

Hercules Capital, Inc.  
Form 497  
May 10, 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 May 5, 2016, was \$11.95 per share. The net asset value per share of our common stock at March 31, 2016 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$9.81.

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 2,090,369 shares of our common stock under the equity distribution agreement for net proceeds of approximately \$25.7 million. As a result, 5,909,631 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-27 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.

## Edgar Filing: Hercules Capital, Inc. - Form 497

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](http://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](http://www.sec.gov) that contains such information.

**An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See 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 May 10, 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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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.

<b>Stockholder Transaction Expenses (as a percentage of the public offering price):</b>	
Sales load (as a percentage of offering price) <sup>(1)</sup>	2.00%
Offering expenses	0.41% <sup>(2)</sup>
Dividend reinvestment plan fees	<sup>(3)</sup>
<b>Total stockholder transaction expenses (as a percentage of the public offering price)</b>	<b>2.41%</b>
<b>Annual Expenses (as a percentage of net assets attributable to common stock):<sup>(4)</sup></b>	
Operating expenses	6.02% <sup>(5)(6)</sup>
Interest and fees paid in connection with borrowed funds	4.45% <sup>(7)</sup>
<b>Total annual expenses</b>	<b>10.47%<sup>(8)</sup></b>

- (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 three months ended March 31, 2016, which is approximately \$719.9 million.
- (5) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the three months ended March 31, 2016, including all fees and expenses of our consolidated subsidiaries and excluding interest and fees on indebtedness. This percentage for the year ended December 31, 2015 was 6.45%. 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 estimated interest and fee payments on borrowed funds by annualizing our actual interest, fees and credit facility expenses incurred for the three months ended March 31, 2016, 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. This percentage for the year ended December 31, 2015 was 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 10.47% 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.

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 124	\$ 307	\$ 471	\$ 811

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

We also make investments in qualifying small businesses through 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 March 31, 2016, 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 March 31, 2016, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 34 professionals who have, on average 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

**Our Market Opportunity**

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



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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 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.

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**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.

**Recent Developments**

***Dividend Declaration***

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

***Convertible Senior Notes***

The Convertible Senior Notes were convertible into shares of our common stock beginning October 15, 2015 until the close of business on the scheduled trading day immediately preceding the April 15, 2016 maturity date. Subsequent to March 31, 2016 approximately \$17.4 million of the Convertible Senior Notes were converted

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pursuant to the conversion procedures as set forth in the indenture governing the Convertible Senior Notes and were settled in April 2016 with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 137,854 shares of our common stock. The remaining Convertible Senior Notes outstanding were fully repaid at maturity on April 15, 2016.

#### *Wells Facility*

On April 7, 2016, we entered into a further amendment to the Wells Facility that amended the concentration limits on eligible assets in the collateral pool and added Everbank Commercial Finance, Inc. as a lender of the facility, expanding the available commitment to \$120.0 million under the accordion feature.

#### *2024 Notes*

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of our 6.25% unsecured notes due 2024 (the Additional 2024 Notes). The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallocments. The Additional 2024 Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$103.0 million in aggregate principal amount of the 6.25% unsecured notes due 2024 that we initially issued on July 14, 2014 (the Existing 2024 Notes).

The Existing 2024 Notes currently trade on the NYSE under the symbol HTGX and it is anticipated that the additional \$65.4 million in aggregate principal amount of the Additional 2024 Notes will trade under the same symbol. The Existing 2024 Notes and the Additional 2024 Notes will mature on July 30, 2024, and may be redeemed in whole or in part at any time or from time to time at our option on or after July 30, 2017. The Additional 2024 Notes will bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30, of each year, beginning July 30, 2016. We intend to invest the net proceeds of this public offering to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

#### *ATM Issuances*

Subsequent to March 31, 2016 and as of May 5, 2016, we sold 331,000 shares of common stock for total accumulated net proceeds of approximately \$4.0 million under our ATM equity distribution agreement with JMP. As of May 5, 2016 approximately 5.9 million shares remain available for issuance and sale under the equity distribution agreement.

#### *Credit Rating*

On April 26, 2016, Standard and Poor's assigned a BBB- credit rating to our 2024 Notes and 2019 Notes.

#### *Portfolio Company Developments*

As of May 5, 2016, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All four 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.

On May 2, 2016, Bind Therapeutics, Inc. ( BIND ), a portfolio company, filed for Voluntary Chapter 11 Bankruptcy Protection in the District of Delaware. In that filing, BIND claims it will pursue strategic and financial alternatives to continue as a going concern and that their cash and assets exceed the loan amount due to



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us. Our agreements with BIND have affirmative and negative covenants and events of defaults customary for a senior secured lending transaction of this nature. As of the date of these financial statements, we believe that BIND has the ability to meet its Secured Obligations and given that BIND is current on all payments, our investment in BIND remains on accrual basis.

**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](http://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](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.



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The 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. The selected financial and other data for the three months ended March 31, 2016 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

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

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

  

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



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**THE OFFERING**

Common stock offered by us	Up to 8,000,000 shares of our common stock. As of the date of this prospectus supplement, 2,090,369 shares of common stock have been issued and sold pursuant to the equity distribution agreement and 5,909,631 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	73,664,846 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**

*Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our securities. The risks set out below and in the accompanying prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. The risk factors described below, together with those set forth in the accompanying prospectus, are the principal risk factors associated with an investment in our securities, 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**

*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 May 5, 2016, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$110.4 million in aggregate principal amount of 7.00% notes due 2019 (the 2019 Notes ), approximately \$175.9 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 May 5, 2016, we had no outstanding borrowings under either our Wells Facility or 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.



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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.

***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 May 5, 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

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be no assurance that there will be sufficient debenture funding available at the times desired by our SBIC subsidiaries.

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

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

As a publicly traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act 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 March 31, 2016, approximately 63.1% of the fair value of our portfolio was composed of investments in four industries: 24.9% was composed of investments in the drug discovery and development industry, 13.8% was comprised of investments in the sustainable and renewable technology industry, 12.2% was composed of investments in the software industry, and 12.2% was composed of investments in the drug delivery industry.

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

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adversely impact our portfolio companies. We are unable to predict whether any such changes in laws, rules or regulations will occur and, if they do occur, the impact of these changes on our portfolio companies and our investment returns. Furthermore, if any of our portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Our portfolio companies may be subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace.

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

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

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

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

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

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

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

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

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

Some of our portfolio companies in the healthcare industry are subject to risks associated with the pricing for prescription drugs. It is uncertain whether customers of our healthcare industry portfolio companies will continue to utilize established prescription drug pricing methods, or whether other pricing benchmarks will be adopted for establishing prices within the industry. Legislation may lead to changes in the pricing for Medicare

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and Medicaid programs. Regulators have conducted investigations into the use of prescription drug pricing methods for federal program payment, and whether such methods have inflated drug expenditures by the Medicare and Medicaid programs. Federal and state proposals have sought to change the basis for calculating payment of certain drugs by the Medicare and Medicaid programs. Any changes to the method for calculating prescription drug costs may reduce the revenues of our portfolio companies in the healthcare industry which could in turn impair their ability to timely make any principal and interest payments owed to us.

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

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

***The disposition of our investments may result in contingent liabilities.***

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

### **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.

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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. We are not seeking an extension of the stockholder authorization to issue common stock at a price below net asset value per share at our 2016 Annual Meeting of Stockholders, but we may seek such authorization at a future Annual Meeting or at Special Meetings 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 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 or during the quarter ended March 31, 2016.

*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

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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 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 5,909,631 shares available of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of \$11.95 per share for our common stock on the NYSE as of May 5, 2016 we estimate that the net proceeds of this offering will be approximately \$69.1 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 earn 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. On March 7, 2016, we entered into an amended and restated equity distribution agreement, with JMP Securities, or the Equity Distribution Agreement, to continue the at-the-market program. During the period from August 16, 2013 through the date of this prospectus supplement, 2,090,369 shares of common stock have been issued and sold pursuant to the Equity Distribution Agreement and 5,909,631 shares of common stock remain available for sale. Gross proceeds raised were approximately \$26.6 million, offset by related underwriting fees (\$532,000) and offering expenses (approximately \$350,000) resulted in net proceeds of approximately \$25.7 million or an average price per share of approximately \$12.31.

**Table of Contents****Index to Financial Statements****PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on the NYSE under the symbol HTGC.

The following table sets forth the range of high and low sales prices of our common stock, the sales price as a percentage of net asset value and the dividends declared by us for each fiscal quarter. The stock quotations are interdealer quotations and do not include markups, markdowns or commissions.

	NAV <sup>(1)</sup>	Price Range		Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Dividend per Share
		High	Low			
<b>2014</b>						
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
<b>2015</b>						
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
<b>2016</b>						
First quarter	\$ 9.81	\$ 12.39	\$ 10.03	26.3%	2.2%	\$ 0.310
Second Quarter (through May 5, 2016)	*	\$ 12.47	\$ 11.60	*	*	\$ 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.

The last reported price for our common stock on May 5, 2016 was \$11.95 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:

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

\* Dividend paid in cash and stock.

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

Our Board of Directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount that approximates 90-100% of our taxable quarterly income or potential annual income for a particular 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. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. Of the dividends declared during the year ended December 31, 2015, 100% were distributions derived from our current and accumulated earnings and profits.

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

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 Subchapter M of 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 generally at least equal to the sum of (1) 98% of our ordinary income for each calendar year,

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(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 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.

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

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.

**Table of Contents****Index to Financial Statements****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 5,909,631 shares available at a price of \$11.95 per share (the last reported sale price per share of our common stock on the NYSE on May 5, 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 \$11.95, 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 March 31, 2016:

on an actual basis; and

on an as adjusted basis giving effect to the transactions noted above and the assumed sale of the 5,909,631 available shares of our common stock at a price of \$11.95 per share (the last reported sale price per share of our common stock on the NYSE on May 5, 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.

	<b>As of March 31, 2016</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(in thousands)</b>	
Investments at Fair Value	\$ 1,291,310	\$ 1,291,310
Cash & cash equiv.	\$ 13,478	\$ 82,636
Debt:		
Accounts payable and accrued liabilities	\$ 12,086	\$ 12,086
Long-term SBA borrowings	186,997	186,997
Long-term Liabilities (Convertible Senior Notes)	17,572	17,572
Wells Facility	61,003	61,003
2019 Notes	108,339	108,339
2024 Notes	100,211	100,211
Asset-Backed Notes	127,227	127,227
<b>Total Debt</b>	<b>\$ 613,435</b>	<b>\$ 613,435</b>
Stockholders' equity:		
Common Stock, par value \$0.001 per share; 100,000,000 shares authorized; 64,182,438 shares issued and outstanding, actual 72,182,438 shares issued and outstanding, as adjusted, respectively	\$ 74	\$ 80
Capital in Excess of Par	761,565	830,717
Unrealized appreciation (depreciation) on investments	(54,142)	(54,142)
Accumulated realized gains (losses) on investments	23,525	23,525
Distributions in excess of investment income	(12,642)	(12,642)
<b>Total stockholders' equity</b>	<b>\$ 718,380</b>	<b>\$ 787,538</b>
<b>Total capitalization</b>	<b>\$ 1,331,815</b>	<b>\$ 1,400,973</b>



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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 May 5, 2016, 2,090,369 shares of common stock were issued and sold pursuant to the equity distribution agreement for net proceeds of approximately \$25.7 million. As a result, 5,909,631 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 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 Investment Company Act of 1940, as amended (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 small business investment companies ("SBICs"). Our SBIC subsidiaries, Hercules Technology II, L.P. ("HT II") and Hercules Technology III, L.P. ("HT III"), hold approximately \$111.6 million and \$289.1 million in assets, respectively, and accounted for approximately 6.6% and 17.1% of our total assets, respectively, prior to consolidation at March 31, 2016. As of March 31, 2016, the maximum statutory limit on the dollar amount of combined outstanding Small Business Administration ("SBA") guaranteed debentures is \$350.0 million, subject to periodic

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adjustments by the SBA. In aggregate, at March 31, 2016, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We have qualified as and have elected to be treated for tax purposes as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended (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 ( BDC ) under the 1940 Act. As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, which includes securities of private U.S. companies, cash, cash equivalents and high-quality debt investments that mature in one year or less.

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

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

**Portfolio and Investment Activity**

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

***Portfolio Activity***

Our investments in portfolio companies take a variety of forms, including unfunded contractual commitments and funded investments. From time to time, unfunded contractual commitments depend upon a portfolio company reaching certain milestones before the debt commitment is available to the portfolio company,

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

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

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

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

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

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

(3) Funded amounts include borrowings on revolving facilities.

We receive payments in our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the three months ended March 31, 2016, we received approximately \$76.4 million in aggregate principal repayments. Of the approximately \$76.4 million of aggregate principal repayments, approximately \$21.4 million were scheduled principal payments and approximately \$55.0 million were early principal repayments related to 16 portfolio companies. Of the

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approximately \$55.0 million early principal repayments, none were early repayments due to merger and acquisition transactions or initial public offerings ( IPOs ).

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

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

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

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

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

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

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As of March 31, 2016, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All four 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 initial public offerings will do so in a timely manner or at all.

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

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

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

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

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to 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 \$1.7 million and \$907,000 in PIK income in the three months ended March 31, 2016 and 2015, respectively.

The core yield on our debt investments, which excludes any benefits from the fees and income related to early loan repayment acceleration of unamortized fees and income as well as prepayment of fees and includes income from expired commitments, was 12.9% and 12.8% during the three months ended March 31, 2016 and 2015, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time event fees, was 13.2% and 12.9% for the three months ended March 31, 2016 and 2015, respectively. The effective yield is

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derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders.

