect the profitability of our operations.

Changes in the laws or regulations, or the interpretations of the laws and regulations, which govern business development companies, SBICs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations, in addition to applicable foreign and international laws and regulations, and are subject to judicial and administrative decisions that affect our operations, including our loan originations maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand

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our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition.

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the New York Stock Exchange, or NYSE, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. On July 21, 2010, the Dodd-Frank Wall Street Reform and Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act, and the SEC has adopted, and will continue to adopt, additional rules and regulations that may impact us. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

In addition, our failure to keep pace with such rules, or for our management to appropriately address compliance with such rules fully and in a timely manner, exposes us to an increasing risk of inadvertent non-compliance. While the Company's management team takes reasonable efforts to ensure that the Company is in full compliance with all laws applicable to its operations, the increasing rate and extent of regulatory change increases the risk of a failure to comply, which may result in our ability to operate our business in the ordinary course or may subject us to potential fines, regulatory findings or other matters that may materially impact our business.

Results may fluctuate and may not be indicative of future performance.

Our operating results may fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the investment origination volume and fee income earned, changes in the accrual status of our debt investments, variations in timing of prepayments, variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions.

We face cyber-security risks.

Our business operations rely upon secure information technology systems for data processing, storage and reporting. Despite careful security and controls design, implementation and updating, our information technology systems could become subject to cyber-attacks. Network, system, application and data breaches could result in operational disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition.

The failure in cyber security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers,

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could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

sudden electrical or telecommunication outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Risks Related to Current Economic and Market Conditions

Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. While the capital markets have improved, these conditions could deteriorate again in the future. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if

required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in

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the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and around the world, including in the Middle East, Eastern Europe and Russia, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. Several European Union (EU) countries, including Greece, Ireland, Italy, Spain, and Portugal, continue to face budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is also continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. The recent United States and global economic downturn, or a return to the recessionary period in the United States, could adversely impact our investments. We cannot predict the duration of the effects related to these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Depending on funding requirements, we may need to raise additional capital to meet our unfunded commitments either through equity offerings or through additional borrowings.

At June 30, 2015, we had approximately \$159.1 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, we had approximately \$254.8 million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements or future earning assets. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We intend to use cash flow from normal and early principal repayments, SBA debentures, our Credit Facilities and proceeds from the Convertible Senior Notes, 2019 Notes, 2024 Notes, and the Asset-Backed Notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the

prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

Changes relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers Association (BBA) in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

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Actions by the BBA, regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. Potential changes, or uncertainty related to such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

Risks Related to Our Investments

Our investments are concentrated in certain industries and in a number of technology-related companies, which subjects us to the risk of significant loss if any of these companies default on their obligations under any of their debt securities that we hold, or if any of the technology-related industry sectors experience a downturn.

We have invested and intend to continue investing in a limited number of technology-related companies. A consequence of this limited number of investments is that the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Beyond the asset diversification requirements to which we will be subject as a RIC, we do not have fixed guidelines for diversification or limitations on the size of our investments in any one portfolio company and our investments could be concentrated in relatively few issuers. In addition, we have invested in and intend to continue investing, under normal circumstances, at least 80% of the value of our total assets (including the amount of any borrowings for investment purposes) in technology-related companies.

As of June 30, 2015, approximately 70.4% of the fair value of our portfolio was composed of investments in five industries: 23.3% was composed of investments in the drug discovery and development industry, 13.4% was composed of investments in the drug delivery industry, 12.5% was composed of investments in the software industry, 10.6% was composed of investments in the energy technology industry and 10.4% was composed of investments in the internet consumer and business services industry.

As a result, a downturn in technology-related industry sectors and particularly those in which we are heavily concentrated could materially adversely affect our financial condition.

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at June 30, 2015 that represent greater than 5% of our net assets:

(in thousands)	June 30, 2015	
	Fair Value	Assets
Sungevity Development, LLC	\$ 43,046	5.8%
Merrimack Pharmaceuticals, Inc.	\$ 40,569	5.5%
IronPlanet, Inc.	\$ 38,398	5.2%

Sungevity Development, LLC is a global residential solar energy provider focused on making it easy and affordable for homeowners to benefit from solar power.

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

IronPlanet, Inc. is an online marketplace for used heavy equipment that matches supply and demand globally for used heavy equipment to bring reach, price performance, and efficiency to the market.

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

Our investments may be in portfolio companies that have limited operating histories and resources.

We expect that our portfolio will continue to consist of investments that may have relatively limited operating histories. These companies may be particularly vulnerable to U.S. and foreign economic downturns may have more limited access to capital and higher funding costs, may have a weaker financial position and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from larger, more established companies with greater financial, technical and marketing resources. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation applicable to their given industry. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us, and may adversely affect the return on, or the recovery of, our investment in these companies. We cannot assure you that any of our investments in our portfolio companies will be successful. We may lose our entire investment in any or all of our portfolio companies.

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

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

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a BDC, we are not permitted to acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as a qualifying asset only if such issuer has a market capitalization that is less than \$250 million at the time of such investment and meets the other specified requirements.

Our investment strategy focuses on technology-related companies, which are subject to many risks, including volatility, intense competition, shortened product life cycles, changes in regulatory and governmental programs and periodic downturns, and you could lose all or part of your investment.

We have invested and will continue investing primarily in technology-related companies, many of which may have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. The revenues, income (or losses), and valuations of technology-related companies can and often do fluctuate suddenly and dramatically. In addition, technology-related industries are generally characterized by abrupt business cycles and intense competition. Overcapacity in technology-related industries, together with cyclical economic downturns, may result in substantial decreases in the market capitalization of many technology-related companies. Such decreases in market capitalization may occur again, and any future decreases in technology-related company valuations may be substantial and may not be temporary in nature. Therefore, our portfolio companies may face considerably more risk of loss than do companies in other industry sectors.

