Hercules Capital, Inc.
Form 497
March 07, 2016

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**Filed Pursuant to Rule 497**
**Registration No. 333-203511**

**PROSPECTUS SUPPLEMENT**

**(To prospectus dated November 3, 2015)**

# Up to 8,000,000 Shares

# Common Stock

We have entered into an amended and restated equity distribution agreement, dated March 7, 2016, or the Equity Distribution Agreement, with JMP Securities LLC, or JMP Securities, relating to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol HTGC. The last sale price, as reported on NYSE on March 4, 2016, was $11.22 per share. The net asset value per share of our common stock at December 31, 2015 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $9.94.

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.

The equity distribution agreement provides that we may offer and sell up to 8,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent. Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus 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 of 1933, as amended, 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. As of the date of this prospectus supplement, we have sold 650,000 shares of our common stock under the equity distribution agreement for net proceeds of approximately $9.5 million. As a result, 7,350,000 shares of our common stock remain available for sale pursuant to the equity distribution agreement.

JMP Securities will receive a commission from us to be negotiated from time to time, but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the equity distribution agreement. JMP Securities is not required to sell any specific number or dollar amount of common stock, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-26 of this prospectus supplement. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities commission, will not be less than the net asset value per share of our common stock at the time of such sale.

Please read this prospectus supplement, and the accompanying prospectus, before investing, and keep it for future reference. The prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. 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 our website is not incorporated by reference into this prospectus or the accompanying prospectus. The SEC also maintains a website at www.sec.gov that contains such information.

**An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See the Supplementary Risk Factors section beginning on page S-14 of this prospectus supplement and the Risk Factors section beginning on page 11 of the accompanying prospectus to read about risks that you should consider before investing in our common stock, including the risk of leverage.**

Neither the SEC 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.

# JMP Securities

The date of this prospectus supplement is March 7, 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 JMP Securities has 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 JMP Securities is 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 and the accompanying 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 common stock.

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## FEES AND EXPENSES

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

| | |
|---|---|
| **Stockholder Transaction Expenses (as a percentage of the public offering price):** | |
| Sales load (as a percentage of offering price)[1] | 2.00% |
| Offering expenses | 0.41%[2] |
| Dividend reinvestment plan fees | [3] |
| Total stockholder transaction expenses (as a percentage of the public offering price) | 2.41% |
| **Annual Expenses (as a percentage of net assets attributable to common stock):[4]** | |
| Operating expenses | 6.45%[5][6] |
| Interest and fees paid in connection with borrowed funds | 5.10%[7] |
| Total annual expenses | 11.55%[8] |

(1) Represents the estimated commission with respect to the shares of common stock being sold in this offering. JMP Securities will be entitled to compensation up to 2.00% of the gross proceeds of the sale of any shares of our common stock under the equity distribution agreement, with the exact amount of such compensation to be mutually agreed upon by the Company and JMP Securities from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately $400,000.

(3) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan in the accompanying prospectus.

(4) Net assets attributable to common stock equals the weighted average net assets for the year ended December 31, 2015, which is approximately $717.1 million.

(5) Operating expenses represent our actual operating expenses incurred for the year ended December 31, 2015, including all fees and expenses of our consolidated subsidiaries and excluding interest and fees on indebtedness. See Management s Discussion and Analysis and Results of Operations, Management, and Executive Compensation in this prospectus supplement.

(6) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.

(7) Interest and fees paid in connection with borrowed funds represents our interest, fees and credit facility expenses incurred for the year ended December 31, 2015, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the 2024 Notes, the Asset-Backed Notes and the SBA debentures, each of which is defined herein. These expenses do not include the loss on debt extinguishment (Long-term Liabilities Convertible Senior Notes) for the year ended December 31, 2015. If this item were included in the annualized expenses, the percentage would be 5.10%.

(8) Total annual expenses is the sum of operating expenses and interest and fees paid in connection with borrowed funds. 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 $1,000 hypothetical investment in our common stock, assuming (1) a 2.00% sales load (underwriting discounts and commissions) and offering expenses totaling 2.41%, (2) total net annual expenses of 11.55% of net assets attributable to common shares as set forth in the table above and (3) a 5% annual return. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5% annual return | $ 133 | $ 331 | $ 505 | $ 851 |

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 in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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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., 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, project believes, estimates, predicts, potential or continue or 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 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;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- our informal relationships with third parties including in the venture capital industry;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access debt markets and equity markets;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company, a small business investment company and a regulated investment company, or RIC;

the adequacy of our cash resources and working capital;

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

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses; and

the risks, uncertainties and other factors we identify in Risk Factors and elsewhere in the accompanying prospectus and in our filings with the SEC.

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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 contained 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, as amended (the Securities Act ).

**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 our common stock, could be materially adversely affected.

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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.*

### Our Company

We are 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, healthcare, 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 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 December 31, 2015, our total assets were approximately $1.3 billion, of which our investments comprised $1.2 billion at fair value and $1.3 billion at cost. Since inception through December 31, 2015, we have made debt and equity commitments of over $5.7 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 December 31, 2015, we have issued approximately $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 December 31, 2015, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 35 professionals who have, on average 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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**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 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.

***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

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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 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 (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 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**

*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 our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $11.54 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 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 March 4, 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 March 4, 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 Company s 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan.

*Closed and Pending Commitments*

As of March 4, 2016, we have:

Closed debt and equity commitments of approximately $126.4 million to new and existing portfolio companies and funded approximately $98.4 million since the close of the fourth quarter.

Pending commitments (signed non-binding term sheets) of approximately $153.5 million.

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

| **Closed Commitments and Pending Commitments (in millions)** | |
|---|---|
| Q1-16 Closed Commitments (as of March 4, 2016)[a] | $ 126.4 |
| Pending Commitments (as of March 4, 2016)[b] | $ 153.5 |
| **Year to date 2016 Closed and Pending Commitments** | $ 279.9 |

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 do not necessarily represent any future cash requirements.

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*Portfolio Company Developments*

As of March 4, 2016, we 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 JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

**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. 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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**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. The historical data are not necessarily indicative of results to be expected for any future period.*

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

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| (in thousands, except per share amounts) | For the Year Ended December 31, 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Balance sheet data:** | | | | | |
| Investments, at value | $ 1,200,638 | $ 1,020,737 | $ 910,295 | $ 906,300 | $ 652,870 |
| Cash and cash equivalents | 95,196 | 227,116 | 268,368 | 182,994 | 64,474 |
| Total assets | 1,334,761 | 1,299,223 | 1,221,715 | 1,123,643 | 747,394 |
| Total liabilities | 617,627 | 640,359 | 571,708 | 607,675 | 316,353 |
| Total net assets | 717,134 | 658,864 | 650,007 | 515,968 | 431,041 |
| **Other Data:** | | | | | |
| Total debt investments, at value | 1,110,209 | 923,906 | 821,988 | 827,540 | 585,767 |
| Total warrant investments, at value | 22,987 | 25,098 | 35,637 | 29,550 | 30,045 |
| Total equity investments, at value | 67,442 | 71,733 | 52,670 | 49,210 | 37,058 |
| Unfunded Commitments(2) | 75,402 | 147,689 | 69,091 | 19,265 | 76,128 |
| Net asset value per share(1) | $ 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 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 |

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**THE OFFERING**

| | |
|---|---|
| Common stock offered by us | Up to 8,000,000 shares of our common stock. As of the date of this prospectus supplement, 650,000 shares of common stock have been issued and sold pursuant to the equity distribution agreement and 7,350,000 shares of common stock remain available for sale. |
| Common stock outstanding prior to this offering, including shares of common stock sold pursuant to the equity distribution agreement | 72,165,096 shares |
| Manner of offering | At the market offering that may be made from time to time through JMP Securities, as sales agent, using commercially reasonable efforts. See Plan of Distribution in this prospectus supplement. |
| Use of proceeds | 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. |
| | 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. See Use of Proceeds in this prospectus supplement. |
| Distribution | To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. The amount of our dividends, if any, will be determined by our Board of Directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. See Price Range of Common Stock and Distributions in the accompanying prospectus. |
| Taxation | We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Price Range of Common Stock and Distributions in the accompanying prospectus and Certain United States Federal Income Tax Considerations in the accompanying prospectus. |
| New York Stock Exchange symbol | HTGC |

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| | |
|---|---|
| Risk factors | An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See Supplementary Risk Factors beginning on page S-14 of this prospectus supplement and Risk Factors beginning on page 11 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock. |

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## SUPPLEMENTARY RISK FACTORS

### 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 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, ), our Convertible Senior Notes, our 2019 Notes, our 2024 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 March 4, 2016, we had approximately $190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately $17.6 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes ), approximately $110.4 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 March 4, 2016, we had $18.3 million of outstanding borrowings under our Wells Facility and no 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.

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***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 market discount, when and to what extent deductions may be taken for bad debts or worthless debt or 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 RIC status 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 Supplement to Certain United States Income Tax Considerations in this prospectus supplement and Certain United States Federal Income Tax Considerations in the accompanying prospectus.

***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.

***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 March 4, 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.

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***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 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 business development company 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 December 31, 2015, approximately 63.0% of the fair value of our portfolio was composed of investments in four industries: 23.7% was composed of investments in the drug discovery and development industry, 13.7% was composed of investments in the drug delivery industry, 13.3% was composed of investments in the sustainable and renewable technology industry and 12.3% was composed of investments in the software 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

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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 December 31, 2015 that represent greater than 5% of our net assets:

| | December 31, 2015 | |
|---|---|---|
| **(in thousands)** | **Fair Value** | **Percentage of Net Assets** |
| Machine Zone, Inc. | $ 90,178 | 12.6% |
| Sungevity Development, LLC. | $ 62,779 | 8.8% |

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.