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

***Portfolio Composition***

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

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

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

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



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

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

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

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

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

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

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control, which, in general, includes a company in which we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an

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affiliate of a company in which we have invested if we own 5% or more, but generally less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

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

(in thousands)

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

(in thousands)

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

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

*Portfolio Grading*

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

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

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

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

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

**Results of Operations**

**Comparison of periods ended March 31, 2016 and 2015**

***Investment Income***

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

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

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

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

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

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

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

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

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

***Operating Expenses***

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

***Interest and Fees on our Borrowings***

Interest and fees on our borrowings totaled approximately \$8.0 million and \$9.4 million for the three months ended March 31, 2016 and 2015, respectively. Interest and fee expense for the three months ended March 31, 2016 as compared to March 31, 2015 decreased due to lower weighted average principal balances outstanding on our Asset Backed Notes, 2019 Notes and 2024 Notes (together with the 2019 Notes, the Baby Bonds ) along with lower debt issuance costs amortization on our Asset Backed Notes, slightly offset by an increase in the weighted average principal balance outstanding on the Wells Facility.

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

***General and Administrative Expenses***

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

***Employee Compensation***

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by category, excluding net unrealized appreciation (depreciation) on taxes payable, escrow receivables and Citigroup warrant participation, for the three months ended March 31, 2016 and 2015:

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

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

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

***Income and Excise Taxes***

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

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

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

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

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

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

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

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

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

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

<b>(in thousands)</b>	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
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)	
<b>Ending PIK loan balance</b>	<b>\$ 5,149</b>	<b>\$ 6,250</b>

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



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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 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.

**Table of Contents****Index to Financial Statements*****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.

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)
<b>Net realized gains</b>	<b>\$ 5,147</b>	<b>\$ 20,112</b>

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.

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The net unrealized appreciation and depreciation of our investments is based on the fair value of each investment determined in good faith by our Board of Directors. The following table summarizes the change in net unrealized appreciation/depreciation of investments for the 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
<b>Net unrealized appreciation (depreciation) on portfolio investments</b>	<b>\$ (35,732)</b>	<b>\$ (20,674)</b>

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., Cembra, Inc. Celladon Corporation, Egalet Corporation, Everyday Health, and Identiv, Inc. as discussed above. Finally, approximately \$4.0 million is attributed to net unrealized depreciation on our warrant investments which primarily related to \$6.0 million of unrealized depreciation on our private portfolio companies related to declining industry performance offset by the reversal of \$3.2 million of prior period net unrealized depreciation upon being realized as a loss on the liquidation of our investments in thirteen portfolio companies.

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

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

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.

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

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

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

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

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

(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
<b>Total Unrealized Appreciation/(Depreciation)</b>	<b>\$ (14.2)</b>	<b>\$ 11.4</b>	<b>\$ (15.8)</b>	<b>\$ (18.6)</b>

\* 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



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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.

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**Table of Contents****Index to Financial Statements*****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.

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:

<b>(in thousands)</b>	<b>Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
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)
<b>Ending PIK loan balance</b>	<b>\$ 6,250</b>	<b>\$ 5,603</b>

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.



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***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.

***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

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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:

<b>(in thousands)</b>	<b>Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Realized gains	\$ 24,027	\$ 32,577
Realized losses	(3,915)	(17,741)
<b>Net realized gains</b>	<b>\$ 20,112</b>	<b>\$ 14,836</b>

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).

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The net unrealized appreciation and depreciation of our investments is based on the fair value of each investment determined in good faith by our Board of Directors. The following table summarizes the change in net unrealized appreciation/depreciation of investments for the years ended December 31, 2014 and 2013:

(in thousands)	Year Ended December 31,	
	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)
<b>Net unrealized appreciation (depreciation) on portfolio investments</b>	<b>\$ (20,674)</b>	<b>\$ 11,545</b>

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.

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.

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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.

(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
<b>Total Unrealized Appreciation/(Depreciation)</b>	<b>\$ (14.2)</b>	<b>\$ 11.4</b>	<b>\$ (15.8)</b>	<b>\$ (18.6)</b>

(in millions)	Year Ended December 31, 2013			
	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
<b>Total Unrealized Appreciation/(Depreciation)</b>	<b>\$ (8.2)</b>	<b>\$ 15.7</b>	<b>\$ 4.5</b>	<b>\$ 12.0</b>

\* 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.

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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 Wells Facility, Union Bank Facility (together the 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 (JMP) and on March 7, 2016 we renewed the Equity Distribution Agreement. The Equity Distribution Agreement provides that we may offer and sell up to 8.0 million shares of our common stock from time to time through JMP, as our sales agent. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, (the Securities Act) including sales made directly on the New York Stock Exchange (NYSE) or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

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

On February 24, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock. This plan expired on August 24, 2015. On August 27, 2015, our Board of Directors authorized a replacement stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock and on February 17, 2016, our Board of Directors extended the program until August 23, 2016. We may repurchase shares of our common stock in the open market, including block purchases, at prices that may be above or below the 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 three months ended March 31, 2016 we repurchased 449,588 shares of our common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of March 31, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan. See Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for further information on the repurchases made during the period.

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

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stockholders. In connection with the receipt of such stockholder approval, we will limit the number of shares that we issue at a price below NAV pursuant to this authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share. During the three months ended March 31, 2016, we have not issued common stock at a discount to NAV. We did not issue common stock at a discount to NAV during the year ended December 31, 2015.

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

At March 31, 2016, we had \$17.6 million in principal outstanding of Convertible Senior Note, \$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 \$61.0 million on the Wells Facility. We had no borrowings outstanding under the Union Bank Facility. See Subsequent Events .

At March 31, 2016, we had \$122.5 million in available liquidity, including \$13.5 million in cash and cash equivalents. We had available borrowing capacity of approximately \$34.0 million under the Wells Facility after the March 2016 expansion of the available facility to \$95.0 million and we had available borrowing capacity of \$75.0 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts. See Subsequent Events .

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

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

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

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

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

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

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

**Outstanding Borrowings**

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

(in thousands)	March 31, 2016			December 31, 2015		
	Total Available	Principal	Carrying Value <sup>(1)</sup>	Total Available	Principal	Carrying Value <sup>(1)</sup>
SBA Debentures <sup>(2)</sup>	\$ 190,200	\$ 190,200	\$ 186,997	\$ 190,200	\$ 190,200	\$ 186,829
2019 Notes	110,364	110,364	108,339	110,364	110,364	108,179
2024 Notes	103,000	103,000	100,211	103,000	103,000	100,128
2021 Asset-Backed Notes	129,300	129,300	127,227	129,300	129,300	126,995
Convertible Senior Notes	17,604	17,604	17,572	17,604	17,604	17,478
Wells Facility <sup>(3)</sup>	95,000	61,003	61,003	75,000	50,000	50,000
Union Bank Facility <sup>(3)</sup>	75,000			75,000		
<b>Total</b>	<b>\$ 720,468</b>	<b>\$ 611,471</b>	<b>\$ 601,349</b>	<b>\$ 700,468</b>	<b>\$ 600,468</b>	<b>\$ 589,609</b>

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

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

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

Our 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.

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

(in thousands)	March 31, 2016	December 31, 2015
SBA Debentures	\$ 3,203	\$ 3,371
2019 Notes	2,025	2,185
2024 Notes	2,789	2,872
2021 Asset-Backed Notes	2,073	2,305
Convertible Senior Notes	12	44
Wells Facility <sup>(1)</sup>	737	669
Union Bank Facility <sup>(1)</sup>	190	229
<b>Total</b>	<b>\$ 11,029</b>	<b>\$ 11,675</b>

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

As of January 1, 2016, we adopted Accounting Standards Update ( ASU ) 2015-03 Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements , which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line-of-credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of our SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There is no impact to the Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. Refer to Critical Accounting Policies .

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

**Commitments**

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

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

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

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

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

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

**Contractual Obligations**

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

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

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

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

(3) Includes \$190.2 million in principal outstanding under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the 2024 Notes, \$129.3 million of the 2021 Asset-Backed Notes, \$17.6 million of the Convertible Senior Notes, and \$61.0 million under the Wells Facility as of March 31, 2016.

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- (4) Amounts represent future principal repayments and not the carrying value of each liability. See Outstanding Borrowings .
- (5) Long-term facility leases.

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

**Indemnification Agreements**

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

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

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

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>
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
April 27, 2016	May 16, 2016	May 23, 2016	0.31
			\$ 11.85

\* Dividend paid in cash and stock.



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

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

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

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

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 Subchapter M of 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 generally 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 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.

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

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

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.

***Change in Accounting Principle***

As of January 1, 2016, we adopted ASU 2015-03 *Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-15 *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and 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. In addition, the comparative Consolidated Statement of Assets and Liabilities as of December 31, 2015 has been adjusted to apply the change in accounting principle retrospectively. Specifically, the presentation of our Other Assets, SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes line items were adjusted by the amount of unamortized debt issuance costs for each instrument. There is no impact to the Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. Refer to *Outstanding Borrowings* for the amount of unamortized debt issuance costs for each instrument.

***Valuation of Investments***

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

At March 31, 2016, approximately 97.0% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and

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(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.

We may from time to time engage an independent valuation firm to provide us with valuation assistance with respect to certain of our portfolio investments on a quarterly basis. We engage independent valuation firms on a discretionary basis. Specifically, on a quarterly basis, we will identify portfolio investments with respect to which an independent valuation firm will assist in valuing. We select 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.

We intend to continue to engage an independent valuation firm to provide us with assistance regarding our 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 the services rendered by an independent valuation firm is at the discretion of the Board of Directors. Our Board of Directors is ultimately, and solely, responsible for determining the fair value of our 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, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

- (1) our 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 our investment committee;
- (3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio company 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 our 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.

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We have 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.

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

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

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

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

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

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

(in thousands)	Balance January 1, 2016	Net Realized Gains (Losses) <sup>(1)</sup>	Net Change in Unrealized		Sales	Repayments <sup>(6)</sup>	Gross Transfers into Level 3 <sup>(3)</sup>	Gross Transfers out of Level 3 <sup>(3)</sup>	Balance March 31, 2016
			Purchases <sup>(5)</sup>	Depreciation <sup>(2)</sup>					
Senior Debt	\$ 1,102,396	\$ (6,451)	\$ 6,112	\$ 175,552	\$	\$ (77,411)	\$	\$	\$ 1,200,198
Preferred Stock	35,245	(150)	156	1,000			52	(761)	35,542
Common Stock	1,527		(1,220)				761		1,068
Warrants	18,565	(106)	(91)	1,539				(52)	19,855
Escrow Receivable	2,967								2,967
<b>Total</b>	\$ 1,160,700	\$ (6,707)	\$ 4,957	\$ 178,091	\$	\$ (77,411)	\$ 813	\$ (813)	\$ 1,259,630

(in thousands)	Balance January 1, 2015	Net Realized Gains (Losses) <sup>(1)</sup>	Net Change in Unrealized		Sales	Repayments <sup>(6)</sup>	Gross Transfers into Level 3 <sup>(4)</sup>	Gross Transfers out of Level 3 <sup>(4)</sup>	Balance December 31, 2015
			Purchases <sup>(5)</sup>	Depreciation <sup>(2)</sup>					
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
<b>Total</b>	\$ 1,008,362	\$ (3,773)	\$ (18,475)	\$ 720,453	\$ (4,659)	\$ (505,455)	\$ 685	\$ (36,438)	\$ 1,160,700

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

(b) The weighted averages are calculated based on the fair market value of each investment.

(c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.

(d) Imminent payoffs represent debt investments that we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

<b>Investment Type -Level Three Debt Investments</b>	<b>Fair Value at December 31, 2015 (in thousands)</b>	<b>Valuation Techniques/ Methodologies</b>	<b>Unobservable Input<sup>(a)</sup></b>	<b>Range</b>	<b>Weighted Average<sup>(b)</sup></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 <sup>(c)</sup>	Probability weighting of alternative outcomes	10.00% - 100.00%	
Sustainable and Renewable	11,045	Originated Within 6 Months	Origination Yield	19.74%	19.74%
Technology	105,382	Market Comparable Companies	Hypothetical Market Yield	10.62% - 27.31%	15.91%
			Premium/(Discount)	0.00%	
		1,013	Liquidation <sup>(c)</sup>	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%	

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	3,764	Liquidation <sup>(c)</sup>	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 <sup>(c)</sup>	Probability weighting of alternative outcomes	25.00% - 75.00%	
		<b>Debt Investments Where Fair Value Approximates Cost</b>			
	12,434	Imminent Payoffs <sup>(d)</sup>			
	48,962	Debt Investments Maturing in Less than One Year			
	<b>\$1,102,396</b>	<b>Total Level Three Debt Investments</b>			

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

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

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

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

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

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

(b) The weighted averages are calculated based on the fair market value of each investment.

(c) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.

(d) Imminent payoffs represent debt investments that we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

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

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Risk-Free Interest Rate	0.44% - 1.43%	0.78%
Estimated Time to Exit (in months)	7 - 47	21

**Total Level Three Warrant  
and Equity Investments** \$56,465

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

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- (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.

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

(a)

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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.

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**Debt Investments**

We follow 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. Our debt securities are primarily invested in venture capital-backed companies in technology-related markets 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 debt instruments for these investment securities to be traded or exchanged. In addition, we may, from time to time, invest in public debt of companies that meet our investment objectives. These investments are considered Level 2 assets.

In making a good faith determination of the value of our investments, we generally start with the cost basis of the investment, which includes the value attributed to the OID, if any, and PIK interest or other receivables which have been accrued to principal as earned. We then apply the valuation methods as set forth below.

We apply 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. We determine the yield at inception for each debt investment. We then use 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, we also evaluate the collateral for recoverability of the debt investments. We consider 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.

Our 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 yields and interest rate spreads of similar securities as of the measurement date. We value our 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, we may consider other factors than those a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We record unrealized depreciation on investments when we believe 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 the amortized cost of the investment. Conversely, where appropriate, we record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, that our 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, we generally receive warrants or other equity-related securities from the borrower. We determine 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 investment from recordation of the warrant or other equity instruments is accreted into interest income over the life of the loan.