Because of rapid technological change, the average selling prices of products and some services provided by technology-related companies have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by technology-related companies may decrease over time, which

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could adversely affect their operating results, their ability to meet obligations under their debt securities and the value of their equity securities. This could, in turn, materially adversely affect our business, financial condition and results of operations.

A natural disaster may also impact the operations of our portfolio companies, including our technology-related portfolio companies. The nature and level of natural disasters cannot be predicted and may be exacerbated by global climate change. A portion of our technology-related portfolio companies rely on items assembled or produced in areas susceptible to natural disasters, and may sell finished goods into markets susceptible to natural disasters. A major disaster, such as an earthquake, tsunami, flood or other catastrophic event could result in disruption to the business and operations of our technology-related portfolio companies.

We will invest in technology-related companies that are reliant on U.S. and foreign regulatory and governmental programs. Any material changes or discontinuation, due to change in administration or U.S. Congress or otherwise could have a material adverse effect on the operations of a portfolio company in these industries and, in turn, impair our ability to timely collect principal and interest payments owed to us to the extent applicable.

We have invested in and may continue investing in technology-related companies that do not have venture capital or private equity firms as equity investors, and these companies may entail a higher risk of loss than do companies with institutional equity investors, which could increase the risk of loss of your investment.

Our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other cash requirements and, in most instances, to service the interest and principal payments on our investment. Portfolio companies that do not have venture capital or private equity investors may be unable to raise any additional capital to satisfy their obligations or to raise sufficient additional capital to reach the next

stage of development. Portfolio companies that do not have venture capital or private equity investors may be less financially sophisticated and may not have access to independent members to serve on their boards, which means that they may be less successful than portfolio companies sponsored by venture capital or private equity firms. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are sponsored by venture capital or private equity firms.

Our investments in the energy technology industry are subject to many risks, including volatility, intense competition, unproven technologies, periodic downturns and potential litigation.

Our investments in energy technology companies are subject to substantial operational risks, such as underestimated cost projections, unanticipated operation and maintenance expenses, loss of government subsidies, and inability to deliver cost-effective alternative energy solutions compared to traditional energy products. In addition, energy technology companies employ a variety of means of increasing cash flow, including increasing utilization of existing facilities, expanding operations through new construction or acquisitions, or securing additional long-term contracts. Thus, some energy companies may be subject to construction risk, acquisition risk or other risks arising from their specific business strategies. Furthermore, production levels for solar, wind and other renewable energies may be dependent upon adequate sunlight, wind, or biogas production, which can vary from market to market and period to period, resulting in volatility in production levels and profitability. In addition, our energy technology companies may have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. The revenues, income (or losses) and valuations of energy technology companies can and often do fluctuate suddenly and dramatically and the markets in which energy technology companies operate are generally characterized by abrupt business cycles and intense competition. Demand for energy technology and renewable energy is also influenced by the available supply and prices for other energy products, such as coal, oil and natural gases. A change in prices in these energy products could reduce demand for alternative energy. Our investments in energy technology companies also face potential litigation, including significant warranty and product liability claims, as well as class action and government claims arising from the increased attention to the industry from the failure of Solyndra. Such litigation could adversely affect the business and results of operations of our energy technology

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portfolio companies. There is also particular uncertainty about whether agreements providing incentives for reductions in greenhouse gas emissions, such as the Kyoto Protocol, will continue and whether countries around the world will enact or maintain legislation that provides incentives for reductions in greenhouse gas emissions, without which such investments in energy technology dependent portfolio companies may not be economical or financing for such projects may become unavailable. As a result, these portfolio company investments face considerable risk, including the risk that favorable regulatory regimes expire or are adversely modified. This could, in turn, materially adversely affect the value of the energy technology companies in our portfolio.

Energy technology companies are subject to extensive government regulation and certain other risks particular to the sectors in which they operate and our business and growth strategy could be adversely affected if government regulations, priorities and resources impacting such sectors change or if our portfolio companies fail to comply with such regulations.

As part of our investment strategy, we plan to invest in portfolio companies in energy technology sectors that may be subject to extensive regulation by foreign, U.S. federal, state and/or local agencies. Changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, or new laws, rules or regulations could have an adverse impact on the business and industries of our portfolio companies. In addition, changes in government priorities or limitations on government resources could also adversely impact our portfolio companies. We are unable to predict whether any such changes in laws, rules or regulations will occur and, if they do occur, the impact of these changes on our portfolio companies and our investment returns. Furthermore, if any of our portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Our portfolio companies may be subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace.

In addition, there is considerable uncertainty about whether foreign, U.S., state and/or local governmental entities will enact or maintain legislation or regulatory programs that mandate reductions in greenhouse gas emissions or provide incentives for energy technology companies. Without such regulatory policies, investments in Energy Technology companies may not be economical and financing for energy technology companies may become unavailable, which could materially adversely affect the ability of our portfolio companies to repay the debt they owe to us. Any of these factors could materially and adversely affect the operations and financial condition of a portfolio company and, in turn, the ability of the portfolio company to repay the debt they owe to us.

Cyclical nature of the energy sector may adversely affect some of our portfolio companies.

Industries within the energy sector are cyclical with fluctuations in commodity prices and demand for, and production of commodities driven by a variety of factors. The highly cyclical nature of the industries within the energy sector may lead to volatile changes in commodity prices, which may adversely affect the earnings of energy companies in which we may invest and the performance and valuation of our portfolio.

Volatility of oil and natural gas prices could impair certain of our portfolio companies' operations and ability to satisfy obligations to their respective lenders and investors, including us, which could negatively impact our financial condition.