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 interests 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.

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**Risks Related to Our Securities**

***Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.***

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

***We may periodically obtain 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. If we receive such approval from the stockholders, we may 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.***

We may periodically obtain 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 again 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.

***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 other 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 the 2015 Annual Meeting of Stockholders, our common stockholders approved a proposal to allow us to issue common stock at a discount from its then current net asset value 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 it issues at a price below net asset value 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 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

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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 dilution 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 year ended December 31, 2015.

***Our stockholders may experience dilution upon the repurchase of common shares.***

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. We may repurchase shares of our 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. 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. If we were to repurchase shares at a price above net asset value, such repurchases would result in an immediate dilution to existing common stockholders due to a reduction in the our earnings and assets due to the repurchase that is greater than the reduction in total shares outstanding.

***Our stockholders may experience dilution upon the conversion of the Convertible Notes.***

On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders of our Convertible Senior Notes may convert their notes into shares of our common stock at any time. 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. The current conversion price of the Convertible Senior Notes is approximately $11.03 per share of common stock, in each case subject to adjustment in certain circumstances. Since the Convertible Senior Notes became convertible, we have made the election to deliver the combination of cash and stock. If we 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 distribution proceeds may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to stockholders, which will lower their tax basis in their shares.***

The tax treatment and characterization of our distributions may vary significantly from time to time due to the nature of our investments. The ultimate tax characterization of our distributions made during a taxable year may not finally be determined until after the end of that taxable year. We may make distributions during a taxable year that exceed our investment company taxable income and net capital gains for that taxable year. In such a situation, the amount by which our total distributions exceed investment company taxable income and net capital gains generally would be treated as a return of capital up to the amount of a stockholder s tax basis in the shares, with any amounts exceeding such tax basis treated as a gain from the sale or exchange of such shares. A return of capital generally is a return of a stockholder s investment rather than a return of earnings or gains derived from our investment activities. Moreover, we may pay all or a substantial portion of our distributions from the proceeds of the sale of shares of our common stock or from borrowings in anticipation of future cash flow, which could constitute a return of stockholders capital and will lower such stockholders tax basis in our shares, which may result in increased tax liability to stockholders when they sell such shares.

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## USE OF PROCEEDS

### Overview

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus 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 sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of the remaining 7,350,000 shares available of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of $11.22 per share for our common stock on the NYSE as of March 4, 2015 we estimate that the net proceeds of this offering will be approximately $80,417,660 million after deducting the estimated sales commission payable to JMP Securities and our estimated offering expenses.

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.

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 e arn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objective.

### Status of the Offering

On August 16, 2013, we established an at-the-market program to which this prospectus supplement relates and through which we may sell, from time to time and at our sole discretion up to 8,000,000 shares of our common stock. During the period from August 16, 2013 through the date of this prospectus supplement, 650,000 shares of common stock have been issued and sold pursuant to the equity distribution agreement and 7,350,000 shares of common stock remain available for sale. Gross proceeds raised were approximately $10.0 million, offset by related underwriting fees ($200,000) and offering expenses (approximately $350,000) resulted in net proceeds of approximately $9.5 million or an average price per share of approximately $14.56.

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**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.

| | | Price Range | | | | |
|---|---|---|---|---|---|---|
| | NAV(1) | High | Low | Premium/ Discount of High Sales Price to NAV | Premium/ Discount of Low Sales Price to NAV | Cash Dividend per Share |
| **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 | $ 10.02 | $ 12.23 | $ 9.99 | 22.0% | 0.29% | $ 0.310 |
| Fourth quarter | $ 9.94 | $ 12.44 | $ 10.23 | 25.1% | 2.9% | $ 0.310 |
| **2016** | | | | | | |
| First quarter (through March 4, 2016) | * | $ 12.39 | $ 10.03 | * | * | $ 0.310 |

(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 March 4, 2016 was $11.22 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.

**Dividends**

As a RIC, we intend to distribute quarterly dividends to our stockholders. To the extent we do not distribute dividends to our stockholders in respect of each calendar year dividends of an amount at least equal to the sum of (1) 98% of our ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gains in excess of capital losses, or capital gain net income (adjusted for certain ordinary losses), for the one year period ending on October 31 of the calendar year, and (3) any ordinary income and capital gain net income for preceding years that were not distributed, we are required to pay a 4% excise tax on our undistributed income.

To the extent that we earn annual taxable income in excess of dividends paid from such taxable income for a taxable year, we may carry over the excess taxable income into the next taxable year and such excess income will be available for distribution in the next taxable year as permitted by the Code. We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains). In

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order to obtain the tax benefits applicable to RICs, we are required to distribute dividends to our stockholders with respect to each taxable year of an amount at least equal to 90% of our investment company taxable income. We may, in the future, make actual distributions to our stockholders of some or all realized net long-term capital gains in excess of realized net short-term capital losses, or net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any distributions and, if we issue senior securities, we may 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.

The following table summarizes 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 |
| 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 |

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| Date Declared | Record Date | Payment Date | Amount Per Share | |
|---|---|---|---|---|
| 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 |
| | | | $ | 11.54 |

* Dividend paid in cash and stock.

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 our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividends declared to date to $11.54 per share.

Our Board of Directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount that approximates 90 100% of our taxable quarterly income or potential annual income for a particular year. In addition, at the end of the year, 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 year it was earned, or may elect to maintain the option to spill over our excess taxable income into the coming year for 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, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full fiscal year and distributions paid for the full fiscal year. Of the dividends declared during the fiscal years ended December 31, 2015, 2014, and 2013, 100% were distributions derived from our current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of the tax attributes of our 2016 distributions to stockholders.

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. As a result, if our Board of Directors authorizes, and we declare a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividend automatically reinvested in additional shares of our 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.

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

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

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. See Regulation in the accompanying prospectus.

Our ability to make distributions will be limited by the asset coverage requirements under the 1940 Act.

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## CAPITALIZATION

The equity distribution agreements provide that we may offer and sell up to 8,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent for the offer and sale of such common stock. The table below assumes that we will sell the remaining 7,350,000 shares available at a price of $11.22 per share (the last reported sale price per share of our common stock on the NYSE on March 4, 2016) but there is no guarantee that there will be any further sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than $11.22, depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of December 31, 2015:

- on an actual basis; and

- on an as adjusted basis giving effect to the transactions noted above and the assumed sale of the 7,350,000 available shares of our common stock at a price of $11.22 per share (the last reported sale price per share of our common stock on the NYSE on March 4, 2016) less commissions and expenses.

This table should be read in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement. The adjusted information is illustrative only.

| | As of December 31, 2015 | |
|---|---|---|
| | Actual | As Adjusted |
| | (in thousands) | |
| Investments at Fair Value | $ 1,200,683 | $ 1,200,683 |
| Cash and cash equivalents | $ 95,196 | $ 175,983 |
| Debt: | | |
| Long-term SBA borrowings | $ 190,200 | $ 190,200 |
| Convertible Debt | 17,522 | 17,522 |
| Wells Facility | 50,000 | 50,000 |
| 2019 Notes | 110,364 | 110,364 |
| 2024 Notes | 103,000 | 103,000 |
| Asset-Backed Notes | 129,300 | 129,300 |
| Total Debt | $ 600,386 | $ 600,386 |
| Stockholders equity: | | |
| Common Stock, par value $0.001 per share; 100,000,000 shares authorized; 72,635,777 shares issued and outstanding, actual 79,985,777 shares issued and outstanding, as adjusted, respectively | $ 73 | $ 80 |
| Capital in Excess of Par | 752,244 | 833,023 |
| Unrealized appreciation (depreciation) on investments | (52,808) | (52,808) |
| Accumulated realized gains (losses) on investments | 27,993 | 27,993 |
| Distributions in excess of investment income | (10,368) | (10,368) |
| Total stockholders equity | $ 717,134 | $ 797,920 |
| Total capitalization | $ 1,317,520 | $ 1,398,306 |

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## PLAN OF DISTRIBUTION

JMP Securities is acting as our sales agent in connection with the offer and sale of shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Upon written instructions from us, JMP Securities will use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, our common stock under the terms and subject to the conditions set forth in our amended and restated equity distribution agreement with JMP Securities dated March 7, 2016. We will instruct JMP Securities as to the amount of common stock to be sold by it. We may instruct JMP Securities not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities commission, will not be less than the net asset value per share of our common stock at the time of such sale. We or JMP Securities may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus 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.

JMP Securities will provide written confirmation of a sale to us no later than the opening of the trading day on the NYSE following each trading day in which shares of our common stock are sold under the equity distribution agreement. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to JMP Securities in connection with the sales.

JMP Securities will receive a commission from us to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the equity distribution agreement. We estimate that the total expenses for the offering, excluding compensation payable to JMP Securities under the terms of the equity distribution agreement, will be approximately $400,000 (including up to $10,000 in reimbursement of the underwriters counsel fees in connection with the review of the terms of the offering by the Financial Industry Regulatory Authority, Inc.).

Settlement for sales of shares of common stock will occur on the third trading day following the date on which such sales are made, or on some other date that is agreed upon by us and JMP Securities in connection with a particular transaction, in return for payment of the net proceeds to us. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

We will report at least quarterly the number of shares of our common stock sold through JMP Securities under the equity distribution agreement and the net proceeds to us. As of September 30, 2014, 650,000 shares of common stock were issued and sold pursuant to the equity distribution agreement for net proceeds of approximately $9.5 million. As a result, 7,350,000 shares of common stock remain available for sale pursuant to the equity distribution agreement.

In connection with the sale of the common stock on our behalf, JMP Securities may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of JMP Securities may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to JMP Securities against certain civil liabilities, including liabilities under the Securities Act.