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



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**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. We have 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.

We estimate 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 our valuation of the warrant and equity related securities. We periodically review the valuation of our 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.

***Income Recognition***

See **Changes in Portfolio** for a discussion of our income recognition policies and results during the three months ended March 31, 2016. See **Results of Operations** for a comparison of investment income for the three months ended March 31, 2016 and 2015.

***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, (Compensation Stock Compensation) 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.

***Recent Accounting Pronouncements***

In February 2015, the FASB issued ASU 2015-02, **Consolidation (Topic 810) Amendments to the Consolidation Analysis**. The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the variable interest entities (VIE) guidance. There is not a material impact from adopting this standard on our financial statements. We have adopted this standard for three months ended March 31, 2016.

In April 2015, the FASB issued ASU 2015-03, **Simplifying the Presentation of Debt Issuance Costs**, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability and in August 2015, the FASB issued ASU 2015-15 **Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements**, which clarifies the application of ASU 2015-03 to debt issuance costs associated with line-of-credit arrangements and allows presentation of debt issuance costs on these instruments as assets that are amortized over the term of the instrument. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of 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 is no impact to the Consolidated Statement of Operations. In addition, there is no

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change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. We have adopted this standard for three months ended March 31, 2016. Refer to [Critical Accounting Policies](#) .

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

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

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

**Subsequent Events**

*Dividend Declaration*

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

*Convertible Senior Notes*

The Convertible Senior Notes were convertible into shares of our common stock beginning October 15, 2015 until the close of business on the scheduled trading day immediately preceding the April 15, 2016 maturity date. Subsequent to March 31, 2016 approximately \$17.4 million of the Convertible Senior Notes were converted pursuant to the conversion procedures as set forth in the indenture governing the Convertible Senior Notes and were settled in April 2016 with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 137,854 shares of our common stock. The remaining Convertible Senior Notes outstanding were fully repaid at maturity on April 15, 2016.

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#### *Wells Facility*

On April 7, 2016, we entered into a further amendment to the Wells Facility that amended the concentration limits on eligible assets in the collateral pool and added Everbank Commercial Finance, Inc. as a lender of the facility, expanding the available commitment to \$120.0 million under the accordion feature.

#### *2024 Notes*

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of our 6.25% unsecured notes due 2024 (the *Additional 2024 Notes* ). The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallocments. The *Additional 2024 Notes* constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$103.0 million in aggregate principal amount of the 6.25% unsecured notes due 2024 that we initially issued on July 14, 2014 (the *Existing 2024 Notes* ).

The *Existing 2024 Notes* currently trade on the NYSE under the symbol *HTGX* and it is anticipated that the additional \$65.4 million in aggregate principal amount of the *Additional 2024 Notes* will trade under the same symbol. The *Existing 2024 Notes* and the *Additional 2024 Notes* will mature on July 30, 2024, and may be redeemed in whole or in part at any time or from time to time at our option on or after July 30, 2017. The *Additional 2024 Notes* will bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30, of each year, beginning July 30, 2016. We intend to invest the net proceeds of this public offering to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

#### *ATM Issuances*

Subsequent to March 31, 2016 and as of May 2, 2016, we sold 331,000 shares of common stock for total accumulated net proceeds of approximately \$4.0 million under our ATM equity distribution agreement with JMP. As of May 2, 2016 approximately 5.9 million shares remain available for issuance and sale under the equity distribution agreement.

#### *Credit Rating*

On April 26, 2016, Standard and Poor's assigned a BBB- credit rating to our 2024 Notes and 2019 Notes.

#### *Portfolio Company Developments*

As of May 2, 2016, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All four 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.

On May 2, 2016, Bind Therapeutics, Inc. ( *BIND* ), a portfolio company, filed for Voluntary Chapter 11 Bankruptcy Protection in the District of Delaware. In that filing, *BIND* claims it will pursue strategic and financial alternatives to continue as a going concern and that their cash and assets exceed the loan amount due to us. Our agreements with *BIND* have affirmative and negative covenants and events of defaults customary for a senior secured lending transaction of this nature. As of the date of these financial statements, we believe that *BIND* has the ability to meet its Secured Obligations and given that *BIND* is current on all payments, our investment in *BIND* remains on accrual basis.

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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 March 31, 2016, approximately 93.1% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

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

(in thousands)

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

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

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including borrowings under our Credit Facilities, SBA debentures, 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.

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**Disclosure Controls and Procedures**

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. As of the end of the period covered by the unaudited consolidated financial statements included in this prospectus supplement, our chief executive and chief financial officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit 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 us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

**Internal Control Over Financial Reporting**

***Management's Annual Report on Internal Control over Financial Reporting***

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

The Company's internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with 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 prospectus supplement.

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

<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities<sup>(1)</sup></b>	<b>Asset Coverage per Unit<sup>(2)</sup></b>	<b>Average Market Value per Unit<sup>(3)</sup></b>
<b>Securitized Credit Facility with Wells Fargo Capital Finance</b>			
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 <sup>(6)</sup>			N/A
December 31, 2010 <sup>(6)</sup>			N/A
December 31, 2011	\$ 10,186,830	\$ 73,369	N/A
December 31, 2012 <sup>(6)</sup>			N/A
December 31, 2013 <sup>(6)</sup>			N/A
December 31, 2014 <sup>(6)</sup>			N/A
December 31, 2015	\$ 50,000,000	\$ 26,352	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 61,003,303	\$ 21,800	N/A
<b>Securitized Credit Facility with Union Bank, NA</b>			
December 31, 2009 <sup>(6)</sup>			N/A
December 31, 2010 <sup>(6)</sup>			N/A
December 31, 2011 <sup>(6)</sup>			N/A
December 31, 2012 <sup>(6)</sup>			N/A
December 31, 2013 <sup>(6)</sup>			N/A
December 31, 2014 <sup>(6)</sup>			N/A
December 31, 2015 <sup>(6)</sup>			N/A
December 31, 2016 (as of March 31, 2016, unaudited)			N/A
<b>Small Business Administration Debentures (HT II)<sup>(4)</sup></b>			
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 <sup>(6)</sup>	\$ 41,200,000	\$ 31,981	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 41,200,000	\$ 32,278	N/A
<b>Small Business Administration Debentures (HT III)<sup>(5)</sup></b>			
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A
December 31, 2011	\$ 100,000,000	\$ 7,474	N/A
December 31, 2012	\$ 149,000,000	\$ 7,542	N/A
December 31, 2013	\$ 149,000,000	\$ 8,199	N/A
December 31, 2014	\$ 149,000,000	\$ 8,720	N/A

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December 31, 2015 <sup>(6)</sup>	\$ 149,000,000	\$	8,843	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 149,000,000	\$	8,925	N/A

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<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities<sup>(1)</sup></b>	<b>Asset Coverage per Unit<sup>(2)</sup></b>	<b>Average Market Value per Unit<sup>(3)</sup></b>
<b>Senior Convertible Notes</b>			
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 <sup>(6)</sup>	\$ 17,604,000	\$ 74,847	\$ 1,110
December 31, 2016 (as of March 31, 2016, unaudited) <sup>(9)</sup>	\$ 17,604,000	\$ 75,543	\$ 1,086
<b>April 2019 Notes</b>			
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 <sup>(6)</sup>	\$ 64,489,500	\$ 20,431	\$ 1,017
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 64,489,500	\$ 20,621	\$ 1,024
<b>September 2019 Notes</b>			
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 <sup>(6)</sup>	\$ 45,875,000	\$ 28,722	\$ 1,009
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 45,875,000	\$ 28,989	\$ 1,013
<b>2024 Notes</b>			
December 31, 2014	\$ 103,000,000	\$ 12,614	\$ 1,010
December 31, 2015 <sup>(6)</sup>	\$ 103,000,000	\$ 12,792	\$ 1,014
December 31, 2016 (as of March 31, 2016, unaudited) <sup>(10)</sup>	\$ 103,000,000	\$ 12,911	\$ 1,005
<b>2017 Asset-Backed Notes</b>			
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 <sup>(6)</sup>			
December 31, 2016 (as of March 31, 2016, unaudited)			
<b>2021 Asset-Backed Notes</b>			
December 31, 2014	\$ 129,300,000	\$ 10,048	\$ 1,000
December 31, 2015 <sup>(6)</sup>	\$ 129,300,000	\$ 10,190	\$ 996
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 129,300,000	\$ 10,285	\$ 991
<b>Total Senior Securities<sup>(7)</sup></b>			
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 <sup>(8)</sup>	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 <sup>(6)</sup>	\$ 600,468,500	\$ 2,194	N/A
December 31, 2016 (as of March 31, 2016, unaudited)	\$ 611,471,803	\$ 2,175	N/A



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

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Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors elects our officers who serve at the discretion of the Board of Directors. Our Board of Directors currently consists of seven members, one who is an interested person of Hercules Capital as defined in Section 2(a)(19) of the 1940 Act and six who are not interested persons and who we refer to as our independent directors.

**Directors, Executive Officers and Key Employees**

Our executive officers, directors and key employees and their positions are set forth below. The address for each executive officer, director and key employee is c/o Hercules Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

<b>Name</b>	<b>Age</b>	<b>Positions</b>
<b><i>Interested Director:</i></b>		
Manuel A. Henriquez <sup>(1)</sup>	52	Chairman of the Board of Directors, President and Chief Executive Officer
<b><i>Independent Directors:</i></b>		
Allyn C. Woodward, Jr.	75	Director
Robert P. Badavas	63	Director
Thomas J. Fallon	54	Director
Rodney A. Ferguson	59	Director
Susanne D. Lyons	59	Director
Joseph F. Hoffman	67	Director
<b><i>Executive Officers:</i></b>		
Mark Harris	45	Chief Financial Officer and Chief Accounting Officer
Melanie Grace	47	General Counsel and Chief Compliance Officer
Scott Bluestein	37	Chief Investment Officer
Andrew Olson	33	Controller

(1) Mr. Henriquez is an interested person, as defined in section 2(a)(19) of the 1940 Act, of the Company due to his position as an executive officer of the Company.

Set forth below is information regarding our current directors, including: (i) name and age; (ii) a brief description of their recent business experience, including present occupations and employment during at least the past five years; (iii) directorships, if any, that each director holds and has held during the past five years; and (iv) the year in which each person became a director of the Company. As the information that follows indicates, each director brings strong and unique experience, qualifications, attributes, and skills to the Board. This provides the Board, collectively, with competence, experience, and perspective in a variety of areas, including: (i) corporate governance and Board service; (ii) executive management, finance, and accounting; (iii) venture capital financing with a technology-related focus; (iv) business acumen; and (v) an ability to exercise sound judgment.

Moreover, the nominating and corporate governance committee believes that it is important to seek a broad diversity of experience, professions, skills, geographic representation and backgrounds. The nominating and corporate governance committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Our Board does not have a specific diversity policy, but considers diversity of race, religion, national origin, gender, sexual orientation, disability, cultural background and professional experiences in evaluating candidates for Board membership.

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**Interested Director Biography**

The biographical information for the interested director is as follows:

**Manuel A. Henriquez**

**Board Committee:**  
N/A

**Independent:**  
No

Mr. Henriquez, age 52, is a co-founder of Hercules and has been our Chairman and Chief Executive Officer since 2004 and our President (since 2005).

**Prior Business Experience:**

- Partner, VantagePoint Venture Partners, a \$2.5 billion multi-stage technology venture fund (2000-2003)
- President and Chief Investment Officer, Comdisco Ventures, a division of Comdisco, Inc., a leading technology and financial services company (1999-2000)
- Managing Director, Comdisco Ventures (1997-1999)
- Senior Member, Investment Team, Comdisco Ventures (1997-2000)

**Private Directorships/Memberships:**

- Northeastern University, a global, experiential research university
- Lucile Packard Foundation for Children's Health, the sole fundraising entity for Lucile Packard Children's Hospital and the child health programs at Stanford University School of Medicine
- Children's Health Council, a diagnostic and treatment center for children and adolescents facing developmental and behavioral challenges

**Education:**

Bachelor's degree in Business Administration from Northeastern University

**Skills/Qualifications:**

In particular, Mr. Henriquez's key areas of skills/qualifications include, but are not limited to:

- Client Industries** vast array of knowledge in venture capital financing, including software, life sciences and clean tech
- Banking/Financial Services** extensive experience with equity and debt financings as well SEC rules and regulations and business development companies
- Leadership/Strategy** current role as chairman and CEO as well as officer and director experience in several private and public companies and knowledge of financial risk assessment
- Finance/IT and Other Business Processes** extensive experience in IT and supervising IT internal control and procedures

**Independent Director Biographies**

The biographical information for each of the independent directors is as follows:

<b>Allyn C. Woodward, Jr.</b>	<b>Board Committee:</b>	<b>Independent:</b>
	Audit	Yes Lead Director
	Compensation	

Mr. Woodward, age 75, has extensive experience and qualifications in banking and financial services. He has served as a director on our Board since February 2004 and his term expires in 2018.

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**Business Experience:** Vice Chairman and Director, Adams Harkness Financial Group (formerly Adams, Harkness & Hill), an independent institutional research, brokerage and investment banking firm (2001-2006)

President and Director, Adams Harkness Financial Group (1995-2001)

Silicon Valley Bank

Vice President, Founder, Wellesley, Massachusetts office

Senior Vice President (1990-1992)

Chief Operating Officer (California) (1992-1995)

Senior Vice President and Group Manager of Technology Group, Bank of New England (1963-1990)

**Private Directorships:** Union Specialties, manufacturer of waterbased polyurethane dispersions and specialty products

**Current Advisory Board Directorships:** Fletcher Spaght Venture Capital

Boston Millennia Partners

Ampersand Venture Capital

**Prior Directorships:** AH&H Venture Capital

Square 1 Bank

Lecroy Corporation, Chairman

Viewlogic Systems

Cayenne Software, Inc.