Some of our portfolio companies' businesses are heavily dependent upon the prices of, and demand for, oil and natural gas, which have recently declined significantly and such volatility could continue or increase in the future. A substantial or extended decline in oil and natural gas demand or prices may adversely affect the business, financial condition, cash flow, liquidity or results of operations of these portfolio companies and might impair their ability to meet capital expenditure obligations and financial commitments. A prolonged or continued decline in oil prices could therefore have a material adverse effect on our business, financial condition and results of operations.

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Our investments in the life science industry are subject to extensive government regulation, litigation risk and certain other risks particular to that industry.

We have invested and plan to continue investing in companies in the life science industry that are subject to extensive regulation by the Food and Drug Administration, or the FDA, and to a lesser extent, other federal, state and other foreign agencies. If any of these portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Portfolio companies that produce medical devices or drugs are subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace. In addition, governmental budgetary constraints effecting the regulatory approval process, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a portfolio company in this industry. Portfolio companies in the life science industry may also have a limited number of suppliers of necessary components or a limited number of manufacturers for their products, and therefore face a risk of disruption to their manufacturing process if they are unable to find alternative suppliers when needed. Any of these factors could materially and adversely affect the operations of a portfolio company in this industry and, in turn, impair our ability to timely collect principal and interest payments owed to us.

Our investments in the drug discovery industry are subject to numerous risks, including competition, extensive government regulation, product liability and commercial difficulties.

Our investments in the drug discovery industry are subject to numerous risks. The successful and timely implementation of the business model of our drug discovery portfolio companies depends on their ability to adapt to changing technologies and introduce new products. As competitors continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety,

patient s and clinician s ease of use and cost-effectiveness are important to the success of such portfolio companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors. Failure by our portfolio companies to introduce planned products or other new products or to introduce products on schedule could have a material adverse effect on our business, financial condition and results of operations.

Further, the development of products by drug discovery companies requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the US and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others.

Future legislation, and/or regulations and policies adopted by the FDA or other U.S. or foreign regulatory authorities may increase the time and cost required by some of our portfolio companies to conduct and complete clinical trials for the product candidates that they develop, and there is no assurance that these companies will obtain regulatory approval to market and commercialize their products in the U.S. and in foreign countries

The FDA has established regulations, guidelines and policies to govern the drug development and approval process, as have foreign regulatory authorities, which affect some of our portfolio companies. Any change in

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regulatory requirements due to the adoption by the FDA and/or foreign regulatory authorities of new legislation, regulations, or policies may require some of our portfolio companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost, timing and completion of the clinical trials.

In addition, increased scrutiny by the U.S. Congress of the FDA's and other authorities approval processes may significantly delay or prevent regulatory approval, as well as impose more stringent product labeling and post-marketing testing and other requirements. Foreign regulatory authorities may also increase their scrutiny of approval processes resulting in similar delays. Increased scrutiny and approvals processes may limit the ability of our portfolio companies to market and commercialize their products in the U.S. and in foreign countries.

Life science companies, including drug development companies, device manufacturers, service providers and others, are also subject to material pressures when there are changes in the outlook for healthcare insurance markets. The ability for individuals, along with private and public insurers, to account for the costs of paying for healthcare insurance can place strain on the ability of new technology, devices and services to enter those markets, particularly when they are new or untested. As a result, it is not uncommon for changes in the insurance market place to lead to a slower rate of adoption, price pressure and other forces that may materially limit the success of companies bringing such technologies to market. Changes in the health insurance sector might then have an impact on the value of companies in our portfolio or our ability to invest in the sector generally.

Changes in healthcare laws and other regulations, or the enforcement or interpretation of such laws or regulations, applicable to some of our portfolio companies' businesses may constrain their ability to offer their products and services.

Changes in healthcare or other laws and regulations, or the enforcement or interpretation of such laws or regulations, applicable to the businesses of some of our portfolio companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies.

Price declines and illiquidity in the corporate debt markets could adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair market value as determined in good faith by or under the direction of our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect our investment valuations. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value by increasing net unrealized depreciation in our portfolio.

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Depending on market conditions, we could incur substantial realized losses and may suffer substantial unrealized depreciation in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Economic recessions or slowdowns could impair the ability of our portfolio companies to repay loans, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and have a material adverse effect on our results of operations.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions in both the U.S. and foreign countries, and may be unable to repay our loans during such periods. Therefore, during such periods, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

In particular, intellectual property owned or controlled by our portfolio companies may constitute an important portion of the value of the collateral of our loans to our portfolio companies. Adverse economic conditions may decrease the demand for our portfolio companies intellectual property and consequently its value

in the event of a bankruptcy or required sale through a foreclosure proceeding. As a result, our ability to fully recover the amounts owed to us under the terms of the loans may be impaired by such events.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of the portfolio company's loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

The health and performance of our portfolio companies could be adversely affected by political and economic conditions in the countries in which they conduct business.

Some of the products of our portfolio companies are developed, manufactured, assembled, tested or marketed outside the U.S. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns, political unrest or safety concerns, among other things, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

Any unrealized losses we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution and could impair our ability to service our borrowings.

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our investment portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings.

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A lack of initial public offering, or IPO, opportunities may cause companies to stay in our portfolio longer, leading to lower returns, unrealized depreciation, or realized losses.