The offering of our shares of common stock pursuant to the equity distribution agreement will terminate upon the earlier of (i) the sale of all common stock subject to the equity distribution agreement or (ii) the termination of the equity distribution agreement. The equity distribution agreement may be terminated by us in

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our sole discretion under the circumstances specified in the equity distribution agreement by giving notice to JMP Securities. In addition, JMP Securities may terminate the equity distribution agreement under the circumstances specified in the equity distribution agreement by giving notice to us.

**Potential Conflicts of Interest**

JMP Securities and its affiliates have provided, or may in the future provide, various investment banking, commercial banking, financial advisory, brokerage and other services to us and our affiliates for which services they have received, and may in the future receive, customary fees and expense reimbursement. JMP Securities and its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, JMP Securities and its 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 and such investment and securities activities may involve securities and/or instruments of our company.

The principal business address of JMP Securities is 600 Montgomery Street, San Francisco, CA 94111.

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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 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. 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 net asset value 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 $128.3 million and $310.8 million in assets, respectively, and accounted for approximately 7.6% and 18.5% of our total assets, respectively, prior to consolidation at December 31, 2015. 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 December 31, 2015, 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 December 31, 2015, we have issued $190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

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We have qualified as and have elected to be treated for tax purposes as a RIC under 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 business development company under the 1940 Act. As a business development company, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, 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 $1.2 billion at December 31, 2015 as compared to $1.0 billion at December 31, 2014.

The fair value of our debt investment portfolio at December 31, 2015 was approximately $1.1 billion, compared to a fair value of approximately $923.9 million at December 31, 2014. The fair value of the equity portfolio at December 31, 2015 was approximately $67.4 million, compared to a fair value of approximately $71.7 million at December 31, 2014. The fair value of the warrant portfolio at December 31, 2015 was approximately $23.0 million, compared to a fair value of approximately $25.1 million at December 31, 2014.

***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 will be subject to the same underwriting and ongoing portfolio maintenance as the on-balance sheet financial instruments that we hold. Debt commitments generally fund over the two succeeding quarters from close. Not all debt commitments represent our future cash requirements. Similarly, unfunded contractual commitments may expire without being drawn and do not represent our future cash requirements.

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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 years ended December 31, 2015 and 2014 was comprised of the following:

| **(in millions)** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|
| Debt Commitments[1] | | |
| New portfolio company | $ 544.0 | $ 776.9 |
| Existing portfolio company | 181.7 | 118.0 |
| **Total** | $ 725.7 | $ 894.9 |
| Funded and Restructured Debt Investments[3] | | |
| New portfolio company | $ 352.5 | $ 434.0 |
| Existing portfolio company | 341.6 | 177.0 |
| **Total** | $ 694.1 | $ 611.0 |
| Funded Equity Investments | | |
| New portfolio company | $ 1.0 | $ 7.2 |
| Existing portfolio company | 17.6 | 3.1 |
| **Total** | $ 18.6 | $ 10.3 |
| Unfunded Contractual Commitments[2] | | |
| **Total** | $ 75.4 | $ 147.7 |
| Non-Binding Term Sheets | | |
| New portfolio company | $ 81.0 | $ 104.0 |
| Existing portfolio company | 5.0 | 4.2 |
| **Total** | $ 86.0 | $ 108.2 |

(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 year ended December 31, 2015, we received approximately $503.6 million in aggregate principal repayments. Of the approximately $503.6 million of aggregate principal repayments, approximately $115.1 million were scheduled principal payments, and approximately $388.5 million were early principal repayments related to 45 portfolio companies. Of the approximately $388.5 million early principal repayments, approximately $70.7 million were early repayments due to M&A transactions and IPOs related to six portfolio companies. Given the high level of early repayments during the year ended December 31, 2015, we anticipate that early repayment activity and our effective yields will normalize going forward.

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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 each of the years ended December 31, 2015 and 2014 was as follows:

| (in millions) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Beginning portfolio** | $ 1,020.7 | $ 910.3 |
| New fundings and restructures | 712.3 | 621.3 |
| Warrants not related to current period fundings | 0.1 | 0.8 |
| Principal payments received on investments | (115.1) | (135.8) |
| Early payoffs | (388.5) | (358.3) |
| Accretion of loan discounts and paid-in-kind principal | 31.7 | 24.5 |
| Net acceleration of loan discounts and loan fees due to early payoff or restructure | (1.7) | (3.3) |
| New loan fees | (9.5) | (9.2) |
| Warrants converted to equity | 0.4 | 2.0 |
| Sale of investments | (5.2) | (9.1) |
| Loss on investments due to write offs | (7.5) | (3.9) |
| Net change in unrealized depreciation | (37.1) | (18.6) |
| **Ending portfolio** | $ 1,200.6 | $ 1,020.7 |

The following table shows the fair value of our portfolio of investments by asset class as of December 31, 2015 and December 31, 2014.

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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 our 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 we exit the investment.

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

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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% |

As of December 31, 2015, we held warrants or equity positions in three companies that had filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. All three companies filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that companies that have yet to complete their IPO 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. 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 December 31, 2015, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from Prime or LIBOR to approximately 13.0%. 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, PIK provisions or prepayment fees which may be required to be included in income prior to receipt.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We 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 we 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.

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 we 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 we 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.

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 tax 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 $4.7 million and $3.3 million in PIK income in the years ended December 31, 2015 and December 31, 2014, respectively.

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 obtain a negative pledge covering a company s intellectual property. At December 31, 2015, approximately 39.7% of our portfolio company debt investments were secured by a first priority security in all of the assets of the portfolio company, including their intellectual property, 49.7% of the 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 our 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 our portfolio company debt investments were subordinated and secured by all of the portfolio company s assets, including intellectual property. At December 31, 2015 we had no equipment only liens on any of our portfolio companies.

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.

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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, was 13.0% and 13.6% during the years ended December 31, 2015 and 2014, 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 14.3% and 16.8% for the years ended December 31, 2015 and 2014, respectively. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the year, 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 -9.7% and -1.8% during the years ended December 31, 2015 and 2014, 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, drug delivery, sustainable and renewable technology, software, media/content/info, medical devices and equipment, internet consumer and business services, specialty pharmaceuticals, communications and networking, consumer and business products, semiconductors, healthcare services, surgical devices, electronics and computer hardware, information services, biotechnology tools 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 December 31, 2015, approximately 63.0% of the fair value of our portfolio was composed of investments in four industries: 23.7% was composed of investments in the drug discovery and development industry, 13.7% was composed of investments in the drug delivery industry, 13.3% was composed of investments in the sustainable and renewable technology industry and 12.3% was composed of investments in the software industry.

The following table shows the fair value of our portfolio by industry sector at December 31, 2015 and December 31, 2014:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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% |
| 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% |

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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 years ended December 31, 2015 and 2014, our ten largest portfolio companies represented approximately 32.1% and 28.6% of the total fair value of our investments in portfolio companies, respectively. At December 31, 2015 and December 31, 2014, we had two and three investments, respectively, that represented 5% or more of our net assets. At December 31, 2015 and December 31, 2014, we had four and three equity investments representing approximately 53.2% and 61.5%, respectively, 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 December 31, 2015, 89.4% of our debt investments were in a senior secured first lien position, with the remaining 10.6% secured by a senior second lien position or a subordinated lien on all of the portfolio company s assets and approximately 93.7% 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 continue to rise.

Our investments in senior secured debt with warrants have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of December 31, 2015, we held warrants in 129 portfolio companies, with a fair value of approximately $23.0 million. The fair value of our warrant portfolio decreased by approximately $2.0 million, as compared to a fair value of $25.1 million at December 31, 2014 primarily related to depreciation on our private warrant portfolio due to a decline in market comparable and portfolio company performance, offset by the addition of warrants in 21 new and 15 existing portfolio companies during the period.

Our existing warrant holdings would require us to invest approximately $88.8 million to exercise such warrants as of December 31, 2015. 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 companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more, but less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

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The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on affiliate investments for the years ended December 31, 2015, 2014, and 2013. We did not hold any control investments at December 31, 2015, 2014 or 2013.

| *(in thousands)* | | | | Year Ended December 31, 2015 | | |
|---|---|---|---|---|---|---|
| **Portfolio Company** | **Type** | **Fair Value at December 31, 2015** | **Investment Income** | **Net Change in Unrealized Appreciation/ (Depreciation)** | **Reversal of Unrealized Appreciation/ (Depreciation)** | **Realized Gain/(Loss)** |
| Optiscan BioMedical, Corp. | Affiliate | $ 6,973 | $ | $ 901 | $ | $ |
| Stion Corporation | Affiliate | 1,013 | 348 | 206 | | |
| **Total** | | $ 7,986 | $ 348 | $ 1,107 | $ | $ |

| *(in thousands)* | | | | Year Ended December 31, 2014 | | |
|---|---|---|---|---|---|---|
| **Portfolio Company** | **Type** | **Fair Value at December 31, 2014** | **Investment Income** | **Net Change in Unrealized Appreciation/ (Depreciation)** | **Reversal of Unrealized Appreciation/ (Depreciation)** | **Realized Gain/(Loss)** |
| 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)* | | | | Year Ended December 31, 2013 | | |
|---|---|---|---|---|---|---|
| **Portfolio Company** | **Type** | **Fair Value at December 31, 2013** | **Investment Income** | **Net Change in Unrealized Appreciation/ (Depreciation)** | **Reversal of Unrealized Appreciation/ (Depreciation)** | **Realized Gain/(Loss)** |
| Gelesis, Inc. | Affiliate | $ 473 | $ | $ (1,193) | $ | $ |
| 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 our portfolio company Gelesis, Inc. reduced our 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. See Business Investment Process Loan and Compliance Administration in the accompanying prospectus. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of December 31, 2015 and 2014, respectively:

| (in thousands) | December 31, 2015 Number of Companies | Debt Investments at Fair Value | Percentage of Total Portfolio | December 31, 2014 Number of Companies | Debt Investments at Fair Value | Percentage of Total Portfolio |
|---|---|---|---|---|---|---|
| **Investment Grading** | | | | | | |
| 1 | 18 | $ 215,202 | 19.4% | 19 | $ 195,819 | 21.2% |
| 2 | 47 | 759,274 | 68.4% | 45 | 479,037 | 51.8% |
| 3 | 6 | 44,837 | 4.0% | 16 | 183,522 | 19.9% |
| 4 | 4 | 34,153 | 3.1% | 6 | 39,852 | 4.3% |
| 5 | 10 | 56,743 | 5.1% | 8 | 25,676 | 2.8% |
| | 85 | $ 1,110,209 | 100.0% | 94 | $ 923,906 | 100.0% |

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As of December 31, 2015, our debt investments had a weighted average investment grading of 2.16, as compared to 2.24 at December 31, 2014. 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.