**Non-Profit Leadership:** Member of Finance Committee and Board of Overseers, Newton Wellesley Hospital

Babson College, Member of:

Investment Committee

Finance Committee

Private Equity Committee (co-founder)

**Education:** Bachelor's degree in Finance and Accounting from Babson College

Banking degree, Stonier Graduate School of Banking at Rutgers University

**Memberships** National Association of Corporate Directors

Board Leaders Group

**Certifications:** Executive Masters Professional Director Certification, American College of Corporate Directors

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**Skills/Qualifications:** In particular, Mr. Woodward's key areas of skill/qualifications include, but are not limited to:

**Client Industries and Banking/Financial Services** extensive leadership, management and director experience in financial services, banking and technology-related companies

**Leadership/Strategy** significant executive and board experience for both private and public companies in business, finance and investments with a special emphasis on best policies regarding compensation and governance and service as Lead Independent Director

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<b>Robert P. Badavas</b>	<b>Board Committee:</b>	<b>Independent:</b>
	Audit, <i>Chair</i>	Yes

Mr. Badavas, aged 63, currently serves as Chairman and Chief Executive Officer of PlumChoice, a venture-backed technology, software and services company (since December 2011). He has served as a director on our Board since March 2006 and his term expires in 2017.

<b>Business Experience:</b>	President, Petros Ventures, Inc., a management and advisory services firm (2009-2011)
	President and Chief Executive Officer of TAC Worldwide, a multi-national technical workforce management and business services company (2005-2009)
	Executive Vice President and Chief Financial Officer, TAC Worldwide (2003-2005)
	Senior Partner and Chief Operating Officer, Atlas Venture, an international venture capital firm (2001-2003)
	Chief Executive Officer at Cerulean Technology, Inc., a venture capital backed wireless application software company (1995-2001)
	Certified Public Accountant, PwC (1974-1983)

<b>Public Directorships:</b>	Constant Contact, Inc., including chairman of the audit committee, a provider of email and other engagement marketing products and services for small and medium sized organizations, acquired by Endurance International Group Holdings, Inc., (2007-2016)
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<b>Prior Directorships:</b>	Arivana, Inc; a telecommunications infrastructure company publicly traded until its acquisition by SAC Capital
	RSA Security; an IT security company publicly traded until its acquisition by EMC
	On Technology; an IT software infrastructure company publicly traded until its acquisition by Symantec
	Renaissance Worldwide; an IT services and solutions company publicly traded until its acquisition by Aquent

<b>Private Directorships:</b>	PlumChoice (since 2010)
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<b>Other Experience:</b>	Vice-Chairman, Board of Trustees. Bentley University (since 2005)
	Board of Trustees Executive Committee and Corporate Treasurer, Hellenic College/Holy Cross School of Theology, including positions on the executive committee and corporate treasurer (since 2000)
	Chairman Emeritus, The Learning Center for the Deaf (1995-2005)
	Professional Director Certification, American College of Corporate Directors
	National Association of Corporate Directors

<b>Education:</b>	Bachelor s degree in Accounting and Finance from Bentley University
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**Skills/Qualifications:** In particular, Mr. Badavas' key areas of skill/qualifications include, but are not limited to:

**Client Industries** extensive experience in software, business and technology enabled services and venture capital

**Leadership/Strategy** significant experience as a senior corporate executive in private and public companies, including tenure as chief executive officer, chief financial officer and chief operating officer

**Finance, IT and Other Business Strategy and Enterprise Risk Management** prior experience as a CEO directing business strategy and as a CFO directing IT, financing and accounting, strategic alliances and human resources and evaluation of enterprise risk in such areas

**Governance** extensive experience as an executive and director of private and public companies with governance matters

<b>Thomas J. Fallon</b>	<b>Board Committee:</b>	<b>Independent:</b>
	Nominating	Yes

Mr. Fallon, aged 54, currently serves as Chief Executive Officer of Infinera Corporation (since 2010) and a member of Infinera's board of directors (since 2009). He has served as a director on our Board since July 2014 and his term expires in 2018.

**Infinera Corporation Experience:**

President and Chief Executive Officer, Infinera Corporation (2010-Current)

Chief Operating Officer, Infinera Corporation (2006-2009)

Vice President of Engineering and Operations, Infinera Corporation (2004-2006)

**Other Business Experience**

Vice President, Corporate Quality and Development Operations of Cisco Systems, Inc. (2003-2004)

General Manager of Cisco Systems' Optical Transport Business Unit, VP Operations, VP Supply, various executive positions (1991-2003)

**Private Directorships:** Piccaro, a leading provider of solutions to measure greenhouse gas concentrations, trace gases and stable isotopes (since 2010)

**Other Experience:**

Member, Engineering Advisory Board of the University of Texas at Austin

Member, President's Development Board University of Texas

**Education:**

Bachelor's degree in Mechanical Engineering from the University of Texas at Austin

Master's degree in Business Administration from the University of Texas at Austin

**Skills/Qualifications:** In particular, Mr. Fallon's key areas of skill/qualifications include, but are not limited to:

**Client Industries** significant experience in venture capital and technology

**Banking/Finance services** experience in finance and audit functions



**Leadership/Strategy** extensive experience as a director and executive in both public and private companies

**Enterprise Risk Management** experience in managing enterprise risk

**Governance** experienced in both corporate governance and executive compensation for both public and private companies

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<b>Rodney A. Ferguson, Ph.D.</b>	<b>Board Committee:</b>	<b>Independent:</b>
	None	Yes

Dr. Ferguson, age 59, is a co-founder of Panorama Capital, a venture capital firm that spun off from JPMorgan Partners, where he focuses primarily on life science investments (since 2006). He has served as a director on our board since July 2015.

<b>Prior Business Experience:</b>	Managing Director, JPMorgan Partners, life sciences venture practice (2001-2006)
	Partner, InterWest Partners, a venture capital firm, where he focused on life sciences investments (1999-2001)
	Various management positions, Genentech, Inc., most recently as Senior Director of Business and Corporate Development responsible for worldwide licensing transactions for both technology and pharmaceutical products (1988-1999)
	Associate, McCutchen, Doyle, Brown & Enersen (1984-1988)

**Private Directorships:** Itero BioPharmaceuticals, Inc. (since 2008)

CardioKinetix, Inc. (since 2008)

Alvine Pharmaceuticals, Inc. (since 2013)

**Advisory:** Locust Walk Partners Advisory Board (since 2014)

**Education:** Bachelor's degree in Biochemistry from the University of Illinois

Doctorate degree in Biochemistry from the State University of New York at Buffalo

Juris Doctor from Northwestern University

**Skills/Qualifications:** In particular, Dr. Ferguson's key areas of skills/qualifications include, but are not limited to:

**Client Industries** vast knowledge and experience in the life sciences industry

**Leadership/Strategy** senior management and director experience in private companies

**Banking/Financial Services** significant experience in venture capital financings, particularly in life sciences

<b>Susanne D. Lyons</b>	<b>Board Committee:</b>	<b>Independent:</b>
	Compensation, <i>Chair</i>	Yes
	Nominating	

Ms. Lyons, aged 59, is a retired senior executive who has held top marketing and general management roles at some of the largest financial services companies in America. She has served as a director on our Board since March 2015 and her term expires in 2017.

<b>Prior Business Experience:</b>	Chief Marketing Officer, VISA (USA) (2004-2007)
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Various marketing and general management positions, including enterprise president of retail client service, Charles Schwab & Co., Inc. (1992-2001)

Chief Marketing Officer, Charles Schwab & Co., Inc. (2000-2001)

Senior positions in marketing, product development and business strategy, Fidelity Investments (1982-1992)

**Private Directorships:** U.S. Olympic Committee (since December 2010)

Wildcare, a non-for-profit organization (since 2008)

**Prior Directorships:** CNET Networks until its acquisition by CBS Corp. (2007-2008)

Gain Capital Holdings, Inc. (2008-2013)

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**Other Experience:** Advisory Board, Marketo, Inc., a marketing automation software company (2008-2011)

**Education:** Bachelor's degree in French from Vassar College

Master's degree in Business Administration from Boston University

**Skills/Qualifications:** In particular, Ms. Lyon's key areas of skill/qualifications include, but are not limited to:

**Banking/Financial Services** held a variety of key executive and management positions at large global financial institutions, including 1940-Act regulated companies

**Leadership/Strategy** extensive experience as a director and executive with broad operational experience in investments, finance, human resources, and marketing

**Human Resources** expertise in Human Resources, including extensive experience in public company compensation governance

**Governance** experienced executive and director for public companies, including extensive experience in public company compensation and governance

<b>Joseph F. Hoffman</b>	<b>Board Committee:</b>	<b>Independent:</b>
	Nominating, <i>Chair</i>	Yes
	Audit	

Mr. Hoffman, age 67, is retired from KPMG LLP after 26 years as a partner and senior executive with that firm. He has served as a director on our Board since April 2015.

**Prior Business Experience:** SEC Reviewing Partner and Silicon Valley Professional Practice Partner, KPMG LLP (1998-2009)

Audit Partner and Business Unit Partner in Charge, KPMG LLP (1983-1998)

**Private Directorships:** LiveOps, Inc., a cloud based contact center (since 2013)

KPMG LLP, an audit, tax, and advisory professional services firm. (2005-2009)

**Audit Committees:** LiveOps, Inc. (since 2013)

KPMG LLP (2005-2009)

Willamette University (since 2014)

**Non-Profit Leadership:** Board of Trustees, Willamette University (since 2011)

**Memberships:** California Society of Certified Public Accountants

National Association of Corporate Directors

American College of Corporate Directors

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Association of Governing Boards of Universities and Colleges

**Education:**

Bachelor's degree in Mathematics and Economics, Willamette University

Master's degree in Business Administration, Stanford Graduate School of Business

Certified public accountant, State of California

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**Skills/Qualifications:** In particular, Mr. Hoffman's key areas of skill/qualifications include, but are not limited to:

- Client Industries** extensive experience in the technology, manufacturing, and financial services industries
- Finance and Enterprise Risk Management** extensive experience as an advisor to senior management and audit committees on complex accounting, financial reporting, internal controls, and enterprise risk management
- Leadership/Strategy** significant experience as a business executive and director

**Non-director Executive Officers**

**Mark Harris** joined us in 2015 as Chief Financial Officer and Chief Accounting Officer. Mr. Harris has over 20 years of experience working with public companies, as well as the mezzanine and direct lending space. Mr. Harris oversees the financial and accounting functions of the Company.

**Other Prior Experience**

- Chief Financial Officer, Asia Strategy and Senior Managing Director/Head of Asia, Avenue Capital, where he lead the Asia strategy (2006-2015)
- Corporate Financial Controller, Hutchinson Capital (2004-2006)
- Vice President of Finance, Vsource (2001-2004)
- Manager, Global Capital Markets Group, PricewaterhouseCoopers (1995-2001)

**Education/Other:**

- Master's of Business Administration from the University of Chicago, Booth School of Business
- Bachelor's in Business Administration with an emphasis in Accounting from California Polytechnic State University, San Luis Obispo
- Active Certified Public Accountant in California
- Member, Foundation Board of California Polytechnic State University, San Luis Obispo

**Scott Bluestein** joined us in 2010 as Chief Credit Officer. He was promoted to Chief Investment Officer in 2014. Mr. Bluestein is responsible for managing the investment teams and investments made by the Company.

**Other Prior Experience**

- Founder and Partner, Century Tree Capital Management (2009-2010)
- Managing Director, Laurus-Valens Capital Management, an investment firm specializing in financing small and microcap growth-oriented businesses through debt and equity securities (2003-2010)
- Member of Financial Institutions Coverage Group focused on Financial Technology, UBS Investment Bank (2000-2003)

**Education/Other:** Bachelor's in Business Administration from Emory University

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**Melanie Grace** joined us in 2015 as General Counsel, Chief Compliance Officer and Secretary. She has over 15 years of experience representing public and private companies in securities, compliance and transactional matters. Ms. Grace oversees the legal and compliance function for the Company and serves as secretary for the Company and select subsidiaries.

**Other Prior Experience** Chief Legal Officer and Corporate Secretary, WHV Investments, Inc. where she also served as interim Chief Compliance Officer (2011-2015)

Member, Management, Operations and Proxy Committees, WHV Investments, Inc. (2013-2015)

Chair, Ethics Committee, WHV Investments, Inc. (2013-2015)

Chief Counsel, Corporate, NYSE Euronext (2005-2008)

Associate, Fenwick & West LLP (2000-2005)

**Education/Other:** Bachelor's and Master's in History from the University of California, Riverside

Juris Doctor from Boston University School of Law

Member, State Bar of California

Designated Investment Adviser Certified Compliance Professional<sup>®</sup>

**Andrew Olson** joined us in 2014 as Corporate Controller. He has served as our Interim Chief Financial Officer (June 9, 2015 to August 1, 2015). Currently, Mr. Olson is our Vice President of Finance and Senior Controller and is responsible for financial and regulatory reporting, financial planning and analysis, and financial systems design and implementation.

**Other Prior Experience** Senior Manager in Financial Services practice of PricewaterhouseCoopers, LLP San Francisco and Hong Kong where he developed extensive experience providing audit and consulting services to both regional and international institutions (2006-2014)

**Education/Other:** Bachelor's in Business Economics from the University of California

Active Certified Public Accountant in California

**Board of Directors**

The number of directors is currently fixed at seven directors.

Our Board of Directors is divided into three classes. Class I directors hold office for a term expiring at the annual meeting of stockholders to be held in 2017, Class II directors hold office for a term expiring at the annual meeting of stockholders to be held in 2018 and Class III directors hold office for a term expiring at the annual meeting of stockholders to be held in 2016. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Messrs. Woodward and Fallon's terms expire in 2018, Messrs. Henriquez, Ferguson and Hoffman's terms expire in 2016 and Mr. Badavas and Ms. Lyons' terms expire in 2017. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify.