A lack of IPO opportunities for venture capital-backed companies could lead to companies staying longer in our portfolio as private entities still requiring funding. This situation may adversely affect the amount of available funding for early-stage companies in particular as, in general, venture-capital firms are being forced to provide additional financing to late-stage companies that cannot complete an IPO. In the best case, such stagnation would dampen returns, and in the worst case, could lead to unrealized depreciation and realized losses as some companies run short of cash and have to accept lower valuations in private fundings or are not able to access additional capital at all. A lack of IPO opportunities for venture capital-backed companies can also cause some venture capital firms to change their strategies, leading some of them to reduce funding of their portfolio companies and making it more difficult for such companies to access capital and to fulfill their potential, which can result in unrealized depreciation and realized losses in such companies by other companies such as ourselves who are co-investors in such companies.

The majority of our portfolio companies will need multiple rounds of additional financing to repay their debts to us and continue operations. Our portfolio companies may not be able to raise additional financing, which could harm our investment returns.

The majority of our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other cash requirements and, in most instances, to service the interest and principal payments on our investment. Each round of venture financing is typically intended to provide a company with only enough capital to reach the next stage of development. We cannot predict the circumstances or market conditions under which our portfolio companies will seek additional capital. It is possible that one or more of our portfolio companies will not be able to raise additional financing or may be able to do so only at a price or on terms unfavorable to us, either of which would negatively impact our investment returns. Some of these companies may be unable to obtain sufficient financing from private investors, public capital markets or traditional lenders. This may have a significant impact if the companies are unable to obtain certain federal, state or foreign agency approval for their products or the marketing thereof, of if regulatory review processes extend longer than anticipated, and the companies need continued funding for their operations during these times. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are able to utilize traditional credit sources.

If the assets securing the loans that we make decrease in value, then we may lack sufficient collateral to cover losses.

To attempt to mitigate credit risks, we will typically take a security interest in the available assets of our portfolio companies. There is no assurance that we will obtain or properly perfect our liens.

There is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of a portfolio company to raise additional capital. In some circumstances, our lien could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or that we will be able to collect on the loan should we be forced to enforce our remedies.

In addition, because we invest in technology-related companies, a substantial portion of the assets securing our investment may be in the form of intellectual property, if any, inventory and equipment and, to a lesser extent, cash and accounts receivable. Intellectual property, if any, that is securing our loan could lose value if, among other things, the company's rights to the intellectual property are challenged or if the company's license to the intellectual property is revoked or expires, the technology fails to achieve its intended results or a new technology makes the intellectual property functionally obsolete. Inventory may not be adequate to secure our

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loan if our valuation of the inventory at the time that we made the loan was not accurate or if there is a reduction in the demand for the inventory.

Similarly, any equipment securing our loan may not provide us with the anticipated security if there are changes in technology or advances in new equipment that render the particular equipment obsolete or of limited value, or if the company fails to adequately maintain or repair the equipment. Any one or more of the preceding factors could materially impair our ability to recover earned interest and principal in a foreclosure.

At June 30, 2015, approximately 45.6% of the Company's portfolio company debt investments were secured by a first priority security in all of the assets of the portfolio company, including their intellectual property, 51.8% of the Company's portfolio company debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property, or subject to a negative pledge and approximately 2.6% of the Company's portfolio company debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property. At June 30, 2015 the Company had no equipment only liens on any of our portfolio companies.

We may suffer a loss if a portfolio company defaults on a loan and the underlying collateral is not sufficient.

In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. In addition, we sometimes make loans that are unsecured, which are subject to the risk that other lenders may be directly secured by the assets of the portfolio company. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying assets. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the portfolio company prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

In the event of bankruptcy of a portfolio company, we may not have full recourse to its assets in order to satisfy our loan, or our loan may be subject to equitable subordination. This means that depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance, if any, to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, certain of our loans are subordinate to other debt of the portfolio company. If a portfolio company defaults on our loan or on debt senior to our loan, or in the event of a portfolio company bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through standstill periods) and control decisions made in bankruptcy proceedings relating to the portfolio company. Bankruptcy and portfolio company litigation can significantly increase collection losses and the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value, causing us to suffer losses.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a portfolio company may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a portfolio company's ability to refinance our loan because the underlying collateral cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer a loss which may adversely impact our financial performance.

The inability of our portfolio companies to commercialize their technologies or create or develop commercially viable products or businesses would have a negative impact on our investment returns.

The possibility that our portfolio companies will not be able to commercialize their technology, products or business concepts presents significant risks to the value of our investment. Additionally, although some of our

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portfolio companies may already have a commercially successful product or product line when we invest, technology-related products and services often have a more limited market- or life-span than have products in other industries. Thus, the ultimate success of these companies often depends on their ability to continually innovate, or raise additional capital, in increasingly competitive markets. Their inability to do so could affect our investment return. In addition, the intellectual property held by our portfolio companies often represents a substantial portion of the collateral, if any, securing our investments. We cannot assure you that any of our portfolio companies will successfully acquire or develop any new technologies, or that the intellectual property the companies currently hold will remain viable. Even if our portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither our portfolio companies nor we have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of our portfolio companies may not be successful.

An investment strategy focused on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.

We invest primarily in privately-held companies. Generally, very little public information exists about these companies, and we are required to rely on the ability of our management and investment teams to obtain adequate information to evaluate the potential returns from investing in these companies. Such small, privately held companies as we routinely invest in may also lack quality infrastructures, thus leading to poor disclosure standards or control environments. If we are unable to uncover all material information about these companies, then we may not make a fully informed investment decision, and we may not receive the expected return on our investment or lose some or all of the money invested in these companies.

Also, privately-held companies frequently have less diverse product lines and a smaller market presence than do larger competitors. Privately-held companies are, thus, generally more vulnerable to economic downturns and may experience more substantial variations in operating results than do larger competitors. These factors could affect our investment returns and our results of operations and financial condition.