The improvement in weighted average investment grading at December 31, 2015 from December 31, 2014 is primarily due to the increase in the average fair value of rated 2 portfolio companies between periods and the net reduction in the size of the portfolio by nine portfolio companies that were rated 3, 4, or 5 at December 31, 2014. This improvement is partially offset by the downgrade of five new portfolio companies to a 5 that were rated 3 or 4 at December 31, 2014 due to liquidity and portfolio company performance concerns during the year ended December 31, 2015.

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. Comparatively, at December 31, 2014, we had four debt investments on non-accrual with a cumulative investment cost and fair value of $28.9 million and $10.6 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 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, we 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, we 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.

## Results of Operations

### 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.

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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 |

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, Credit Facilities, 2019 Notes and 2024 Notes (together with the 2019 Notes, the 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

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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 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 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 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.

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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 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 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.

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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.

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 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.

| | Year Ended December 31, 2015 | | | |
|---|---|---|---|---|
| **(in millions)** | **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.

***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 for our taxable 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.

**Comparison of periods ended December 31, 2014 and 2013**

***Investment Income***

*Interest Income*

Total investment income for the year ended December 31, 2014 was approximately $143.7 million as compared to approximately $139.7 million for the year ended December 31, 2013.

Interest income for the year ended December 31, 2014 totaled approximately $126.6 million as compared to approximately $123.7 million for the year ended December 31, 2013. The increase in interest income is primarily attributable to an increase in new loan originations during the year and an increase in accelerations of original issue discounts related to early loan pay-offs and restructures in 2014.

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The following table shows the lending activity involving PIK interest arrangements, including PIK receivables, for the years ended December 31, 2014 and 2013, at cost:

| | Years Ended December 31, | |
|---|---|---|
| **(in thousands)** | **2014** | **2013** |
| Beginning PIK loan balance | $ 5,603 | $ 3,548 |
| PIK interest capitalized during the period | 3,346 | 3,515 |
| Payments received from PIK loans | (2,699) | (1,153) |
| Realized loss | | (307) |
| **Ending PIK loan balance** | $ 6,250 | $ 5,603 |

The increase in payments received from PIK loans and the decrease in PIK interest capitalized during the year ended December 31, 2014 is due to the payoff of seven PIK loans offset by additions of eight PIK loans which have incurred PIK capitalizations during the period ended December 31, 2014.

*Fee Income*

Income from commitment, facility and loan related fees for the year ended December 31, 2014 totaled approximately $17.0 million as compared to approximately $16.0 million for the year ended December 31, 2013. The increase in fee income is primarily attributable to additional fee accelerations and one time fees due to early pay-offs and restructures during the year ended December 31, 2014, as compared to the same period in 2013.

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, 2014 and 2013, 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 $70.3 million and $66.6 million during the years ended December 31, 2014 and 2013, respectively.

*Interest and Fees on our Borrowings*

Interest and fees on our borrowings totaled approximately $34.0 million and $35.1 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily attributable to the lower weighted average balances outstanding on our SBA debentures, Convertible Senior Notes, and 2017 Asset-Backed Notes (as defined herein). During the year ended December 31, 2014, we paid off $34.8 million of SBA debentures in the first quarter of 2014, settled of $57.3 million of our Convertible Senior Notes, and had amortization of our 2017 Asset-Backed Notes from a balance of $89.6 million as of December 31, 2013 to $16.0 million as of December 31, 2014. In addition, interest expense decreased by approximately $1.7 million related to Convertible Senior Notes settled in the period. These decreases were partially offset by additional interest and fees of approximately $3.8 million on our 2024 Notes issued in the third quarter of 2014 and our 2017 Asset-Backed Notes issued in November 2014.

During the year ended December 31, 2014, we recorded a net loss on extinguishment of our convertible senior notes of approximately $1.6 million. The net loss was classified as a component of net investment income in our Consolidated Statements of Operations. We did not incur a loss on extinguishment of debt during the twelve months ended December 31, 2013.

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 6.6% and 6.1% for the years ended December 31, 2014 and 2013, respectively. The increase was primarily driven by the acceleration of fees related to the early payoffs of SBA obligations and our Asset-Backed Notes as well as the loss on debt extinguishment (long-term liabilities convertible senior notes) as described above.

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*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 $10.2 million from $9.3 million for the years ended December 31, 2014 and 2013, respectively. These increases were primarily due to increases in facility rent, marketing, corporate legal expenses and outside consulting services partially offset by a decrease in accounting expenses.

*Employee Compensation*

Employee compensation and benefits totaled approximately $16.6 million for the year ended December 31, 2014 as compared to approximately $16.2 million for the year ended December 31, 2013. The increase was primarily due to changes in variable compensation accrued during the periods.

Stock-based compensation totaled approximately $9.6 million for the year ended December 31, 2014 as compared to approximately $6.0 million for the year ended December 31, 2013. The increase was primarily due to an increase in the number of restricted stock awards granted in April 2014 as compared March 2013.

***Loss on Extinguishment of Convertible Senior Notes***

Upon meeting the stock trading price conversion requirement as set forth in the Indenture, dated April 15, 2011, between us and U.S. Bank National Association, during the three months ended June 30, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible through December 31, 2014. As of December 31, 2014, holders of approximately $57.3 million of our Convertible Senior Notes 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, 2014 was approximately $1.6 million and 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, 2014 and 2013 is as follows:

| | **Years Ended December 31,** | |
|---|---|---|
| **(in thousands)** | **2014** | **2013** |
| Realized gains | $ 24,027 | $ 32,577 |
| Realized losses | (3,915) | (17,741) |
| **Net realized gains** | $ 20,112 | $ 14,836 |

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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.

During the year ended December 31, 2013, we recognized net realized gains of approximately $14.8 million. These net realized gains include gross realized gains of approximately $32.6 million primarily from the sale of equity and warrant investments in nine portfolio companies, including Virident Systems, Inc. ($7.5 million), Anacor Pharmaceuticals, Inc. ($5.0 million), iWatt, Inc. ($4.7 million), Althea Technologies, Inc. ($4.3 million), WageWorks, Inc. ($2.0 million), Lanx, Inc. ($1.9 million), InsMed, Inc. ($1.4 million), Pacira Pharmaceuticals, Inc. ($1.3 million) and AcelRx, Inc. ($1.1 million). These gains were partially offset by gross realized losses of approximately $17.8 million primarily from the liquidation of our debt and equity investments in five portfolio companies, including Bridgewave Communications ($4.4 million), E-Band Communications Corp ($3.3 million), Tethys Bioscience, Inc. ($2.5 million), Just.Me, Inc. ($1.3 million), and PointOne, Inc. ($1.1 million).

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, 2014 and 2013:

| | **Year Ended December 31,** | |
|---|---|---|
| **(in thousands)** | **2014** | **2013** |
| Gross unrealized appreciation on portfolio investments | $ 72,968 | $ 80,616 |
| Gross unrealized depreciation on portfolio investments | (79,412) | (63,855) |
| Reversal of prior period net unrealized appreciation upon a realization event | (15,335) | (26,489) |
| Reversal of prior period net unrealized depreciation upon a realization event | 3,182 | 21,763 |
| Net unrealized (depreciation) on taxes payable | (1,882) | (898) |
| Net unrealized appreciation (depreciation) on escrow receivables | (465) | 465 |
| Citigroup Warrant Participation | 270 | (57) |
| **Net unrealized appreciation (depreciation) on portfolio investments** | $ (20,674) | $ 11,545 |

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 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.

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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.

During the year ended December 31, 2013, we recorded approximately $11.5 million of net unrealized appreciation, of which $12.0 million is net unrealized appreciation from our debt, equity and warrant investments. Of the $12.0 million, approximately $15.7 million is attributed to net unrealized appreciation on equity, including approximately $5.6 million of net unrealized depreciation due to the reversal of prior period net unrealized appreciation upon being realized as a gain. Approximately $4.5 million is attributed to net unrealized appreciation on our warrant investments, including approximately $9.4 million of net unrealized depreciation due to the reversal of prior period net unrealized appreciation upon being realized as a gain. This unrealized appreciation was partially offset by approximately $8.2 million of net unrealized depreciation on our debt investments, which primarily related to $21.2 million of unrealized depreciation for collateral based impairments, offset by the reversal of approximately $13.0 million of prior period net unrealized depreciation upon being realized as a loss due to the write-off or early payoff of debt investments.

Net unrealized appreciation decreased by approximately $898,000 as a result of estimated taxes payable for the year ended December 31, 2013.

Net unrealized appreciation further increased by approximately $465,000 as a result of escrow receivables related to merger and acquisition transactions closed during the year ended December 31, 2013.