**Compensation of Directors**

Our Compensation Committee has the authority from our Board for the appointment, compensation and oversight of our outside compensation consultant. Our Compensation Committee generally engages a compensation consultant every other year to assist it with its responsibilities related to our director compensation program.

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The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of our current directors during the fiscal year ended December 31, 2015. We provide further information relating to equity awards made to our non-employee directors below under *2006 Non-Employee Director Plan*.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Robert P. Badavas	\$ 170,500			\$ 4,133	\$ 174,633
Thomas J. Fallon	\$ 146,500	\$ 57,200	\$ 4,696	\$ 5,166	\$ 213,562
Rodney A. Ferguson	\$ 75,000	\$ 38,130	\$ 3,131	\$ 2,583	\$ 118,844
Joseph F. Hoffman	\$ 103,250	\$ 45,395	\$ 3,548	\$ 2,583	\$ 154,776
Susanne D. Lyons	\$ 124,250	\$ 48,662	\$ 4,110	\$ 4,133	\$ 181,155
Allyn C. Woodward, Jr.	\$ 179,250	\$ 57,200	\$ 4,696	\$ 18,111	\$ 259,257
Manuel A. Henriquez <sup>(5)</sup>					

- (1) Messrs. Badavas, Fallon, Ferguson, Hoffman and Woodward and Ms. Lyons earned \$120,500, \$96,500, \$25,000, \$53,250, \$129,250 and \$74,250, respectively, and each elected to receive an additional retainer fee of 4,522 shares of our common stock in lieu of cash. The total value of the shares issued to each of Messrs. Badavas, Fallon, Ferguson, Hoffman and Woodward and Ms. Lyons services in fiscal 2015 was \$50,000.
- (2) During 2015, in connection their re-election to our Board, we granted Messrs. Fallon and Woodward each a restricted stock award for 5,000 shares of common stock, and we granted Messrs. Ferguson and Hoffman and Ms. Lyons each a restricted stock award for 3,333 shares of common stock upon their appointment to our Board. The amounts presented reflect the aggregate grant date fair value of the stock awards, as computed in accordance with FASB ASC Topic 718. The grant date fair value of each restricted stock award is measured based on the closing price of our common stock on the date of grant.
- (3) During 2015, in connection with their re-election to our Board, we granted Messrs. Fallon and Woodward each a stock option award with respect to 15,000 shares of our common stock, and, in connection with their appointment to our Board, we granted Messrs. Ferguson and Hoffman and Ms. Lyons a stock option award with respect to 10,000 shares of our common stock. The amounts presented reflect the aggregate grant date fair value of option awards computed in accordance with FASB ASC Topic 718. The fair value of each stock option grant is estimated based on the fair market value of the option on the date of grant using the Black-Scholes-Merton option pricing model. For a further discussion on the valuation model and the assumptions used to calculate the fair value of our stock options, please see Note 7 to the consolidated financial statements included in our annual report on Form 10-K for the 2015 fiscal year.
- (4) Represents dividends paid during 2015 on unvested common stock under restricted stock awards.
- (5) As an employee director, Mr. Henriquez does not receive any compensation for his service as a director. The compensation Mr. Henriquez receives as our chief executive officer is disclosed in the Summary Compensation Table and below under *EXECUTIVE COMPENSATION*.

As of December 31, 2015, Messrs. Badavas, Fallon, Ferguson, Hoffman and Woodward and Ms. Lyons had outstanding options in the amount of 20,000, 25,000, 10,000, 10,000, 25,000 and 10,000, respectively. As of December 31, 2015, Messrs. Badavas, Fallon, Ferguson, Hoffman and Woodward and Ms. Lyons held unvested shares of restricted stock in the amount of 3,333, 6,666, 3,333, 3,333, 5,000 and 3,333, respectively.

Upon his appointment to our Board in July 2015, Mr. Ferguson received a restricted stock award with respect to 3,333 shares of our common stock and a stock option to purchase 10,000 shares of our common stock.

From January 1, 2015 through June 30, 2015, the compensation for serving on our Board as an independent director included the following:

<b><i>Annual Director Retainer Fee</i></b>	<b>\$ 50,000</b>
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<b>Committee Chairperson Fee</b>	\$ 15,000
<b>Board Meeting Fee</b>	\$ 2,000
<i>(in person or telephonically)</i>	
<b>Committee Meeting Fee</b>	\$ 2,000
<i>(in person or telephonically)</i>	

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On July 7, 2015, the Board approved a change to director compensation. From July 1, 2015 through December 31, 2015, the compensation for serving on our Board as an independent director included the following:

<i>Annual Director Retainer Fee</i>	\$100,000
<i>Annual Chairperson Fee</i>	\$25,000, Audit Committee
	\$25,000, Compensation Committee
	\$15,000, NCG Committee
<i>Annual Lead Director Fee</i>	\$25,000

In 2015, we granted each independent director an additional retainer of \$50,000, which was distributed as shares of common stock in lieu of cash. In addition, upon re-election to the Board, each independent director is granted an option to purchase 15,000 shares and an additional award of 5,000 shares of restricted stock. Employee directors do not receive compensation for serving on our Board. In addition, we reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board meetings.

Under current SEC rules and regulations applicable to BDCs, a BDC may not grant options or restricted stock to non-employee directors unless it receives exemptive relief from the SEC. We filed an exemptive relief request with the SEC to allow options and restricted stock to be issued to our non-employee directors, which was approved on October 10, 2007. On June 22, 2010, we received approval from the SEC regarding our exemptive relief request permitting its employees to exercise their stock options and restricted stock and pay any related income taxes using a cashless exercise program.

On June 21, 2007, our stockholders approved amendments to the Equity Plan and the 2006 Non-Employee Director Plan allowing for the grant of restricted stock. The Equity Plan and 2006 Non-Employee Director Plan limit the combined maximum amount of restricted stock that may be issued under both of the Equity Plan and 2006 Non-Employee Director Plan to 10% of the outstanding shares of our common stock on the effective date of the Equity Plan and 2006 Non-Employee Director Plan plus 10% of the number of shares of common stock issued or delivered by us during the terms of the Equity Plan and 2006 Non-Employee Director Plan.

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**CORPORATE GOVERNANCE**

**Corporate Governance Changes in Fiscal Year 2014 and for Fiscal Year 2015**

Our business, property and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our chairman and chief executive officer, our chief financial officer, our chief investment officer, our secretary, and our other officers and employees, and by reviewing materials provided to them and participating in meetings of our Board and its committees.

Because our Board is committed to strong and effective corporate governance, it regularly monitors our corporate governance policies and practices to ensure we meet or exceed the requirements of applicable laws, regulations and rules, and the NYSE's listing standards. The Board has approved corporate governance guidelines that provide a framework for the operation of the Board and address key governance practices. The Board has adopted a number of policies to support our values and good corporate governance, including corporate governance guidelines, Board committee charters, insider trading policy, code of ethics, code of business conduct and ethics, and related person transaction approval policy.

During 2015, as part of its on-going review of our corporate governance policies, our Board undertook the following relating to our corporate governance practices:

reviewed our compliance manual and made changes, where required, with the approval of our Board; and

as a result of the ongoing plan to integrate our comprehensive compliance program, conducted training sessions in 2015 to remind employees of their obligations as employees and officers of a BDC and the specific policies and procedures that have been designed by us to reasonably ensure that the our employees are in compliance with federal securities laws and other laws.

Our Board will continue to review and update the corporate governance guidelines, corporate governance practices, and our corporate governance framework, including the potential expansion of the size of our Board.

**Board Leadership Structure**

***Chairman and Chief Executive Officer***

Our Board currently combines the role of chairman of the Board with the role of chief executive officer, coupled with a lead independent director position to further strengthen our governance structure. Our Board believes this provides an efficient and effective leadership model for our company. Combining the chairman and chief executive officer roles fosters clear accountability, effective decision-making, and alignment on corporate strategy. Since 2004, Mr. Henriquez has served as both chairman of the Board and as our chief executive officer. Mr. Henriquez is an interested director.

No single leadership model is right for all companies at all times. Our Board recognizes that depending on the circumstances, other leadership models, such as a separate independent chairman of the Board, might be appropriate. Accordingly, our Board periodically reviews its leadership structure.

Moreover, our Board believes that its governance practices provide adequate safeguards against any potential risks that might be associated with having a combined chairman and chief executive officer. Specifically:

six of our seven current directors are independent directors;

all of the members of our Audit Committee, Compensation Committee, and NCG Committee are independent directors;



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our Board and its committees regularly conduct scheduled meetings in executive session, out of the presence of Mr. Henriquez and other members of management;

our Board and its committees regularly conduct meetings which specifically include Mr. Henriquez;

our Board and its committees remain in close contact with, and receive reports on various aspects of Hercules' s management and enterprise risk directly from our senior management and independent auditors.

***Lead Independent Director***

Our Board has instituted the lead independent director position to provide an additional measure of balance, ensure our Board' s independence, and enhance its ability to fulfill its management oversight responsibilities. Allyn C. Woodward, Jr. currently serves as our lead independent director. The lead independent director:

presides over all meetings of the independent directors at which our chairman is not present, including executive sessions of the independent directors;

has the authority to call meetings of the independent directors;

frequently consults with our chairman and chief executive officer about strategic policies;

provides our chairman and chief executive officer with input regarding Board meetings;

serves as a liaison between the chairman and chief executive officer and the independent directors; and

otherwise assumes such responsibilities as may be assigned to him by the independent directors.

Having a combined chairman and chief executive officer, coupled with a substantial majority of independent, experienced directors, including a lead independent director with specified responsibilities on behalf of the independent directors, provides the right leadership structure for our company and is best for us and our stockholders at this time.

**Board Oversight of Risk**

While risk management is primarily the responsibility of our management team, our Board is responsible for oversight of the material risks faced by us at both the full board level and at the committee level.

Our Audit Committee has oversight responsibility not only for financial reporting with respect to our major financial exposures and the steps management has taken to monitor and control such exposures, but also for the effectiveness of management' s enterprise risk management process that monitors and manages key business risks facing our company. In addition to our Audit Committee, the other committees of our Board consider the risks within their areas of responsibility. For example, our Compensation Committee considers the risks that may be posed by our executive compensation program.

Management provides regular updates throughout the year to our Board regarding the management of the risks they oversee at each regular meeting of our Board. Also, our Board receives presentations throughout the year from various department and business group heads that

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include discussion of significant risks as necessary. Additionally, our full Board reviews our short and long-term strategies, including consideration of significant risks facing our business and their potential impact.

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During 2015, in addition to unanimous written consents, the Board held the following meetings:

<b>Type of Meeting</b>	<b>Number</b>
<i>Regular Meetings to address regular, quarterly business matters</i>	4
<i>Other Meetings to address business matters that arise between quarters</i>	10

Each director makes a diligent effort to attend all Board and committee meetings, as well as our annual meeting of stockholders. All directors attended at least 75% of the aggregate number of meetings of the Board and of the respective committees on which they served. Each of our then-serving directors attended our 2015 annual meeting of stockholders in person.

**Board Committees**

Our Board has established an Audit Committee, a Compensation Committee, and a NCG Committee. A brief description of each committee is included in this Proxy Statement and the charters of the Audit, Compensation, and NCG Committees are available on the Investor Relations section of our website at <http://investor.htgc.com/corporate-governance.cfm>.

As of the date of this Proxy Statement, the members of each of our Board Committees are as follows (the names of the respective committee chairperson are bolded):

**Audit**  
**Robert Badavas**

**Compensation**  
**Susanne Lyons**

**Nominating and Governance**  
**Joseph Hoffman**

Joseph Hoffman

Allyn Woodward, Jr.

Susanne Lyons

Allyn Woodward, Jr.

Thomas Fallon

Each of our directors who sits on a committee satisfies the independence requirements for purposes of the rules promulgated by the NYSE and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Messrs. Badavas and Hoffman, Chairman and member of the Audit Committee, respectively, are each an audit committee financial expert as defined by applicable SEC rules.

***Committee Governance***

Each committee is governed by a charter that is approved by the Board, which sets forth each committee's purpose and responsibilities. The Board reviews the committees' charters, and each committee reviews its own charter, on at least an annual basis, to assess the charters' content and sufficiency, with final approval of any proposed changes required by the full Board.

***Committee Responsibilities and Meetings***

The key oversight responsibilities of the Board's committees, and the number of meetings held by each committee during 2015, are as follows:

***Audit Committee***

*Number of meetings held in 2015: 5*

Appointing, overseeing and replacing, if necessary, our independent auditor.

Overseeing the accounting and financial reporting processes and the integrity of the financial statements.

Establishing procedures for complaints relating to accounting, internal accounting controls or auditing matters.

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Examining the independence qualifications of our auditors.

Assisting our Board's oversight of our compliance with legal and regulatory requirements and enterprise risk management.

Assisting our Board in fulfilling its oversight responsibilities related to the systems of internal controls and disclosure controls which management has established regarding finance, accounting, and regulatory compliance.

Reviewing and recommending to the Board the valuation of the Company's portfolio.

*Compensation Committee*

*Number of meetings held in 2015: 7*

Oversees our overall compensation strategies, plans, policies and programs.

The approval of director and executive compensation.

The assessment of compensation-related risks.

*Nominating and Corporate Governance Committee*

*Number of meetings held in 2015: 2*

Our general corporate governance practices, including review of our Corporate Governance Guidelines.

The annual performance evaluation of our Board and its committees.

The identification and nomination of director candidates.

Succession planning for management.

Criteria considered by the NCG Committee in evaluating qualifications of individuals for election as members of the Board consist of the independence and other applicable NYSE corporate governance requirements; the 1940 Act and all other applicable laws, rules, regulations and listing standards; and the criteria, policies and principles set forth in the NCG Committee charter.