In addition, our success depends, in large part, upon the abilities of the key management personnel of our portfolio companies, who are responsible for the day-to-day operations of our portfolio companies. Competition for qualified personnel is intense at any stage of a company's development, and high turnover of personnel is common in technology-related companies. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. Our portfolio companies may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively impact our investment returns and our results of operations and financial condition.

If our portfolio companies are unable to protect their intellectual property rights, or are required to devote significant resources to protecting their intellectual property rights, then our investments could be harmed.

Our future success and competitive position depend in part upon the ability of our portfolio companies to obtain and maintain proprietary technology used in their products and services, which will often represent a significant portion of the collateral, if any, securing our investment. The portfolio companies will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation in order to enforce their patents, copyrights or other intellectual property rights, to protect their trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe upon or misappropriate a third party's patent or other proprietary rights, that portfolio company could be required to pay damages to such third party, alter its own products or processes, obtain a license from the third party and/or cease activities utilizing

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such proprietary rights, including making or selling products utilizing such proprietary rights. Any of the foregoing events could negatively affect both the portfolio company's ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

Our financial condition, results of operations and cash flows could be negatively affected if we are unable to recover our principal investment as a result of a negative pledge or lack of a security interest on the intellectual property of our venture growth stage companies.

In some cases, we collateralize our loans with a secured collateral position in a portfolio company's assets, which may include a negative pledge or, to a lesser extent, no security on their intellectual property. In the case of a negative pledge, the portfolio company cannot encumber or pledge their intellectual property without our permission. In the event of a default on a loan, the intellectual property of the portfolio company will most likely be liquidated to provide proceeds to pay the creditors of the company. There can be no assurance that our security interest, if any, in the proceeds of the intellectual property will be enforceable in a court of law or bankruptcy court or that there will not be others with senior or *pari passu* credit interests.

Our relationship with certain portfolio companies may expose us to our portfolio companies' trade secrets and confidential information which may require us to be parties to non-disclosure agreements and restrict us from engaging in certain transactions.

Our relationship with some of our portfolio companies may expose us to our portfolio companies' trade secrets and confidential information (including transactional data and personal data about their employees and clients) which may require us to be parties to non-disclosure agreements and restrict us from engaging in certain transactions. Unauthorized access or disclosure of such information may occur, resulting in theft, loss or other misappropriation. Any theft, loss, improper use, such as insider trading or other misappropriation of confidential information could have a material adverse impact on our competitive positions, our relationship with our portfolio companies and our reputation and could subject us to regulatory inquiries, enforcement and fines, civil litigation and possible financial liability or costs.

Portfolio company litigation could result in additional costs, the diversion of management time and resources and have an adverse impact on the fair value of our investment.

To the extent that litigation arises with respect to any of our portfolio companies, we may be named as a defendant, which could result in additional costs and the diversion of management time and resources. Furthermore, if we are providing managerial assistance to the portfolio company or have representatives on the portfolio company's board of directors, our costs and diversion of our management's time and resources in assessing the portfolio company could be substantial in light of any such litigation regardless of whether we are named as a defendant. In addition, litigation involving a portfolio company may be costly and affect the operations of the portfolio company's business, which could in turn have an adverse impact on the fair value of our investment in such company.

We may not be able to realize our entire investment on equipment-based loans, if any, in the case of default.

We may from time-to-time provide loans that will be collateralized only by equipment of the portfolio company. If the portfolio company defaults on the loan we would take possession of the underlying equipment to satisfy the outstanding debt. The residual value of the equipment at the time we would take possession may not be sufficient to satisfy the outstanding debt and we could experience a loss on the disposition of the equipment.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Our total investments at value in foreign companies were approximately \$63.9 million, or 5.1% of

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total investments at June 30, 2015. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility, among other things.

If our investments do not meet our performance expectations, you may not receive distributions.

We intend to make distributions on a quarterly basis to our stockholders. We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a business development

company, we may be limited in our ability to make distributions. Also, restrictions and provisions in any future credit facilities may limit our ability to make distributions. As a RIC, if we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including loss of the federal income tax benefits allowable to RICs. We cannot assure you that you will receive distributions at a particular level or at all.

We may not have sufficient funds to make follow-on investments. Our decision not to make a follow-on investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity or need to increase our investment in a successful situation, for example, the exercise of a warrant to purchase common stock, or a negative situation, to protect an existing investment. Any decision we make not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us to increase our participation in a successful operation and may dilute our equity interest or otherwise reduce the expected yield on our investment. Moreover, a follow-on investment may limit the number of companies in which we can make initial investments. In determining whether to make a follow-on investment, our management will exercise its business judgment and apply criteria similar to those used when making the initial investment. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments and this could adversely affect our success and result in the loss of a substantial portion or all of our investment in a portfolio company.

The lack of liquidity in our investments may adversely affect our business and, if we need to sell any of our investments, we may not be able to do so at a favorable price. As a result, we may suffer losses.

We generally invest in debt securities with terms of up to seven years and hold such investments until maturity, and we do not expect that our related holdings of equity securities will provide us with liquidity opportunities in the near-term. We invest and expect to continue investing in companies whose securities have no established trading market and whose securities are and will be subject to legal and other restrictions on resale or whose securities are and will be less liquid than are publicly-traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, to maintain our qualification as a business development company and as a RIC, we may have to dispose of investments if we do not satisfy one or more of the applicable criteria under the respective regulatory frameworks.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases, portfolio companies will be permitted to incur other debt, or issue other equity securities, that rank equally with, or senior to, our

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investment. Such instruments may provide that the holders thereof are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company might not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on a pari passu basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, we may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as junior lenders are adversely affected.

Our equity related investments are highly speculative, and we may not realize gains from these investments. If our equity investments do not generate gains, then the return on our invested capital will be lower than it would otherwise be, which could result in a decline in the value of shares of our common stock.