For the year ended December 31, 2013, net unrealized appreciation decreased by approximately $57,000 as a result of net appreciation of fair value on the pool of warrants collateralized under the Citigroup warrant participation agreement.

The following table summarizes the change in net unrealized appreciation/ (depreciation) in the investment portfolio by investment type for the years ended December 31, 2014 and December 31, 2013.

| | Year Ended December 31, 2014 | | | |
|---|---|---|---|---|
| **(in millions)** | **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) |

| | Year Ended December 31, 2013 | | | |
|---|---|---|---|---|
| **(in millions)** | **Debt** | **Equity** | **Warrants** | **Total** |
| Collateral based impairments | $ (21.2) | $ | $ (0.1) | (21.3) |
| Reversals of Prior Period Collateral based impairments | | | | |
| Reversals due to Debt Payoffs & Warrant/Equity sales | 13.0 | (5.8) | (10.6) | (3.4) |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | | 7.6 | 3.5 | 11.1 |
| Level 3 Assets | | 13.9 | 11.7 | 25.6 |
| Total Fair Value Market/Yield Adjustments | | 21.5 | 15.2 | 36.7 |
| **Total Unrealized Appreciation/(Depreciation)** | $ (8.2) | $ 15.7 | $ 4.5 | $ 12.0 |

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

***Income and Excise Taxes***

We account for income taxes in accordance with the provisions of ASC 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 distributed 100% of our spillover from long term capital gains for our taxable year ended December 31, 2014 to our shareholders during 2015.

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

For the years ended December 31, 2014 and 2013, the net increase in net assets resulting from operations totaled approximately $71.2 million and approximately $99.4 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, 2014 were $1.12 and $1.10, respectively, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2013 were $1.67 and $1.63, respectively.

For the purpose of calculating diluted earnings per share for years ended December 31, 2014 and 2013, 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 $11.36 in effect as of December 31, 2014 and $11.63 as of December 31, 2013 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, 2024 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.

On August 16, 2013, we entered into an ATM equity distribution agreement (the Equity Distribution Agreement ) with JMP Securities LLC, or JMP. 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 year ended December 31, 2014, we 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. We generally use the net

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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 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. We may repurchase shares of our 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. 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 year ended December 31, 2015, we repurchased 437,006 shares of our 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  Subsequent Events.

On March 27, 2015, we raised approximately $100.1 million, after deducting offering expenses, in a public offering of 7,590,000 shares of our common stock.

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 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, 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 year ended December 31, 2015, we have not issued common stock at a discount to NAV.

As of December 31, 2015, 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 Convertible Senior Notes and approximately 1.5 million 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 are 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 December 31, 2015, we had $17.6 million of Convertible Senior Notes, $110.4 million of 2019 Notes, $103.0 million of 2024 Notes, $129.3 million of 2021 Asset-Backed Notes, $190.2 million of SBA debentures payable and $50.0 million of borrowings outstanding on the Wells Facility. We had no borrowings outstanding under the Union Bank Facility.

At December 31, 2015, we had $195.2 million in available liquidity, including $95.2 million in cash and cash equivalents. We had available borrowing capacity of approximately $25.0 million under the Wells Facility and $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 December 31, 2015, 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 December 31, 2015, we have issued $190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

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At December 31, 2015, we had approximately $9.2 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 year ended December 31, 2015, 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 year ended December 31, 2015, our operating activities used $114.4 million of cash and cash equivalents, compared to $26.5 million used during the year ended December 31, 2014. This $87.9 million increase in cash used by operating activities resulted primarily from the increase in purchase of investments of approximately $89.5 million and the decrease in net assets resulting from operations of approximately $28.3 million, offset by increases in unrealized depreciation on investments of approximately $15.1 million and decreases in realized gains on investments of approximately $15.0 million.

During the year ended December 31, 2015, our investing activities provided $3.3 million of cash, compared to approximately $6.6 million used during the year ended December 31, 2014. This $9.9 million increase in cash provided by investing activities was primarily due to a decrease in cash classified as restricted cash on assets that are securitized.

During the year ended December 31, 2015, our financing activities used $20.8 million of cash, compared to $8.2 million used during the year ended December 31, 2014. This $12.6 million increase in cash used was primarily due to the repayments of approximately $88.7 million on the Wells Facility and $60.0 million of 2019 Notes. These increases were offset by increases in proceeds from issuance of common stock of $90.3 million as a result of a public offering of 7,590,000 shares on March 27, 2015 and decreases in settlements of Convertible Senior Notes of $53.1 million.

As of December 31, 2015, net assets totaled $717.1 million, with a NAV per share of $9.94. 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 December 31, 2015 our asset coverage ratio under our regulatory requirements as a business development company was 274.8%, 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 219.4% at December 31, 2015.

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**Outstanding Borrowings**

At December 31, 2015 and December 31, 2014, we had the following available borrowings and outstanding amounts:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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 our 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 meeting the borrowing base requirements.

Our net asset value may decline as a result of economic conditions in the United States. Our continued compliance with the covenants under our Credit Facilities, Convertible Senior Notes, 2019 Notes, 2024 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 financing costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized into the Consolidated Statement of Operations as loan fees over the term of the related debt instrument. Prepaid financing costs, net of accumulated amortization, as of December 31, 2015 and December 31, 2014 were as follows:

| (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 |

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**Commitments**

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded 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 our future cash requirements. As such, our disclosure of unfunded contractual commits includes only those which are available at the request of the portfolio company and unencumbered by milestones.

At December 31, 2015, we 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, we had approximately $40.5 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 $86.0 million of non-binding term sheets outstanding to eight 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.

As of December 31, 2015, 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)**

| **Portfolio Company** | **Total Unfunded Commitments** |
|---|---|
| Paratek Pharmaceuticals, Inc. | $ 20,000 |
| NewVoiceMedia Limited | 15,000 |
| Machine Zone, Inc. | 10,000 |
| Aquantia Corp. | 6,499 |
| Message Systems, Inc. | 5,882 |
| Genocea Biosciences, Inc. | 5,000 |
| Antenna79 (p.k.a. Pong Research Corporation) | 4,692 |
| Druva, Inc. | 3,000 |
| Flowonix Medical | 2,000 |
| Cranford Pharmaceuticals, LLC | 1,900 |
| Zoom Media Group, Inc. | 940 |
| Touchcommerce, Inc. | 489 |
| **Total** | $ 75,402 |

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**Contractual Obligations**

The following table shows our contractual obligations as of December 31, 2015:

| | Payments due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations[(1)(2)]** | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **After 5 years** |
| Borrowings[(3)(4)] | $ 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 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 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 and $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.

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.

**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 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.

**Borrowings**

*Long-Term SBA Debentures*

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. 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 our 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 we held investments in HT II in 32 companies with a fair value of approximately $79.5 million, accounting for approximately 6.6% of our total portfolio. HT II held approximately $128.3 million in assets and accounted for approximately 7.6% of our total assets prior to consolidation at December 31, 2015.

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On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With our net investment of $74.5 million in HT III as of 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 commitment fees and facility fees of approximately $1.5 million and $3.6 million, respectively. As of December 31, 2015, we held investments in HT III in 44 companies with a fair value of approximately $255.9 million accounting for approximately 21.3% of our 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.

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 our wholly-owned subsidiaries HT II and HT III, we plan to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

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

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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:

| | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|---|---|---|
| **(in thousands)** | | |
| 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 December 31, 2015, 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 December 31, 2015, we have issued $190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We reported the following SBA debentures outstanding on our 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, we and U.S. Bank National Association (the 2019 Trustee ) entered into an indenture (the Base Indenture ). On April 17, 2012, we and the 2019 Trustee entered into the First Supplemental Indenture to the Base Indenture (the First Supplemental Indenture ), dated April 17, 2012, relating to our issuance, offer and sale of $43.0 million aggregate principal amount of 7.00% 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, we reopened our 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, we 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 our 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.

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

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

The Base Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants requiring our compliance with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) 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 we 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 us 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 our option at any time or from time to time on or after September 30, 2015, upon not less than 30 days nor more

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

The Base Indenture, as supplemented by the Second Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a) (1)(A) 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 we 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 us 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:

| | Year Ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| **(in thousands)** | | |
| 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, we were in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes. See Note 4 to our consolidated financial statements for more detail on the 2019 Notes.

***2024 Notes***

On July 14, 2014, we and U.S. Bank National Association (the 2024 Trustee ), entered into the Third Supplemental Indenture (the Third Supplemental Indenture ) to the Base Indenture between us and the 2024 Trustee, dated July 14, 2014, relating to our 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.

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The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at our 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 our direct unsecured obligations and rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all of 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; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) 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 we provide financial information to the holders of the 2024 Notes and the 2024 Trustee if we 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, we were 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:

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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, we completed a $230.7 million term debt securitization in connection with which an affiliate of ours 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 the 2012 Securitization Issuer pursuant to a note purchase agreement, dated as of December 12, 2012, by and among us, the 2012 Trust Depositor, the 2012 Securitization Issuer, and Guggenheim Securities, LLC, as initial purchaser, and were backed by a pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies and serviced by us.

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As part of this transaction, we entered into a sale and contribution agreement with the 2012 Trust Depositor under which we have agreed to sell or have contributed to the 2012 Trust Depositor certain senior loans made to certain of our portfolio companies (the 2012 Loans ). We have 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:

| | Year Ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| **(in thousands)** | | |
| 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 | $ | $ |

Under the terms of the 2017 Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2017Asset-Backed Notes. We 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, we completed a $237.4 million term debt securitization in connection with which an affiliate of ours 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 the 2014 Securitization Issuer pursuant to a note purchase agreement, dated as of November 13, 2014, by and among us, the 2014 Trust Depositor, the 2014 Securitization Issuer, and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by us. 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, we entered into a sale and contribution agreement with the 2014 Trust Depositor under which we have agreed to sell or have contributed to the 2014 Trust Depositor certain senior loans made to certain of our portfolio companies. We have 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, we have 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 us. 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

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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 us pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. We perform certain servicing and administrative functions with respect to the 2014 Loans. We are 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).