Considers nominees properly recommended by a stockholder. Nominations for directors may be made by stockholders if notice is timely given and if the notice contains the information required in our Bylaws. Except as noted below, to be timely, proposals and nominations of stockholders must be delivered to our secretary no earlier than November 30, 2016 and not later than 5:00 p.m., Eastern Time, on December 30, 2016. Proposals must comply with the other requirements contained in our Bylaws, including supporting documentation and other information.

**Director Independence**

The NYSE's listing standards and Section 2(a)(19) of the 1940 Act require that a majority of our Board and every member of our Audit, Compensation, and NCG Committees are independent. Under the NYSE's listing standards and our corporate governance guidelines, no director will be considered to be independent unless and until our Board affirmatively determines that such director has no direct or indirect material relationship with our company or our management. Our Board reviews the independence of its members annually.

In determining that Ms. Lyons and Messrs. Badavas, Woodward, Fallon, Ferguson and Hoffman are independent, our Board, through the NCG Committee, considered the financial services, commercial, family and other relationships between each director and his or her immediate family members or affiliated entities, on the one hand, and Hercules and its subsidiaries, on the other hand.

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**Communication with the Board**

We believe that communications between our Board, our stockholders and other interested parties are an important part of our corporate governance process. Stockholders with questions about Hercules are encouraged to contact our Investor Relations department at (650) 289-3060. However, if stockholders believe that their questions have not been addressed, they may communicate with our Board by sending their communications to Hercules Capital, Inc., c/o Melanie Grace, Secretary, 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301. All stockholder communications received in this manner will be delivered to one or more members of our Board.

Mr. Woodward currently serves as the lead independent director, and he presides over executive sessions of the independent directors. Parties may communicate directly with Mr. Woodward by sending their communications to Hercules Capital, Inc., c/o Melanie Grace, Secretary at the above address. All communications received in this manner will be delivered to Mr. Woodward.

All communications involving accounting, internal accounting controls and auditing matters, possible violations of, or non-compliance with, applicable legal and regulatory requirements or our code of ethics, or retaliatory acts against anyone who makes such a complaint or assists in the investigation of such a complaint, will be referred to Melanie Grace, Secretary. The communication will be forwarded to the chair of our Audit Committee if our secretary determines that the matter has been submitted in conformity with our whistleblower procedures or otherwise determines that the communication should be so directed.

The acceptance and forwarding of a communication to any director does not imply that the director owes or assumes any fiduciary duty to the person submitting the communication, all such duties being only as prescribed by applicable law.

**Code of Business Conduct and Ethics**

Our code of business conduct and ethics requires that our directors and executive officers avoid any conflict, or the appearance of a conflict, between an individual's personal interests and the interests of Hercules. Pursuant to our code of business conduct and ethics, which is available on our website at <http://investor.htgc.com/corporate-governance.cfm>, each director and executive officer must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to our Audit Committee. Certain actions or relationships that might give rise to a conflict of interest are reviewed and approved by our Board.

**Availability of Corporate Governance Documents**

To learn more about our corporate governance and to view our corporate governance guidelines, code of business conduct and ethics, and the charters of our Audit Committee, Compensation Committee, and NCG Committee, please visit the Investor Relations page of our website at <http://investor.htgc.com/corporate-governance.cfm>, under Corporate Governance. Copies of these documents are also available in print free of charge by writing to Hercules Capital, Inc., c/o Melanie Grace, secretary, 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

**Compensation Committee Interlocks and Insider Participation**

All members of our Compensation Committee are independent directors and none of the members are present or past employees of the Company. No member of our Compensation Committee: (i) has had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act; or (ii) is an executive officer of another entity, at which one of our executive officers serves on the Board.

**Table of Contents****Index to Financial Statements****EXECUTIVE COMPENSATION****Compensation Discussion and Analysis**

The Compensation and Discussion Analysis discusses our 2015 executive compensation program, as it relates to the following executive officers:

Manuel A. Henriquez	Chairman of the Board of Directors and Chief Executive Officer ( CEO )
Mark R. Harris	Chief Financial Officer ( CFO )
Scott Bluestein	Chief Investment Officer
Melanie Grace	General Counsel, Chief Compliance Officer and Secretary
Andrew Olson	Controller
Jessica Baron	Former Chief Financial Officer <sup>(1)</sup>

(1) Ms. Baron separated from employment with the Company on June 9, 2015.

We refer to Messrs. Henriquez, Harris, Bluestein and Olson and Ms. Grace as our named executive officers, or NEOs and Ms. Baron as our former NEO .

***Executive Summary***

Under the oversight of our Compensation Committee, the Company's executive compensation program is designed to attract, incent and retain talented individuals who are critical to our continued success and our corporate growth and who will deliver sustained strong performance over the longer term. Our executive compensation program is designed to motivate the Company's executive officers to maintain the financial strength of the Company while avoiding any inappropriate focus on short-term profits that would impede the Company's long-term growth and encourage excessive risk-taking.

For 2015, the Company continued to review and enhance our compensation practices in accordance with our executive compensation philosophy with respect to company performance on a five-year period from 2011 to 2015 and relative peer performance on the one and three-year and occasionally five-year periods (the Performance Periods ). (See *Compensation Philosophy and Objectives* below). The Company's incentive compensation practices are significantly limited by the requirements imposed on us as an internally managed business development company pursuant to the 1940 Act. (See *Limitations on Non-Equity Incentive Plans* below). The Company believes that compensation paid to our NEOs for 2015 was commensurate with the Company's overall absolute performance as well as our performance relative to peers during the relevant Performance Periods. As discussed further below, our NEOs were compensated to reflect the Company's performance during the relevant Performance Periods (See *Performance Highlights and Assessment of Company Performance* below) as well as individual performance.

In addition to key factors involved in the 2015 decisions made by the Compensation Committee, we also discuss changes to our executive officer compensation program (See *2016 Changes to Executive Compensation* below). For example, we have enhanced and expanded the scope of our clawback policy to include all Section 16 officers, not only the CEO and CFO pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (See *Clawback Policy* below).

Further information relating to our financial performance during 2015 is provided in our annual report on Form 10-K for the fiscal year ending December 31, 2015.

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***Compensation Philosophy and Objectives***

As an internally managed BDC, the Company's compensation program is designed to encourage the NEOs to think and act like stockholders. The structure of the NEOs' compensation program is designed to encourage and reward the following factors, among other things:

sourcing and pursuing attractively priced investment opportunities to venture-backed companies;

achieving the Company's dividend objectives (which focus on stability and potential growth);

maintaining credit quality, monitoring financial performance and ultimately managing a successful exit of the Company's investment portfolio;

providing compensation and incentives necessary to attract, motivate and retain key executives critical to our continued success and growth;

focusing management behavior and decision-making on goals that are consistent with the overall strategy of the business;

ensuring a linkage between NEO compensation and individual contributions to our performance; and

risk management.

We believe that our continued success during 2015 was attributable to our ability to attract, motivate and retain the Company's outstanding executive team through the use of both short- and long-term incentive compensation programs, especially in a difficult business environment and against strong competition for top-quality executive talent in the venture debt industry.

The Company's compensation objectives are achieved through its executive compensation program, which for 2015 consisted of the following:

<b>ELEMENTS OF EXECUTIVE COMPENSATION</b>		
<b>Compensation Element</b>	<b>Form of Compensation</b>	<b>Compensation Objective</b>
Annual Base Salary	Cash paid on a regular basis throughout the year	Provide a level of fixed income that is competitive to allow the Company to retain and attract executive talent
Annual Cash Bonus Awards	Cash awards paid on an annual basis following year-end	Reward NEOs who contribute to our financial performance and strategic success during the year, and reward individual achievements
Long-Term Equity Incentive Awards	Equity incentive awards vest 1/3 on a one-year cliff with remaining 2/3 vesting quarterly over two years based on continued employment with the Company	Reward NEOs who contribute to our success through the creation of shareholder value and to provide meaningful retention incentives, and reward individual achievements





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The compensation program is designed to reflect best practices in executive compensation:

**2015 GOVERNANCE BEST PRACTICES HIGHLIGHTS**

**OF EXECUTIVE COMPENSATION**

No employment agreements for NEOs.	No cash severance payments.
No guaranteed retirement benefits.	No executive perquisite allowances beyond the benefit programs offered to all employees.
No tax gross ups for NEOs.	No repricing of stock options without stockholder approval, as required under applicable NYSE rules (and subject to other requirements under the 1940 Act).
Maintain stock ownership guidelines for NEOs to own at least two times his or her salary.	Routinely engage an independent compensation consultant to review NEO compensation.
Clawback policy for CEO and CFO pursuant to Section 304 of Sarbanes-Oxley of 2002.	No change in control benefits.
No pension.	

***Executive Compensation Governance***

The Company’s executive compensation program is supported by strong corporate governance and Board-level oversight. The Compensation Committee provides primary oversight of our compensation programs, including the design and administration of executive compensation plans, assessment and setting of corporate performance, as well as individual performance, metrics, and the approval of executive compensation. In addition, the Compensation Committee retains an independent compensation consultant, and where appropriate, discusses compensation-related matters with our CEO, as it relates to the other NEOs. The Compensation Committee developed our 2015 compensation program, and the compensation paid to our NEOs during and in respect of 2015 was approved by the Compensation Committee as well as all of our independent directors.

***Role of Compensation Committee:*** The Compensation Committee is comprised entirely of independent directors who are also non-employee directors as defined in Rule 16b-3 under the Exchange Act, independent directors as defined by the NYSE rules, and are not interested persons of the Company, as defined by Section 2(a)(19) of the 1940 Act. Ms. Lyons and Mr. Woodward comprise the Compensation Committee. Ms. Lyons chairs the Compensation Committee.

The Compensation Committee operates pursuant to a charter that sets forth its mission, specific goals and responsibilities. A key component of the Compensation Committee’s goals and responsibilities is to evaluate, approve and/or make recommendations to our Board of directors regarding the compensation of our NEOs, and to review their performance relative to their compensation to assure that they are compensated in a manner consistent with the compensation philosophy discussed above. In addition, the Compensation Committee evaluates and makes recommendations to our Board of directors regarding the compensation of the directors for their services. Annually, the Compensation Committee:

- evaluates our CEO’s performance,
- reviews our CEO’s evaluation of the other NEOs’ performance,
- determines and approves the compensation paid to our CEO, and

with input from our CEO, reviews and approves the compensation of the other NEOs. The Compensation Committee periodically reviews our compensation programs and equity incentive plans to ensure that such programs and plans are consistent with our corporate objectives and appropriately align our

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NEOs' interests with those of our stockholders. The Compensation Committee also administers our stock incentive program. The Compensation Committee may not delegate its responsibilities discussed above.

***Role of Compensation Consultant:*** The Compensation Committee has engaged Frederic W. Cook & Co., Inc., or F.W. Cook, as an independent outside compensation consultant to assist the Compensation Committee and provide advice on a variety of compensation matters relating to CEO compensation, compensation paid to our other NEOs, peer group selection, compensation program design, market and industry compensation trends, director compensation levels and regulatory developments. F.W. Cook was hired by and reports directly to the Compensation Committee. Our compensation consultant does not provide any other services to the Company. The Compensation Committee has assessed the independence of F.W. Cook pursuant to the NYSE rules, and it has been concluded that the consultant's work for the Compensation Committee does not raise any conflict of interest.

***Role of Chief Executive Officer:*** From time to time and at the Compensation Committee's request, our CEO will attend the Compensation Committee's meetings to discuss the Company's performance and compensation-related matters. Our CEO does not attend executive sessions of the Compensation Committee, unless invited by the Compensation Committee. While our CEO does not participate in any deliberations relating to his own compensation, our CEO reviews on at least an annual basis the performance of each of the other NEOs and other executive officers. Based on these performance reviews and the Company's overall absolute and relative performance, our CEO makes recommendations to the Compensation Committee on any changes to base salaries, annual bonuses and equity awards. The Compensation Committee considers the recommendations submitted by our CEO, as well as data and analysis provided by management and F.W. Cook, but retains full discretion to approve and/or recommend for Board approval all executive and director compensation.

***Competitive Benchmarking Against Peers***

To determine the competitiveness of executive compensation levels, the Compensation Committee analyzes a group of internally and externally managed BDCs as set forth below (the "Peer Group"). However, the Compensation Committee does not specifically benchmark the compensation of our NEOs against that paid by other companies. Moreover, many of these entities do not publicly report the compensation of their executive officers nor do they typically report publicly information on their corporate performance. While various salary surveys from other private sources may become available to the Company with regard to these private entities, the Company believes that, among other reasons, without accurate, publicly disclosed information that would serve as benchmarks, it is not appropriate for the Company to set formal benchmarking procedures.

During 2015, the Compensation Committee, based on the advice of F.W. Cook, reviewed the peer group used in connection with prior compensation decisions. Based on this review, and the advice of F.W. Cook, the Compensation Committee updated our Peer Group to better align it to our business. Our Peer Group was used as a factor in determining the annual cash bonus awards made with respect to 2015 (but paid in 2016), along with the various performance metrics outlined below under *Performance Highlights and Assessment of Company Performance*, as well as the further considerations further described below under *Annual Cash Bonus Awards*. We emphasize that the list below is not one of exact peers. There are few internally managed BDCs and none of them are directly comparable to the Company in business strategies, assets under management, typical investment size and market capitalization. Items reviewed, among others, were certain corporate and executive performance measures established to achieve total returns for stockholders and our expense efficiency ratio compared to other BDCs in our Peer Group (which is calculated by taking total general and administrative expenses and dividing it by the company's total revenue).

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	<b>HERCULES PEER GROUP</b>	
<b>Internally Managed BDCs</b>		<b>Externally Managed BDCs</b>
American Capital	Apollo Investment	Ares Capital
KCAP Financial	BlackRock Kelso Capital	Fifth Street Finance
Main Street Capital	FS Investment Corporation	Goldman Sachs BDC
Triangle Capital	Golub Capital BDC	Medley Capital
	New Mountain Finance	Pennant Park Investment
	Prospect Capital	Solar Capital
	TCP Capital	THL Credit
	TICC Capital	TPG Specialty

The items taken into account by the Compensation Committee in relation to other internally managed BDCs include, but are not limited to, base compensation, bonus compensation, restricted stock awards, and other compensation. In relation to externally managed BDCs, fees charged, including the base management fee (1.375% to 2.00%), administration fee (if applicable), incentive fee (17.5% to 20.0%) and capital gains fee (17.50% to 20.0%), are also taken into consideration.