When we invest in debt securities, we generally expect to acquire warrants or other equity securities as well. Our goal is ultimately to dispose of these equity interests and realize gains upon disposition of such interests. Over time, the gains that we realize on these equity interests may offset, to some extent, losses that we experience on defaults under debt securities that we hold. However, the equity interests that we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses that we experience.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

During the six month period ended June 30, 2015, we received debt investment early repayments and pay down of working capital debt investments of approximately \$93.8 million. We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial

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condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay dividends, could adversely affect our results of operation and financial condition and cause the loss of all or part of your investment.

We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

Our loans could be subject to equitable subordination by a court which would increase our risk of loss with respect to such loans or we could be subject to lender liability claims.

Courts may apply the doctrine of equitable subordination to subordinate the claim or lien of a lender against a borrower to claims or liens of other creditors of the borrower, when the lender or its affiliates is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lender or its affiliates is found to have exerted inappropriate control over a client, including control resulting from the ownership of equity interests in a client. We have made direct equity investments or received warrants in connection with loans. These investments represent approximately 8.2% of the outstanding balance of our portfolio as of June 30, 2015. Payments on one or more of our loans, particularly a loan to a client in which we also hold an equity interest, may be subject to claims of equitable subordination. If we were deemed to have the ability to control or otherwise exercise influence over the business and affairs of one or more of our portfolio companies resulting in economic hardship to other creditors of that company, this control or influence may constitute grounds for equitable subordination and a court may treat one or more of our loans as if it were unsecured or common equity in the portfolio company. In that case, if the portfolio company were to liquidate, we would be entitled to repayment of our loan on a pro-rata basis with other unsecured debt or, if the effect of subordination was to place us at the level of common equity, then on an equal basis with other holders of the portfolio company's common equity only after all of its obligations relating to its debt and preferred securities had been satisfied.

In addition to these risks, in the event we elect to convert our debt position to equity, or otherwise take control of a portfolio company (such as through placing a member of our management team on its board of directors), as part of a restructuring, we face additional risks acting in that capacity. It is not uncommon for unsecured, or otherwise unsatisfied creditors, to sue parties that elect to use their debt positions to later control a company following a restructuring or bankruptcy. Apart from lawsuits, key customers and suppliers might act in a fashion contrary to the interests of a portfolio company if they were left unsatisfied in a restructuring or bankruptcy. Any combination of these factors might lead to the loss in value of a company subject to such activity and may divert the time and attention of our management team and investment team to help to address such issues in a portfolio company.

Risks Related to Our Securities

Investing in shares of our common stock involves an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk, volatility or loss of principal than alternative investment options. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

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Our common stock may trade below its net asset value per share, which limits our ability to raise additional equity capital.

If our common stock is trading below its net asset value per share, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If our common stock trades below net asset value, the higher cost of equity capital may result in it being unattractive to raise new equity, which may limit our ability to grow. The risk of trading below net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value.

Provisions of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

Our charter and bylaws contain provisions that may have the effect of discouraging, delaying, or making difficult a change in control of our company or the removal of our incumbent directors. Under our charter, our Board of Directors is divided into three classes serving staggered terms, which will make it more difficult for a hostile bidder to acquire control of us. In addition, our Board of Directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Subject to compliance with the 1940 Act, our Board of Directors may, without stockholder action, amend our charter to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third party bids for ownership of our company. These provisions may prevent any premiums being offered to you for shares of our common stock in connection with a takeover.

At our 2015 annual meeting of stockholders we obtained the approval of our stockholders to issue shares of our common stock at prices below the then current net asset value per share of our common stock. As a result, we may, with the approval of our board of directors, issue shares of our common stock at a price below the then current net asset value per share of common stock. Any such issuance could materially dilute your interest in our common stock and reduce our net asset value per share.

At our 2015 annual meeting of stockholders we obtained the approval of our stockholders to issue shares of our common stock at prices below the then current net asset value per share of our common stock. Such approval has allowed and may allow us to access the capital markets in a way that we typically are unable to do as a result of restrictions that, absent stockholder approval, apply to business development companies under the 1940 Act. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock is subject to the determination by our board of directors that such issuance and sale is in our and our stockholders' best interests.

Any sale or other issuance of shares of our common stock at a price below net asset value per share has resulted and will continue to result in an immediate dilution to your interest in our common stock and a reduction of our net asset value per share. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our net asset value per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We also cannot determine the resulting reduction in our net asset value per share of any such issuance at this time. We caution you that such effects may be material, and we undertake to describe all the material risks and dilutive effects of any offering that we make at a price below our then current net asset value in the future in a prospectus supplement issued in connection with any such offering. We cannot predict whether shares of our common stock will trade above, at or below our net asset value.

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If we conduct an offering of our common stock at a price below net asset value, investors are likely to incur immediate dilution upon the closing of the offering.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders and our stockholders have approved the practice of making such sales.

At our 2015 annual meeting of stockholders we obtained the approval of our stockholders to issue shares of our common stock at prices below the then current net asset value per share of our common stock. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of net asset value per share. If we were to issue shares at a price below net asset value, such sales would result in an immediate dilution to existing common stockholders, which would include a reduction in the net asset value per share as a result of the issuance. This dilution would also include a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

In addition, if we determined to conduct additional offerings in the future there may be even greater discounts if we determine to conduct such offerings at prices below net asset value. As a result, investors will experience further dilution and additional discounts to the price of our common stock. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect of an offering cannot be predicted. We did not sell any of our securities at a price below net asset value during the six month period ended June 30, 2015.

We may allocate the net proceeds from an offering in ways with which you may not agree.