We also serve 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:

| | Year Ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| **(in thousands)** | | |
| 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 |

Under the terms of the 2021 Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. We have 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. See Note 4 to our consolidated financial statements for more detail on the 2021 Asset-Backed Notes.

***Convertible Senior Notes***

In April 2011, we issued $75.0 million in aggregate principal amount of 6.00% convertible senior notes due 2016. During the year ended December 31, 2015, holders of approximately $70,000 of our Convertible Senior Notes exercised their conversion rights. As of 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

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semiannually in arrears on April 15 and October 15 of each year, commencing on October 15, 2011. The Convertible Senior Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding October 15, 2015, holders 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, we will pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The conversion rate 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).

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

The Convertible Senior Notes are accounted for in accordance with ASC Subtopic 470-20 (previously the Financial Accounting Standards Board ( 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, we 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, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 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 us 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 approximately 1.5 million shares of the 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 as described above.

We 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

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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 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:

| | Year Ended December 31, | |
|---|---|---|
| (in thousands) | 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, we are in compliance with the terms of the indentures governing the Convertible Senior Notes. See Note 4 to our consolidated financial statements for more detail on the Convertible Senior Notes.

***Wells Facility***

On June 29, 2015, we, 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 our current operations and personnel and those of 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, we 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 we can increase the credit line up to an aggregate of $300.0 million, funded by additional lenders and with the agreement of Wells Fargo Capital Finance, LLC and subject to other customary conditions. We expect 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.

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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 us and our 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 us 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 we 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, we paid an additional $750,000 in structuring fees and in connection with the amendment in December 2015, we paid an additional $188,000 in structuring fees. These fees are being amortized through the end of the term of the Wells Facility.

We 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:

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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 | $ |

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

***Union Bank Facility***

We have a $75.0 million revolving senior secured credit facility with MUFG Union Bank, N.A. ( MUFG Union Bank ). We 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. We 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 under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously we paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings under the Union Bank Facility, which are

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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%. We continue 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 we may incur.

The Union Bank Facility contains an accordion feature, pursuant to which we 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 we 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 our portfolio companies, and includes an advance rate equal to 50.0% of eligible debt investments placed in the collateral pool.

We have various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that we 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. See Note 4 to our consolidated financial statements for more detail on the Union Bank Facility.

***Citibank Credit Facility***

We, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility with Citigroup which expired under normal terms. During the first quarter of 2009, we paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of debt investments and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal 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, we reduced our realized gain by approximately $143,000 for Citigroup s participation in the realized gain from the acquisition proceeds we received on equity exercised from warrants that were included in the collateral pool. We 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 we received on our Atrenta, Inc. equity investment. The remaining value of their

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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, we have paid Citigroup approximately $2.2 million under the warrant participation agreement thereby reducing 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.

**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 |
| 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 |
| | | | $ 11.54 |

* Dividend paid in cash and stock.

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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 will represent our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $11.54 per share.

Our Board of Directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount that approximates 90 100% of our taxable quarterly income or potential annual income for a particular year. In addition, at the end of the year, 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 year it was earned, or may elect to maintain the option to spill over our excess taxable income into the coming year for 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, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year. Of the dividends declared during the years ended December 31, 2015, 2014 and 2013, 100% were distributions derived from our current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of the tax attributes of our 2016 distributions to stockholders.

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

We expect 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 our 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.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we distribute dividends in respect of each calendar year in a timely manner to our shareholders of an amount at least equal to the Excise Tax Avoidance Requirements. We will not be subject to excise tax on amounts on which we are required to pay corporate income tax (such as retained net capital gains). Depending on the level of taxable income earned in a taxable year, we may choose to carry over taxable income in excess of current taxable year dividend 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 as dividends 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 we choose to carry over taxable income into the next taxable year, dividends declared and paid by us 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.

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.

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We intend to distribute approximately $8.2 million of spillover earnings from ordinary income for the year ended December 31, 2015 to our shareholders in 2016.

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.

**Critical Accounting Policies**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

***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 December 31, 2015, approximately 90.0% 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 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 for a discussion of our investment valuation process.

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Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of December 31, 2015 and as of December 31, 2014. 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 year ended December 31, 2015, there were no transfers between Levels 1 or 2.

| (in thousands)<br>Description | 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) |
|---|---|---|---|---|
| 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)<br>Description | 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) |
|---|---|---|---|---|
| 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. We had $3.6 million of escrow receivable as of December 31, 2014.

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 (Depreciation)[2] | Purchases[5] | Sales | Repayments[6] | Gross Transfers into Level 3[3] | Gross Transfers out of Level 3[3] | 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 |

| (in thousands) | Balance January 1, 2014 | 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, 2014 |
|---|---|---|---|---|---|---|---|---|---|
| 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.

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(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 $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 our Level 3 fair value measurements of our investments as of December 31, 2015 and December 31, 2014. 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.

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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.

| **Investment Type - Level Three Debt Investments** | **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 | 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% |
| | | | Premium/(Discount) | 0.00% | |
| | 1,013 | 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 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 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.

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(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.

| Investment Type-Level Three Debt Investments | Fair Value at December 31, 2014 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input[(a)] | Range | Weighted Average[(b)] |
|---|---|---|---|---|---|
| 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% |
| | | | Premium/(Discount) | 0.00% - 1.00% | |
| | 12,970 | Liquidation[(c)] | Probability weighting of alternative outcomes | 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% |
| | | | Premium/(Discount) | 0.00% - 0.50% | |
| | 27,159 | Liquidation[(c)] | Probability weighting of alternative outcomes | 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% |
| | | | Premium/(Discount) | 0.00% - 1.50% | |
| | 1,600 | Liquidation[(c)] | Probability weighting of alternative outcomes | 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% |
| | | | Premium/(Discount) | 0.00% - 0.50% | |
| | 4,096 | Liquidation[(c)] | Probability weighting of alternative outcomes | 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 our 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 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.

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. In our quarterly and annual reports filed with the commission prior to this Annual Report on Form 10-K for the year ended December 31, 2014, we 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 we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

| **Investment Type-Level Three Equity and Warrant Investments** | **Fair Value at December 31, 2015 (in thousands)** | **Valuation Techniques/ Methodologies** | **Unobservable Input[(a)]** | **Range** | **Weighted Average[(e)]** |
|---|---|---|---|---|---|
| Equity 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% |
| | | | 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 |
| | $ 55,337 | | | | |

**Total Level Three Warrant and Equity Investments**

(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.

| Investment Type-Level Three Equity and Warrant Investments | Fair Value at December 31, 2014 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input[(a)] | Range | Weighted Average[(e)] |
|---|---|---|---|---|---|
| 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 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 December 31, 2015, we 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, 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 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, we 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, we 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.

***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. 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 $4.7 million and $3.3 million in PIK income during the years ended December 31, 2015 and 2014, 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. 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.

***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.

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***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***

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

As a RIC, we will be subject to a 4% U.S. nondeductible federal excise tax on certain undistributed income and gains unless we distribute dividends in a timely manner an amount at least equal to the Excise Tax Avoidance Requirements. 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). Depending on the level of taxable income earned in a taxable year, we may choose to carry over taxable income in excess of current taxable year dividend 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 we choose to carry over taxable income into the next taxable year, dividends declared and paid by us 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.

We intend to distribute approximately $8.2 million of spillover earnings from ordinary income for the year ended December 31, 2015 to our shareholders in 2016. We distributed 100% of our spillover from long term capital gains for the taxable year ended December 31, 2014 to our shareholders during 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 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. 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.

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***Recent Accounting Pronouncements***

In February 2015, the FASB issued Accounting Standards Updated ( 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 variable interest entities ( VIE ) guidance. We currently consolidate all VIEs of which we are the primary beneficiary, thus we do not anticipate a material impact from adopting this standard on our 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 our 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 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.

**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 our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $11.54 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 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.

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*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 February 22, 2016, we have:

- Closed debt and equity commitments of approximately $126.4 million to new and existing portfolio companies and funded approximately $98.4 million since the close of the fourth quarter.

- Pending commitments (signed non-binding term sheets) of approximately $143.5 million.

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

| **Closed Commitments and Pending Commitments (in millions)** | |
|---|---|
| Q1-16 Closed Commitments (as of February 22, 2016)[a] | $ 126.4 |
| Pending Commitments (as of February 22, 2016)[b] | 143.5 |
| **Year to date 2016 Closed and Pending Commitments** | $ 269.9 |

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 do not necessarily represent any future cash requirements.

*Portfolio Company Developments*

As of February 22, 2016, we 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 JOBS Act. There can be no assurance that these companies will complete their initial public offerings 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 changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of December 31, 2015, approximately 93.7% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of December 31, 2015, 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) | $ (2,677) | $ (200) | $ (2,477) |
| 100 | $ 8,640 | $ 313 | $ 8,328 |
| 200 | $ 19,186 | $ 625 | $ 18,561 |
| 300 | $ 30,668 | $ 938 | $ 29,730 |
| 400 | $ 42,357 | $ 1,250 | $ 41,107 |
| 500 | $ 54,197 | $ 1,563 | $ 52,634 |

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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 currencies), they may also limit our ability to participate in the benefits of lower interest rates (and foreign currencies) with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the year ended December 31, 2015, 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, Convertible Senior Notes, 2019 Notes, 2024 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, Convertible Senior Notes, 2019 Notes, 2024 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 Annual Report, 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 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.

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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 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 ( the COSO Framework ). 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 Annual Report on Form 10K.