***Limitations Imposed by the 1940 Act Relating to Implementation of Non-Equity Incentive Plans***

We are an internally-managed, non-diversified, closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC, we are required to comply with certain regulatory requirements, including the 1940 Act Requirements. The 1940 Act Requirements provide that the Company may maintain either an equity incentive plan or a profit sharing plan. A profit sharing plan as defined under the 1940 Act is any written or oral plan, contract, authorization or arrangement, or any practice, understanding or undertaking whereby amounts payable under the compensation plan are dependent upon or related to the profits of the company. The SEC has stated that compensation plans possess profit-sharing characteristics if an investment company is obligated to make payments under such a plan based on the level of income, realized gains or loss on investments or unrealized appreciation or depreciation of assets of such investment company.

The Company believes that equity incentives strongly align the interests of our stockholders with our NEOs, and, accordingly, an equity incentive plan was adopted in 2004. Since the Company has adopted the Equity Plan, the 1940 Act Requirements prohibit us from also implementing a profit sharing plan.

Why is this important to the Company's executive compensation? The 1940 Act Requirements that restrict the Company to sponsoring either an equity incentive plan or a profit sharing plan limit the Company's use of formulas or non-discretionary objective performance goals or criteria in its incentive plans. This means that the Compensation Committee is not permitted to use a nondiscretionary formulaic application of any performance criteria for corporate and individual goals to determine compensation. Rather, the Compensation Committee must take into consideration all factors and use its discretion to determine the appropriate amount of compensation for our NEOs. The Compensation Committee's objective is to work within this regulatory framework to maintain and motivate pay-for-performance alignment, to establish appropriate compensation levels relative to our Peer Group and to implement compensation best practices.

***2015 Advisory Vote on Executive Compensation***

At our 2015 annual meeting of stockholders, our advisory vote on say-on-pay received support from our stockholders (approximately 58.8% of votes cast). In response to our 2014 and 2015 say-on-pay votes, the Company made certain structural changes to its compensation program. Please see *2016 Changes to Executive Compensation* below.

The Company believes that the continuing dialogue with our stockholders on company performance, compensation and other governance matters is important. In advance of our 2016 annual meeting of stockholders,

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management engaged in numerous direct dialogues with our largest institutional shareholders, as well as a number of other institutional shareholders, to gain broad-based and/or specific insights into the Company's overall performance, operating expenses, including executive compensation and corporate governance practices. In addition, we invited each of our institutional stockholders holding more than 1% of the Company's stock to speak directly with management specifically on executive compensation and corporate governance practices.

The Company anticipates continuing our stockholder engagement efforts following the 2016 annual meeting and in advance of our future annual meetings.

***Performance Highlights and Assessment of Company Performance***

In determining the compensation for our NEOs, the Compensation Committee evaluates our performance relative to our Peer Group (See *Competitive Benchmarking Against Peers* above), as well as Company-specific absolute performance factors over the relevant Performance Periods. In 2015, relative and company-specific factors included:

		<i>Performance Period Outcomes</i>				
		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Key Performance</b>	<b>Metric</b>					
	Total of New Fundings (in \$ millions)	712.3	621.3	500.7	554.9	449.9
	Total Investments at Cost (in \$ millions)	1,252.3	1,035.3	906.3	914.3	656.5
<b>Indicators</b>	Net Interest Margin (in \$ million)	120.2	108.1	104.6	73.8	64.0

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*Total New Fundings:* Debt and equity fundings grew from \$449.9 million in 2011 to \$712.3 million in 2015 or a CAGR of 12.2%, as we continue to expand our origination team, increase our market share and organically grow our business via a record funding year for Hercules.

*Total Investments:* Total investments increased to \$1,252.3 million in 2015 from \$656.5 million in 2011, a CAGR of 14.9% due to record new fundings, combined with the monetization of our warrants and equity positions.

*Net Interest Margin:* We continue to grow our net interest margin due to strong portfolio growth and effectively managing our weighted average cost of debt.

		Metric	Performance Period Outcomes				
			2015	2014	2013	2012	2011
	Liquidity Levels (in \$ millions)		195.2	377.1	373.4	288.0	184.3
<b>Execution Across</b>	Available Unfunded Commitments (in \$ millions)		75.4	147.7	69.1	19.3	76.1
	Cumulative Net Realized Losses (in \$ millions)		6.9	12.0	32.1	47.0	50.1
<b>Performance Metrics</b>	Dividend Yield (%) <sup>(1)</sup>		10.2	8.3	6.8	8.5	9.3

- (1) *Dividend Yield:* Dividend Yield is a financial ratio that indicates the amount of dividends paid by the Company relative to its share price and is calculated as annual dividends per share divided by price per share as of measurement date.

*Liquidity Levels:* The use of our credit facilities has been an integral component of our treasury management as we minimize our cash drag on our assets via the use of our warehouse facilities. These facilities have a low interest cost and allow us to build up our asset base for future offerings at competitive rates.

*Available Unfunded Commitments:* We have done an outstanding job on managing our Available Unfunded Commitments. Our Available Unfunded Commitments was 6.5% of our loan portfolio at the end of 2015, where as in 2014 it was 15.5%.

*Cumulative Net Realized Losses:* We continue to demonstrate strong credit management and nothing shows this more than our cumulative net loan losses, where we finished in 2015 at \$6.9 million on commitments of

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\$5.7 billion. In 2011, our cumulative net realized losses were \$50.1 million since inception, demonstrating our ability to manage our portfolio effectively over the last 5 years.

*Dividend Yield:* We saw our Dividend Yield grow to 10.2% at the end of 2015, which is above our target of 6% and 8%. We believe that our continued strong performance will be recognized and our Dividend Yields will adjust to the range we believe is representative of our stock price.

Metric	<i>Performance Period Outcomes</i>					
	2015		2014		2013	
	HTGC	Peer Group <sup>(1)</sup>	HTGC	Peer Group	HTGC	Peer Group
Return on Average Assets (ROAA) excl. Cash	6.4%	6.0%	7.2%	6.3%	7.7%	6.6%
Return on Average Equity (ROAE)	10.7%	10.5%	11.2%	10.1%	12.5%	10.2%
Net Interest Margin % (NIM)	9.5%	9.5%	9.0%	9.5%	9.2%	10.2%

  

Superior Relative Performance	Metric	<i>Performance Period Outcomes</i>					
		1-Year		3-Year		5-Year	
		HTGC	Peer Group	HTGC	Peer Group	HTGC	Peer Group
	Total Shareholder Return (TSR) <sup>(2)</sup>	-9.7%	-2.1%	41.8%	-0.2%	70.0%	26.2%

(1) *Peer Group* is defined above on page 34.

(2) *Total Shareholder Return:* Total Shareholder Return is a measure of shareholder performance over time and is calculated as the share price at the beginning of the performance period minus the share price at the end of such performance period plus dividends divided by the share price at the beginning of the performance period.

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*2015 Return on Average Assets (excl. cash):* We exceeded the performance of 70% of our Peer Group by generating a 6.4% return on average assets (excl. cash).

*2015 Return on Average Equity:* We generated a 10.7% return on average equity, outperforming 55% of our Peer Group, while maintaining less leverage in relation to our peers.

*Net Interest Margin:* We improved net interest margin by 300 basis points from 2013 to 2015, in contrast to a 700 basis point decline in the median net interest margin of the Peer Group.

*Three-Year and Five-Year Average Total Shareholder Return:* We outperformed the majority of our Peer Group by generating an average total shareholder return of 41.8% compared to the peer group median of -0.2% over three years and 70.0% over 5 years compared to the peer group median of 26.2%.

***Assessment of Company Performance***

In determining annual compensation for our NEOs, the Compensation Committee analyzes and evaluates the individual achievements and performance of our NEOs as well as the overall relative and absolute operating performance and achievements of the Company. We believe that the alignment of (i) our business plan, (ii) stockholder expectations and (iii) our employee compensation is essential to long-term business success and the interests of our stockholders and employees and to our ability to attract and retain executive talent, especially in a competitive environment for top-quality executive talent in the venture debt industry. Our business plan involves taking on credit risk over an extended period of time, and a premium is placed on our ability to maintain stability and growth of net asset values as well as continuity of earnings growth to pass through to stockholders in the form of recurring dividends over the long term. Our strategy is to generate income and capital gains from our investments in the debt with warrant securities, and to a lesser extent direct equity, of our portfolio companies. This income supports the anticipated payment of dividends to our stockholders. Therefore, a key element of our return to stockholders is current income through the payment of dividends. This recurring payout requires a methodical asset acquisition analyses as well as highly active monitoring and management of our investment portfolio over time. To accomplish these functions, our business requires implementation and oversight by management and key employees with highly specialized skills and experience in the venture debt industry. A substantial part of our employee base is dedicated to the generation of new investment opportunities to allow us to sustain dividends and to the maintenance of asset values in our portfolio. In addition to the performance factors above, the Company considered the following Company-specific performance factors over the relevant Performance Periods: overall credit performance, performance against annual gross funding goals, overall yields, efficiency ratios, total and net investment income and realized and unrealized gains and losses.

***Elements of Executive Compensation and 2015 Compensation Determinations***

***Base Salary***

We believe that base salaries are a fundamental element of our compensation program. The Compensation Committee establishes base salaries for each NEO to reflect (i) the scope of the NEO's industry experience, knowledge and qualifications, (ii) the NEO's position and responsibilities and contributions to our business growth and (iii) salary levels and pay practices of those companies with whom we compete for executive talent.

The Compensation Committee considers base salary levels at least annually as part of its review of the performance of NEOs and from time to time upon a promotion or other change in job responsibilities. During its review of base salaries for our executives, the Compensation Committee primarily considers: individual performance of the executive, including leadership and execution of strategic initiatives and the accomplishment of business results for our company; market data provided by our compensation consultant; our NEOs total compensation, both individually and relative to our other NEOs; and for NEOs other than the CEO, the base salary recommendations of our CEO. Mr. Olson's base salary was increased to \$186,250 effective June 1, 2015, reflecting a \$45,000 increase. Such increase was related to Mr. Olson's assumption of additional responsibilities as well as service as Interim CFO after Jessica Baron left the Company.





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NEO	2015 Base Salary <sup>(1)</sup>
Manuel Henriquez	\$ 779,762
Mark Harris	\$ 166,667
Scott Bluestein	\$ 420,000
Melanie Grace	\$ 79,167
Andrew Olson	\$ 186,250

- (1) Mr. Harris became employed by the Company on August 3, 2015. The base salary amount reported above reflects the base salary paid to Mr. Harris between August 3, 2015 and December 31, 2015. Ms. Grace became employed by the Company on September 17, 2015. The base salary amount reported above reflects the base salary paid to Ms. Grace between September 17, 2015 and December 31, 2015.

*Annual Cash Bonus Awards*

The Compensation Committee, together with input from our CEO, developed a specific bonus pool for the 2015 operating year to be available for our annual cash bonus program. The amount determined to be available for our annual cash program was dependent upon many factors, including those outlined previously under *Performance Highlights and Assessment of Company Performance*.

The Compensation Committee designs our annual cash bonuses to motivate our NEOs to achieve financial and non-financial objectives consistent with our operating plan. The Compensation Committee generally targets cash bonuses to 50% to 100% of an NEO's base salary; however, such bonus amounts may exceed these targets in the event of exceptional company and individual performance.

The Compensation Committee retains complete discretion in the sizing and awarding of cash bonuses for each NEO to ensure that individual bonus determinations appropriately balance the interests of our stockholders, while rewarding an NEO's contributions to our performance. Accordingly, should actual company and NEO performance exceed expectations the Compensation Committee may adjust individual cash bonuses to take such superior performance into account. Conversely, if company and NEO performance is below expectations, the Compensation Committee will consider such performance in determining the NEO's actual cash bonus.

In evaluating the performance of our NEOs to arrive at their 2015 cash bonus awards, the Compensation Committee considered the performance factor achievements discussed above under *Performance Highlights and Assessment of Company Performance*, and the Compensation Committee specifically compared our performance and the returns of our stockholders against the performance and shareholder returns of other BDCs.

When sizing our cash bonus pool and allocating bonus awards, the total compensation paid to our NEOs and other employees is evaluated against the expense ratios of other BDCs. With respect to 2015, company-wide compensation expense as a percentage of average assets among the peers in the Peer Group was considered. For the fiscal year ended December 31, 2015, the ratio of our compensation expense divided by total revenue was below the median of the our Peer Group.

Based on the foregoing considerations and analysis, and after due deliberation, the Compensation Committee awarded our current NEOs the following annual cash bonuses with respect to 2015.

NEO	2015 Cash Bonus Award <sup>(1)</sup>
Manuel Henriquez	\$ 1,000,000
Mark Harris	\$ 200,000
Scott Bluestein	\$ 525,000
Melanie Grace	\$ 50,000
Andrew Olson	\$ 195,000

- (1) Mr. Harris and Ms. Grace's 2015 bonuses were paid on a prorated basis due to their August 3, 2015 and September 17, 2015 employment dates, respectively.



**Table of Contents****Index to Financial Statements***Long-Term Equity Incentive Compensation**2004 Equity Incentive Plan*

Our long-term equity incentive compensation is designed to develop a strong linkage between pay and our strategic goals and performance, as well as to align the interests of our NEOs, and other executives and key employees, with those of our stockholders by awarding long-term equity incentives in the form of stock options and restricted stock. These awards are made pursuant to our Equity Plan, which permits both options and restricted stock awards.