We have significant flexibility in investing the net proceeds of an offering and may use the net proceeds from an offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

If we issue preferred stock, debt securities or convertible debt securities, the net asset value and market value of our common stock may become more volatile.

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the net asset value and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or our current investment income might not be sufficient to meet the dividend requirements on

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the preferred stock or the interest payments on the debt securities. If we do not maintain our required asset coverage ratios, we may not be permitted to declare dividends. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock that we may issue will have the right to elect members of the board of directors and have class voting rights on certain matters.

The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open-end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our qualification as a RIC for U.S. federal income tax purposes.

Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.

If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

Our shares may trade at discounts from net asset value or at premiums that are unsustainable over the long term.

Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares. Our shares have traded above and below our NAV. The possibility that our shares of common stock will trade at a discount from net asset value or at a premium that is unsustainable over the long term is separate and distinct from the risk that our net asset value may decrease. It is not possible to predict whether our shares will trade at, above or below net asset value in the future.

Our credit ratings may not reflect all risks of an investment in our debt securities.

Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed herein on the market value of or trading market for the publicly issued debt securities.

A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or our debt securities, if any, or change in the debt markets could cause the liquidity or market value of our debt securities to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our

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outstanding debt securities. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of such debt securities. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion.

Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of our debt securities of any changes in our credit ratings. There can be no assurance that a credit rating will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely if future circumstances relating to the basis of the credit rating, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future.

Investors in offerings of our common stock will likely incur immediate dilution upon the closing of an offering pursuant to this prospectus.

We generally expect the public offering price of any offering of shares of our common stock to be higher than the book value per share of our outstanding common stock (unless we offer shares pursuant to a rights offering or after obtaining prior approval for such issuance from our stockholders and our independent directors). Accordingly, investors purchasing shares of common stock in offerings pursuant to this prospectus may pay a price per share that exceeds the tangible book value per share after such offering.

Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

Our stockholders may experience dilution upon the conversion of the Convertible Notes.

The Convertible Senior Notes became convertible into shares of our common stock on July 1, 2014 and continue to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. By not meeting the stock trading price conversion requirement during either the three months ended March 31, 2015 or June 30, 2015, the Convertible Senior Notes are currently not convertible for the six-month period between April 1, 2015 and September 30, 2015. Upon conversion of the Convertible Senior Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. Since the Convertible Senior Notes became convertible, we have made the election to deliver the combination of cash and stock. If we continue to elect to deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders will incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the Convertible Senior Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

Our common stock price has been and continues to be volatile and may decrease substantially.

As with any company, the price of our common stock will fluctuate with market conditions and other factors, which include, but are not limited to, the following:

price and volume fluctuations in the overall stock market from time to time;

significant volatility in the market price and trading volume of securities of RICs, business development companies or other financial services companies;

any inability to deploy or invest our capital;

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fluctuations in interest rates;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

the financial performance of specific industries in which we invest in on a recurring basis;

announcement of strategic developments, acquisitions, and other material events by us or our competitors, or operating performance of companies comparable to us;

changes in regulatory policies or tax guidelines with respect to RICs, SBICs or business development companies;

losing RIC status;

actual or anticipated changes in our earnings or fluctuations in our operating results, or changes in the expectations of securities analysts;

changes in the value of our portfolio of investments;

realized losses in investments in our portfolio companies;

general economic conditions and trends;

inability to access the capital markets;

loss of a major funded source; or

departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and could divert management's attention and resources from our business.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares.

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to this prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time

what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial.

The trading market or market value of our publicly issued debt securities may fluctuate.

Our publicly issued debt securities may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

the time remaining to the maturity of these debt securities;

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the outstanding principal amount of debt securities with terms identical to these debt securities;

the ratings assigned by national statistical ratings agencies;

the general economic environment;

the supply of debt securities trading in the secondary market, if any;

the redemption or repayment features, if any, of these debt securities;

the level, direction and volatility of market interest rates generally; and

market rates of interest higher or lower than rates borne by the debt securities. You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

The 2019 Notes and 2024 Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The 2019 Notes and 2024 Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the 2019 Notes and 2024 Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the 2019 Notes and 2024 Notes.

The 2019 Notes and 2024 Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The 2019 Notes and 2024 Notes are obligations exclusively of Hercules Technology Growth Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries are or act as guarantors of the 2019 Notes and 2024 Notes and neither the 2019 Notes nor the 2024 Notes is required to be guaranteed by any subsidiaries we may acquire or create in the future. Our secured indebtedness with respect to the SBA debentures is held through our SBIC subsidiaries. The assets of any such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the 2019 Notes and 2024 Notes.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the 2019 Notes and 2024 Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the 2019 Notes and 2014 Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the 2019 Notes and 2024 Notes.

The indenture under which the 2019 Notes and 2024 Notes were issued contains limited protection for their respective holders.

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The indenture under which the 2019 Notes and 2024 Notes were issued offers limited protection to their respective holders. The terms of the indenture and the 2019 Notes and 2024 Notes do not restrict our or any of

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our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on an investment in the 2019 Notes and 2024 Notes. In particular, the terms of the indentures and the 2019 Notes and 2024 Notes do not place any restrictions on our or our subsidiaries ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 2019 Notes and 2024 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 2019 Notes and 2024 Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 2019 Notes and 2024 Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 2019 Notes and 2024 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions;

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the 2019 Notes and 2024 Notes, in each case other than dividends, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions giving effect to any exemptive relief granted to us by the SEC (these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of distributions or other amounts to us from our subsidiaries.

In the indenture and the 2019 and 2024 notes do not require us to offer to purchase the Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the 2019 Notes and 2024 Notes do not protect their respective holders in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 2019 Notes and 2024 Notes may have important consequences for their holders, including making it more difficult for us to satisfy our obligations with respect to the 2019 Notes and 2024 Notes or negatively affecting their trading value.