***Changes in Internal Control over Financial Reporting in 2015***

There have been no changes in the Company s internal control over financing reporting, as defined in Rules 13a-15(f) and 15d-15(f) of 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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## SENIOR SECURITIES

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. 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** | | | |
| 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 |
| **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 |
| **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[6] | $ 41,200,000 | $ 31,981 | 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 |
| December 31, 2015[6] | $ 149,000,000 | $ 8,843 | 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(6) | $ 17,604,000 | $ 74,847 | $ 1,110 |
| **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(6) | $ 64,489,500 | $ 20,431 | $ 1,017 |
| **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(6) | $ 45,875,000 | $ 28,722 | $ 1,009 |
| **2024 Notes** | | | |
| December 31, 2014 | $ 103,000,000 | $ 12,614 | $ 1,010 |
| December 31, 2015(6) | $ 103,000,000 | $ 12,792 | $ 1,014 |
| **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(6) | | | |
| **2021 Asset-Backed Notes** | | | |
| December 31, 2014 | $ 129,300,000 | $ 10,048 | $ 1,000 |
| December 31, 2015(6) | $ 129,300,000 | $ 10,190 | $ 996 |
| **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 | 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(6) | $ 600,468,500 | $ 2,194 | 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 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.

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(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 December 31, 2015 our asset coverage ratio under our regulatory requirements as a business development company was 274.8% 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 Unite 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%.

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**SUPPLEMENT TO CERTAIN UNITED STATES INCOME TAX CONSIDERATIONS**

The following summary of U.S. federal income tax considerations supplements the discussion set forth under the heading Certain United States Income Tax Considerations in the accompanying prospectus and is subject to the qualifications and assumptions set forth therein.

The recently enacted Protecting Americans from Tax Hikes Act of 2015, or PATH Act, has (i) made permanent the rules that exempt certain non-U.S. stockholders from withholding with respect to interest-related dividends or short-term capital gains dividends, as described under the heading Certain United States Income Tax Considerations Taxation of Non-U.S. Stockholders in the accompanying prospectus, and (ii) reduced the recognition period (from ten years to five years) during which we could be subject to corporate-level tax on built-in gains if we were to fail to qualify as a RIC and subsequently requalify, as described under the heading Certain United States Income Tax Considerations Failure to Qualify as a Regulated Investment Company in the accompanying prospectus.

In addition, with respect to the legislation commonly referred to as the Foreign Account Tax Compliance Act, or FATCA, that is discussed under the heading Certain United States Income Tax Considerations Taxation of Non-U.S. Stockholders in the accompanying prospectus, the Internal Revenue Service has issued a Notice that extends the date after which withholding begins for gross proceeds from December 31, 2016, to December 31, 2018.

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## LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, DC. Certain legal matters in connection with the securities offered hereby will be passed upon for JMP Securities by Skadden, Arps, Slate, Meagher & Flom LLP.

## 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 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. 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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**HERCULES CAPITAL, INC.**

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

**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

**(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 |

| | | | | |
|---|---|---|---|---|
| **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.

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**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 |
| 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | 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 |
| **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 |
| 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 December 31, | | |
|---|---|---|---|
| | **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) | | |
| 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 |

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**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) |
|---|---|---|---|---|---|---|---|
| **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 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 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 |
| 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 |

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**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) |
|---|---|---|---|---|---|---|---|
| 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 & 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 |
| 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 | 25,507 | 25,550 |
| 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 |
| Insmed, 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 |
| **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 |

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**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] |
|---|---|---|---|---|---|---|---|
| **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 |
| | 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. | | | | | $ 32,000 | 32,085 | 32,032 |
| Modumetal, Inc.[13] | 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. | | | | | $ 8,820 | 9,163 | 9,112 |
| Polyera Corporation(13) | 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 |
| 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 |

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**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] |
|---|---|---|---|---|---|---|---|
| **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** | | | | | | | |
| 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 |
| | | | | | $ 2,021 | 1,995 | 1,972 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95% | | | |
| 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 |
| 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 |



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**(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] |
|---|---|---|---|---|---|---|---|
| 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%, PIK Interest 3.00% | $ 90,729 | 88,730 | 88,101 |
| **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] | | Senior Secured | | | $ 576 | $ 735 | $ 735 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Medical Devices & Equipment | | March 2016 | Interest rate PRIME + 7.85% or Floor rate of 11.10% | | | |
| 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 |

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**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] |
|---|---|---|---|---|---|---|---|
| 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 |
| 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% 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 |

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**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] |
|---|---|---|---|---|---|---|---|
| **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 |
| 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 | | | $ 15,000 | 14,699 | 14,646 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | February 2018 | Interest rate PRIME + 4.75% 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% 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** | | | | | | | |

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**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] |
|---|---|---|---|---|---|---|---|
| **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% or Floor rate of 10.80%, PIK Interest 1.35% | $ 10,041 | 10,164 | 10,235 |
| 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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**(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] | 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 |
| Revance 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) | 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 |

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**(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] | 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. 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 |
| **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 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 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Equity | Preferred Series E | 221,893 | 1,500 | 1,953 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(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 |
| **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 | |
| **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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| 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 |
| **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** | | | | | | |
| Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe)[3][14] | Diagnostic | Warrant | Common Stock | 333,333 | 244 | 17 |
| **Subtotal: Diagnostic (0.00%)*** | | | | | 244 | 17 |

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**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) | Series | Shares | Cost(2) | Value(3) |
|---|---|---|---|---|---|---|
| **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 |
| 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) | | Warrant | Common Stock | 214,853 | 164 | 40 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Drug Discovery & Development | | | | | |
| 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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Series | Shares | Cost(2) | Value(3) |
|---|---|---|---|---|---|---|
| Paratek Pharmaceutcals, 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 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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| 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 | |
| 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] | | Warrant | Preferred Series C | 245,610 | 20 | 82 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Internet Consumer & Business Services | | | | | |
| 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 |

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**(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] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| **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 |
| 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 |
| 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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| **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 |
| 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 |
| **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 |

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

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(dollars in thousands)**

* 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) 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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**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] |
|---|---|---|---|---|---|---|---|
| **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 |
| Flux, Inc.[8] | Consumer & Business Products | Convertible Senior Note | March | Interest rate FIXED 4.00% | $ 100 | 100 | 100 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2017 | | | | |
| 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 |

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**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] |
|---|---|---|---|---|---|---|---|
| **Drug Delivery** | | | | | | | |
| **Under 1 Year Maturity** | | | | | | | |
| Revance 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 Revance 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 |
| 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 | Interest rate PRIME + 7.25% or Floor rate of 10.50% | $ 5,000 | 4,916 | 4,916 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2017 | | | | |
| | 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 |

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**(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) |
|---|---|---|---|---|---|---|---|
| **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% or Floor rate of 8.75%, PIK Interest 1.95% | $ 5,000 | 4,879 | 4,933 |
| | Drug Discovery & Development | Senior Secured | December 2017 | 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 |

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**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) |
|---|---|---|---|---|---|---|---|
| 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 |
| 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 & | Senior | January | Interest rate PRIME + | $ 10,000 | 9,751 | 9,697 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Development | Secured | 2018 | 5.75% or Floor rate of 9.00% | | | |
| 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 Uniqure 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)** | | | | | | | |

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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] |
|---|---|---|---|---|---|---|---|
| **Under 1 Year Maturity** | | | | | | | |
| Glori Energy, Inc.[10][12] | Sustainable and Renewable Technology | Senior Secured | June 2015 | Interest rate PRIME + 6.75% or Floor rate of 10.00% | $ 1,778 | $ 2,042 | $ 2,042 |
| Scifiniti (pka Integrated Photovoltaics, Inc.)[13] | Sustainable and Renewable Technology | Senior Secured | February 2015 | 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 | Senior Secured | March 2017 | Interest rate PRIME + | $ 1,500 | 1,446 | 1,446 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Technology | | | 7.75% or Floor rate of 11.00% | | | |
| | 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 |
| 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 |

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**(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] |
|---|---|---|---|---|---|---|---|
| **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 |
| **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. | | | | | $ 24,625 | 24,103 | 24,103 |
| InXpo, Inc.(12)(13) | Information Services | Senior Secured | July 2016 | Interest rate PRIME + 7.75% 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 | |

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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] |
|---|---|---|---|---|---|---|---|
| | Internet Consumer & Business Services | Senior Secured | September 2015 | Interest rate FIXED 10.00% | $ 381 | $ 373 | $ |
| Total NetPlenish | | | | | $ 470 | 462 | |
| Reply! Inc.[10][11][12] | Internet Consumer & Business Services | Senior Secured | September 2015 | Interest rate PRIME + 6.88% 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 |
| Tectura Corporation[7][11][15] | Internet Consumer & Business Services | Senior Secured | May 2014 | Interest rate LIBOR + 10.00% or Floor rate of 13.00% | $ 563 | 563 | 121 |
| | Internet Consumer & Business Services | Senior Secured | May 2014 | Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00% | $ 9,070 | 9,070 | 1,511 |
| | Internet Consumer & Business Services | Senior Secured | May 2014 | Interest rate LIBOR + 10.00% or Floor rate of 13.00% | $ 5,000 | 5,000 | 1,074 |
| | Internet Consumer & Business | Senior | May | Interest rate LIBOR + 10.00% or Floor rate of 13.00% | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Services | Secured | 2014 | | $ 6,468 | 6,468 | 1,390 |
| 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% or Floor rate of 12.50%, PIK Interest 1.50% | $ 20,563 | 20,546 | 20,559 |
| Gazelle, Inc.(11)(13) | Internet Consumer & Business Services | Senior Secured | July 2017 | Interest rate PRIME + 7.00% or Floor rate of 10.25%, PIK Interest 2.50% | $ 13,712 | 13,498 | 13,498 |
| Just Fabulous, Inc.(10)(12) | Internet Consumer & Business Services | Senior Secured | February 2017 | Interest rate PRIME + 8.25% or Floor rate of 11.50% | $ 15,000 | 14,468 | 14,768 |
| Lightspeed POS, Inc.(4)(9)(10) | Internet Consumer & Business Services | Senior Secured | May 2018 | Interest rate PRIME + 3.25% or Floor rate of 6.50% | $ 2,000 | 1,985 | 1,994 |