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Certain of our current debt instruments include more protections for their respective holders than the indenture and the 2019 Notes and 2024 Notes. In addition, other debt we issue or incur in the future could

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contain more protections for its holders than the indenture and the 2019 Notes and 2024 Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 2019 Notes and 2024 Notes.

An active trading market for the Notes may not develop or be sustained, which could limit the market price of the Notes or your ability to sell them.

Although the 2019 Notes are listed on the NYSE under the symbol HTGZ, in the case of the April 2019 Notes, HTGY in the case of the September 2019 Notes and HTGX, in the case of the 2024 Notes, we cannot provide any assurances that an active trading market will develop or be sustained for the April 2019 Notes, the September 2019 Notes, or the 2024 Notes or that any of the notes will be able to be sold. At various times, the 2019 Notes and 2024 Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. To the extent an active trading market is not sustained, the liquidity and trading price for the 2019 Notes and 2024 Notes may be harmed.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the 2019 Notes and 2024 Notes.

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the Union Bank Facility and the Convertible Senior Notes or other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the 2019 Notes and 2024 Notes and substantially decrease the market value of the 2014 Notes and 2024 Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Wells Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the Wells Facility or Union Bank Facility or the required holders of our Convertible Senior Notes or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Wells Facility or Union Bank Facility or the Convertible Senior Notes or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Wells Facility or Union Bank Facility or the Convertible Senior Notes or other debt, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Wells Facility and the Union Bank Facility, could proceed against the collateral securing the debt. Because the Wells Facility, the Union Bank Facility and the Convertible Senior Notes have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Wells Facility, Union Bank Facility, the Convertible Senior Notes or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

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FORWARD-LOOKING STATEMENTS

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

our future operating results;

our business prospects and the prospects of our prospective portfolio companies;

the impact of investments that we expect to make;

our informal relationships with third parties including in the venture capital industry;

the expected market for venture capital investments and our addressable market;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

our ability to operate as a business development company, a SBIC and a RIC;

the adequacy of our cash resources and working capital;

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the timing of cash flows, if any, from the operations of our portfolio companies;

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and

our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus, please see the discussion under Risk Factors. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made and are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and the forward-looking statements contained in our periodic reports are excluded from the safe harbor protection provided by Section 21E of the Securities Exchange Act of 1934, as amended.

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We have compiled certain industry estimates presented in this prospectus from internally generated information and data. While we believe our estimates are reliable, they have not been verified by any independent sources. The estimates are based on a number of assumptions, including increasing investment in venture capital and private equity-backed companies. Actual results may differ from projections and estimates, and this market may not grow at the rates projected, or at all. If this market fails to grow at projected rates, our business and the market price of our common stock could be materially adversely affected.

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USE OF PROCEEDS

We intend to use the net proceeds from selling our securities for funding investments in debt and equity securities in accordance with our investment objective and other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such offering.

We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within 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. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of any offering, pending full investment, are held in lower yielding short-term instruments.

Table of Contents**Index to Financial Statements****PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on the NYSE under the symbol HTGC.

The following table sets forth the range of high and low sales prices of our common stock, the sales price as a percentage of net asset value and the dividends declared by us for each fiscal quarter. The stock quotations are interdealer quotations and do not include markups, markdowns or commissions.

	NAV ⁽¹⁾	Price Range		Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Dividend per Share
		High	Low			
2013						
First quarter	\$ 10.00	\$ 11.88	\$ 11.58	18.8%	15.8%	\$ 0.250
Second quarter	\$ 10.09	\$ 13.61	\$ 11.05	34.9%	9.5%	\$ 0.270
Third quarter	\$ 10.42	\$ 15.18	\$ 13.20	45.7%	26.7%	\$ 0.280
Fourth quarter	\$ 10.51	\$ 17.09	\$ 14.62	62.6%	39.1%	\$ 0.310
2014						
First quarter	\$ 10.58	\$ 15.27	\$ 13.24	44.3%	25.1%	\$ 0.310
Second quarter	\$ 10.42	\$ 15.54	\$ 12.75	49.1%	22.4%	\$ 0.310
Third quarter	\$ 10.22	\$ 16.24	\$ 14.16	58.9%	38.6%	\$ 0.310
Fourth quarter	\$ 10.18	\$ 15.82	\$ 13.16	55.4%	29.3%	\$ 0.310
2015						
First quarter	\$ 10.47	\$ 15.27	\$ 13.47	45.8%	28.7%	\$ 0.310
Second quarter	\$ 10.26	\$ 13.37	\$ 11.25	30.4%	9.7%	\$ 0.310
Third quarter (through September 28, 2015)	*	\$ 12.00	\$ 10.34	*	*	**

(1) Net asset value per share is generally determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.

* Net asset value has not yet been calculated for this period.

** Cash dividend per share has not yet been determined for this period.

The last reported price for our common stock on September 28, 2015 was \$10.34 per share.

Shares of business development companies may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. At times, our shares of common stock have traded at a premium to net asset value and at times our shares of common stock have traded at a discount to the net assets attributable to those shares. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

Table of Contents**Index to Financial Statements****Dividends**

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

Date Declared	Record Date	Payment Date	Amount Per Share
October 27, 2005	November 1, 2005	November 17, 2005	\$ 0.03
December 9, 2005	January 6, 2006	January 27, 2006	0.30
April 3, 2006	April 10, 2006	May 5, 2006	0.30
July 19, 2006	July 31, 2006	August 28, 2006	0.30
October 16, 2006	November 6, 2006	December 1, 2006	0.30
February 7, 2007	February 19, 2007		