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**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) |
|---|---|---|---|---|---|---|---|
| Reply! Inc.(10)(11)(12) | Internet Consumer & Business Services | Senior Secured | February 2016 | Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 2.00% | $ 2,721 | $ 2,658 | $ 1,548 |
| Tapjoy, Inc.(12) | Internet Consumer & Business Services | Senior Secured | July 2018 | 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/ Info | Senior Secured | December 2015 | Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 3.75% | $ 2,510 | 2,466 | 2,466 |
| | Media/Content/ Info | Senior Secured | December 2015 | Interest rate PRIME + 5.25% 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/ Info | Senior Secured | April 2018 | Interest rate PRIME + 5.25% 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 |
| Oraya 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 |

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**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] |
|---|---|---|---|---|---|---|---|
| **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 |
| 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 | Interest rate PRIME + 7.75% or Floor rate of 11.00% | $ 875 | 1,200 | 1,209 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2016 | | | | |
| 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 |

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**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] |
|---|---|---|---|---|---|---|---|
| **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 |
| 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% or Floor rate of 8.50% | $ 1,500 | 1,504 | 1,487 |

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**(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) |
|---|---|---|---|---|---|---|---|
| Soasta, Inc.(12)(13) | Software | Senior Secured | February 2018 | Interest rate PRIME + 4.75% or Floor rate of 8.00% | $ 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 |
| **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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**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)] | 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. | | Equity | Preferred Series B | 3,334,445 | 1,000 | 922 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Drug Discovery & Development | | | | | |
| 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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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2014**

**(dollars in thousands)**

| 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 |
| **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 |
| 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 |

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**(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] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| **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 | | |
| 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 |
| **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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2014**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| 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 |
| **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 |
| **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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2014**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Series | Shares | Cost(2) | Value(3) |
|---|---|---|---|---|---|---|
| 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 Pharmaceutcals, 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 |
| **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 |

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**(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] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Fulcrum Bioenergy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series C-1 | 280,897 | $ 275 | $ 135 |
| 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 | |
| **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 |

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**(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] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| 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 | |
| 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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2014**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| 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][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 |
| **Subtotal: Medical Devices & Equipment (0.49%)*** | | | | | 6,761 | 3,216 |
| **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%)*** | | | | | 174 | 41 |
| **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 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2014**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| 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%)*** | | | | | 4,753 | 4,083 |
| **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 | |
| **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.

(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.

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**December 31, 2014**

**(dollars in thousands)**

(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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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Description of Business and Basis of Presentation

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.

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.

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**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 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, 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 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)<br>Description | 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) |
|---|---|---|---|---|
| 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)<br>Description | 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) |
|---|---|---|---|---|
| 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.

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 (Depreciation)[(2)] | Purchases[(5)] | Sales | Repayments[(6)] | Gross Transfers into Level 3[(3)] | Gross Transfers out of Level 3[(3)] | 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 |

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| (in thousands) | Balance January 1, 2014 | 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, 2014 |
|---|---|---|---|---|---|---|---|---|---|
| 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 $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 Debt Investments | 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 | 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% |
| | | | Premium/(Discount) | 0.00% | |
| | 1,013 | 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 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 Debt Investments | Fair Value at December 31, 2014 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input[a] | Range | Weighted Average[b] |
|---|---|---|---|---|---|
| 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% |
| | | | Premium/(Discount) | 0.00% - 1.00% | |
| | 12,970 | Liquidation[c] | Probability weighting of alternative outcomes | 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% |
| | | | Premium/(Discount) | 0.00% - 0.50% | |
| | 27,159 | Liquidation[c] | Probability weighting of alternative outcomes | 10.00% - 90.00% | |
| Sustainable and Renewable | 4,437 | Originated Within 6 Months | Origination Yield | 13.85% - 21.57% | 19.00% |
| Technology | 52,949 | Market Comparable Companies | Hypothetical Market Yield | 13.20% - 16.62% | 15.41% |
| | | | Premium/(Discount) | 0.00% - 1.50% | |
| | 1,600 | Liquidation[c] | Probability weighting of alternative outcomes | 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% |
| | | | Premium/(Discount) | 0.00% - 0.50% | |
| | 4,096 | Liquidation[c] | Probability weighting of alternative outcomes | 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.

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 Equity and Warrant Investments | Fair Value at December 31, 2015 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input[a] | Range | Weighted Average[e] |
|---|---|---|---|---|---|
| Equity 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% |
| | | | 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 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 Equity and Warrant Investments | Fair Value at December 31, 2014 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input[(a)] | Range | Weighted Average[(e)] |
|---|---|---|---|---|---|
| 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.

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 receivables which have been accrued to principal as earned. The Company then applies the valuation methods as set forth below.

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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)* | | Year Ended December 31, 2015 | | | | |
|---|---|---|---|---|---|---|
| **Portfolio Company** | **Type** | **Fair Value at December 31, 2015** | **Investment Income** | **Net Change in Unrealized Appreciation/ (Depreciation)** | **Reversal of Unrealized Appreciation/ (Depreciation)** | **Realized Gain/ (Loss)** |
| Optiscan BioMedical, Corp. | Affiliate | $ 6,973 | $ | $ 901 | $ | $ |
| Stion Corporation | Affiliate | 1,013 | 348 | 206 | | |
| **Total** | | $ 7,986 | $ 348 | $ 1,107 | $ | $ |

| *(in thousands)* | | Year Ended December 31, 2014 | | | | |
|---|---|---|---|---|---|---|
| **Portfolio Company** | **Type** | **Fair Value at December 31, 2014** | **Investment Income** | **Net Change in Unrealized Appreciation/ (Depreciation)** | **Reversal of Unrealized Appreciation/ (Depreciation)** | **Realized Gain/ (Loss)** |
| 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)* | | Year Ended December 31, 2013 | | | | |
|---|---|---|---|---|---|---|
| **Portfolio Company** | **Type** | **Fair Value at December 31, 2013** | **Investment Income** | **Net Change in Unrealized Appreciation/ (Depreciation)** | **Reversal of Unrealized Appreciation/ (Depreciation)** | **Realized Gain/ (Loss)** |
| Gelesis, Inc. | Affiliate | $ 473 | $ | $ (1,193) | $ | $ |
| 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:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in thousands) | 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% |
| 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% |

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No single portfolio investment represents more than 10% of the fair value of the investments as of December 31, 2015 and December 31, 2014.

***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 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

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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 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

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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. 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.

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***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 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.

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***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 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 anticipates 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

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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 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 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 |

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**(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 |
| **Total** | $ 644,540 | $ | $ 430,693 | $ 213,847 |

(1) As of April 16, 2015, the 2017 Asset-Backed Notes were fully repaid.

## 4. Borrowings

***Outstanding Borrowings***

At December 31, 2015 and December 31, 2014, the Company had the following available borrowings and outstanding borrowings:

| (in thousands) | December 31, 2015 Total Available | December 31, 2015 Carrying Value(1) | December 31, 2014 Total Available | December 31, 2014 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.

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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.

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%.

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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 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.

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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 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.

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*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.

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:

| | **Year Ended December 31,** | |
|---|---|---|
| **(in thousands)** | **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 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:

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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-

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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 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 | Year Ended December 31, 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 | $ | $ |

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 2017Asset-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.

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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 (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:

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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 |

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 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%.

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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 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:

| | Year Ended December 31, | |
|---|---|---|
| (in thousands) | 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

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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.

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.

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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:

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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 | $ |

***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 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

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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 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:

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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.

| | Year Ended December 31, | |
|---|---|---|
| **(in thousands)** | **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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**6. Shareholders Equity.**

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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**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 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-

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term awards vest one-half on the one year anniversary of the date of the grant and quarterly over the succeeding 12 months, and long-term awards vest one-fourth on the one year anniversary of the date of grant and quarterly over the succeeding 36 months. 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** | | | |
|---|---|---|---|---|---|---|---|---|
| **Range of exercise prices** | **Number of shares** | **Weighted average remaining contractual life** | **Aggregate Intrinsic value** | **Weighted average exercise price** | **Number of shares** | **Weighted average remaining contractual life** | **Aggregate Intrinsic value** | **Weighted average exercise price** |
| $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 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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**8. Earnings Per Share**

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

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except per share data)** | **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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### 9. Financial Highlights

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:

| | Payments due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations**[1][2] | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **After 5 years** |
| Borrowings[3][4] | $ 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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**12. Concentrations of Credit Risk**

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.

| | Quarter Ended | | | |
|---|---|---|---|---|
| **(in thousands, except per share data)** | **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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## $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.

**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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Hercules Technology Growth Capital, Inc., our logo and other trademarks of Hercules Technology Growth Capital, Inc. mentioned in this prospectus are the property of Hercules Technology Growth Capital, Inc. All other trademarks or trade names referred to in this prospectus are the property of their respective owners.

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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, 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.

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## FEES AND EXPENSES

The following table is intended to assist you in understanding the various costs and expenses that an investor in our common stock 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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## 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 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.*

| | For the Six Months Ended June 30, (unaudited) | | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **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) 2015 | 2014 | For the Years Ended December 31, 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:

| | June 30, 2015 | |
|---|---|---|
| **(in thousands)** | **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.

***Cyclicality within 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.