We believe that annual restricted stock awards to our NEOs are a critical part of our compensation program as they allow us to:

align our business plan, stockholder interests and employee concerns,

manage dilution associated with equity-based compensation,

match the return expectations of the business more closely with our equity-based compensation plan, and

retain key management talent.

We believe that restricted stock motivates performance that is more consistent with the type of return expectations that we have established for our stockholders. Accordingly, the Company awards restricted stock award grants to our NEOs. These awards, if granted, typically vest over three (3) years.

*Grant Practices for Executive Officers*

In 2015, the Compensation Committee and all independent directors of the Board approved restricted stock awards to executive officers and all newly-hired executive officers. Annual equity compensation grants to executive officers have typically been granted in the first quarter of the year. The Company does not grant stock options to executive officers. As a result, there were no option grants to our NEOs in 2015.

*Restricted Stock Awards*

In January 2016, the Compensation Committee assessed each current NEO's individual performance for 2015, our overall company performance in 2015 (including the performance factors detailed above under *Performance Highlights and Assessment of Company Performance* and *Annual Cash Bonus Awards*) and the levels of equity compensation paid by other companies with whom we compete for executive talent. Based on this assessment, the Compensation Committee determined that the following restricted stock awards be made to our current NEOs with respect to 2015, in the amounts and on the dates set forth below to reward them for services performed in 2015. These restricted stock awards vest as to one-third of the shares underlying the awards on the first anniversary of the grant date, and they vest as to the remaining shares in equal quarterly installments over the next two years.

NEO	Grant Date	Restricted Stock Awards	Fair Value of Restricted Stock Awards <sup>(1)</sup>
Manuel Henriquez	1/10/2016	333,500	\$ 4,005,335
Scott Bluestein	1/10/2016	104,000	\$ 1,249,040
Mark Harris	1/10/2016	33,000	\$ 396,330
Melanie Grace	1/10/2016	9,400	\$ 112,894

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Andrew Olson	1/10/2016	6,000	\$	72,060
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(1) Based on the closing price per share of our common stock of \$12.01 on January 8, 2016.

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*Other Elements of Compensation*

*Severance:* No NEO or employee of the Company has a written severance agreement or other arrangement providing for payments or benefits upon a termination of employment.

*Benefits and Perquisites:* Our NEOs receive the same benefits and perquisites as other full-time employees. Our benefits program is designed to provide competitive benefits and is not based on performance. Our NEOs and other full-time employees receive health and welfare benefits, which consist of life, long-term and short-term disability, health, dental, vision insurance benefits and the opportunity to participate in our defined contribution 401(k) plan. During 2015, our 401(k) plan provided for a match of contributions by the company for up to \$18,000 per full-time employee. Other than the benefits set forth immediately above, our NEOs are not entitled to any other benefits or perquisites.

*Potential Payments Upon Termination or Change of Control:* No NEO or employee of the Company has a written employment agreement, or other agreement, providing for payments or other benefits in connection with a change of control of the Company. Further, no NEO or any other employee is entitled to any tax gross-up payments.

***Pay-for-Performance Alignment***

The Company believes that there exists an alignment between the compensation of our NEOs and our performance over the relevant Performance Periods. As noted above, a broad range of individual performance factors and company performance factors are analyzed each year, including total shareholder return and relative performance to our Peer Group. The objective in analyzing these key performance factors is to align NEO compensation to our performance relative to our Peer Group and our absolute corporate performance.

Finally, in measuring our relative performance for 2015 compensation decisions, the Compensation Committee considered several factors against our Peer Group, including return on average assets, return on average equity, net interest margin and total shareholder return.

The Company's annual bonus and equity awards constitute an effective mix of short- and long-term compensation components and reflect key measures of our performance and the returns enjoyed by our stockholders. Consistent with our pay-for-performance philosophy, the Compensation Committee will make future compensation decisions taking into account our absolute and relative performance, and, if our future performance were to fall significantly below our peers, the Compensation Committee would consider adjusting NEO compensation prospectively.

***Total Compensation Expense Relative to other Internally Managed BDCs***

In determining annual bonus awards, the total compensation paid to our NEOs and other employees against the expense ratios of other internally managed BDCs was considered.

***Internal Pay Equity Analysis***

Our compensation program is designed with the goal of providing compensation to our NEOs that is fair, reasonable, and competitive. To achieve this goal, the Company believes it is important to compare compensation paid to each NEO not only with compensation in our comparative group companies, as discussed above, but also with compensation paid to each of our other NEOs. Such an internal comparison is important to ensure that compensation is equitable among our NEOs.

As part of the Compensation Committee's review, we made a comparison of our CEO's total compensation paid for the year ending December 31, 2015 against that paid to our other NEOs during the same year. Upon

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review, the Compensation Committee determined that our CEO's compensation relative to that of our other NEOs was appropriate because of his level and scope of responsibilities, expertise and performance history, and other factors deemed relevant by the Compensation Committee. The Compensation Committee also reviewed the mix of the individual elements of compensation paid to our NEOs for this period, the individual performance of each NEO and any changes in responsibilities of the NEO.

***Stock Ownership Guidelines***

The Company maintains stock ownership guidelines, which are outlined in our corporate governance guidelines, because we believe that material stock ownership by our executives plays a role in effectively aligning the interests of these employees with those of our stockholders and strongly motivates our executives to build long-term shareholder value. Pursuant to our stock ownership guidelines, each member of senior management is required to beneficially own at least two times the individual's annual salary in Company common stock, based on market value, within three years of joining the Company. Our Board may make exceptions to this requirement based on particular circumstances; however, no exceptions have been made for our current NEOs. Messrs. Henriquez and Bluestein have met their minimum guidelines as of April 15, 2016.

***Tax and Accounting Matters***

***Stock-Based Compensation.*** We account for stock-based compensation, including options and shares of restricted stock granted pursuant to our Equity Plan and 2006 Non-Employee Director Plan in accordance with the requirements of Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) Topic 718. Under the FASB ASC Topic 718, we estimate the fair value of our option awards at the date of grant using the Black-Scholes-Merton option-pricing model, which requires the use of certain subjective assumptions. The most significant of these assumptions are our estimates on the expected term, volatility and forfeiture rates of the awards. Forfeitures are not estimated due to our limited history but are reversed in the period in which forfeiture occurs. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, are likely to change our valuation assumptions used to value stock-based awards granted in future periods. We estimate the fair value of our restricted stock awards based on the grant date market closing price.

***Deductibility of Executive Compensation.*** When analyzing both total compensation and individual elements of compensation paid to our NEOs, the Company considers the income tax consequences to the Company of its compensation policies and procedures. In particular, the Company considers Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code ), which limits the deductibility of non-performance-based compensation paid to certain of the NEOs to \$1,000,000 per affected NEO. The Compensation Committee intends to balance its objective of providing compensation to our NEOs that is fair, reasonable, and competitive with the Company's ability to claim compensation expense deductions. Our Board believes that the best interests of the Company and our stockholders are served by executive compensation programs that encourage and promote our principal compensation philosophy, enhancement of shareholder value, and permit the Compensation Committee to exercise discretion in the design and implementation of compensation packages. Accordingly, we may from time to time pay compensation to our NEOs that may not be fully tax deductible, including certain bonuses and restricted stock. Stock options granted under our stock plan are intended to qualify as performance-based compensation under Section 162(m) of the Code. The Company will continue to review its executive compensation plans periodically to determine what changes, if any, should be made as a result of any deduction limitations.

***Clawback Policy***

The Company has a clawback policy pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ). Section 304 of Sarbanes-Oxley requires our CEO and CFO to reimburse the Company for certain compensation and stock sale profits received if the Company is required to restate financial statements

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due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws. Beginning in 2016, the Company has expanded this policy to include all Section 16 officers and made other changes to the policy as well (See *2016 Changes to Executive Compensation*, below).

#### ***2016 Changes to Executive Compensation***

In response to our 2014 and 2015 say-on-pay votes, the Compensation Committee consulted with our compensation consultant, F.W. Cook, to revise the Company's 2016 executive compensation in order to alleviate stockholder concerns and more directly align all elements of NEO compensation to individual performance. The following changes will be implemented for 2016:

#### ***Clawback Policy for Section 16 Officers***

With respect to the Company's clawback policy, beginning in 2016, the Company has

broadened its clawback policy to apply to all Section 16 officers; and

broadened the scope of its clawback policy beyond financial restatements.

Pursuant to this expanded clawback policy, for payments that are predicated on financial results augmented by fraud, embezzlement, gross negligence or deliberate disregard of applicable rules resulting in significant monetary loss, damage or injury to the Company ( *Excess Compensation* ), the Compensation Committee has the authority to seek repayment of any Excess Compensation, including:

cancellation of unvested, unexercised or unreleased equity incentive awards; and

repayment of any compensation earned on previously exercised or released equity incentive awards whether or not such activity resulted in a financial restatement. The Compensation Committee will have sole discretion under this policy, consistent with any applicable statutory requirements, to seek reimbursement of any Excess Compensation paid or received by the Section 16 officer or director for up to a 12-month period prior to the date of the Compensation Committee action to require reimbursement of the Excess Compensation. Any clawback of Excess Compensation must be based upon fraud adjudicated by a court of competent jurisdiction or a financial restatement. Further, following a restatement of our financial statements, we will recover any compensation received by the CEO and CFO that is required to be recovered by Section 304 of the Sarbanes-Oxley.

For purposes of this policy, Excess Compensation will be measured as the positive difference, if any, between the compensation earned by a Section 16 officer or director and the compensation that would have been earned by the Section 16 officer or director had the fraud, embezzlement, gross negligence or deliberate disregard of applicable rules resulting from significant monetary loss, damage or injury to the Company not occurred.

#### ***Corporate Goals (50% of Executive Officer Incentive Compensation)***

For 2016, the Compensation Committee will develop corporate goals that must be achieved in order for all executive officers to receive up to 50% of their incentive compensation. These goals include operational performance as well as performance relative to the Company's peer group. While the criteria may not be weighted, the Compensation Committee will take into consideration each of these factors to determine whether the executive officers are eligible for up to 50% of the proposed incentive compensation. The Compensation Committee believes that the corporate goals applicable to all executive officers create an alignment not only with shareholders but also to the Company's business strategy and performance goals.





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***Defined Individual Goals (50% of Executive Officer Incentive Compensation)***

For 2016, the Compensation Committee will develop individual goals for each executive officer based on conversations with both the CEO and the respective executive officer. Each set of individual goals will be unique to the executive officer's responsibilities and position within the Company. While each of the factors may not be weighted, the Compensation Committee will take into consideration each of these factors to determine whether the executive officers are eligible for up to 50% of the executive officer's incentive compensation.

**Risk Assessment of the Compensation Programs**

Our Board believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. The Company has designed our compensation programs, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. We use common variable compensation designs, with a significant focus on individual contributions to our performance and the achievement of absolute and relative corporate objectives, as generally described in this Compensation Discussion and Analysis.

In view of the current economic and financial environment, the Compensation Committee and the Board reviewed our compensation programs to assess whether any aspect of the programs would encourage any of our employees to take any unnecessary or inappropriate risks that could threaten the value of the Company. The Company has designed our compensation programs to reward our employees for achieving annual profitability and long-term increase shareholder value.

Our Board recognizes that the pursuit of corporate objectives possibly leads to behaviors that could weaken the link between pay and performance, and, therefore, the correlation between the compensation delivered to employees and the long-term return realized by stockholders. Accordingly, our executive compensation program is designed to mitigate these possibilities and to ensure that our compensation practices are consistent with our risk profile. These features include the following:

bonus payouts and equity incentive awards that are not based solely on corporate performance objectives, but are also based on individual performance levels,

the financial opportunity in our long-term equity incentive program that is best realized through long-term appreciation of our stock price, which mitigates excessive short-term risk-taking,

annual cash bonuses that are paid after the end of the fiscal year to which the bonus payout relates,

the engagement and use of a compensation consultant,

the institution of stock ownership guidelines applicable to our executive officers, and

final decision making by our Compensation Committee and our Board of directors on all awards.

Additionally, the Company performed an assessment of compensation-related risks for all of our employees. Based on this assessment, we concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company. In making this evaluation, the Company reviewed the key design elements of our compensation programs in relation to industry best practices, as well as the means by which any potential risks may be mitigated. In addition, management completed an inventory of incentive programs below the executive level and reviewed the design of these incentives and concluded that such incentive programs do not encourage excessive risk-taking.

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We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussions with management, we recommend to the Board that the Compensation Discussion and Analysis be included in this prospectus supplement.

The Compensation Committee

Susanne D. Lyons, Chair

Allyn C. Woodward, Jr.

*The information contained in the report above shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act except to the extent specifically incorporated by reference therein.*

**EXECUTIVE COMPENSATION TABLES****Summary Compensation Table**

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Manuel Henriquez	2015	\$ 779,762	\$ 1,000,000	\$ 4,472,142		\$ 1,635,353	\$ 7,887,257
<i>Chairman &amp; Chief Executive Officer</i>	2014	\$ 779,762	\$ 692,500	\$ 5,992,250		\$ 804,675	\$ 8,269,187
	2013	\$ 757,050	\$ 1,136,000	\$ 3,819,994		\$ 639,950	\$ 6,352,994
Mark R. Harris	2015	\$ 166,667	\$ 200,000	\$ 400,001		\$ 26,404	\$ 793,072
<i>Chief Financial Officer</i>							
Scott Bluestein	2015	\$ 420,000	\$ 525,000	\$ 670,212		\$ 193,370	\$ 1,808,582
<i>Chief Investment Officer</i>	2014	\$ 420,000	\$ 233,750	\$ 967,100		\$ 144,396	\$ 1,765,146
	2013	\$ 300,000	\$ 360,000	\$ 699,994		\$ 107,645	\$ 1,467,640
Melanie Grace	2015	\$ 79,167	\$ 50,000	\$ 112,500		\$ 36,466	\$ 278,133
<i>General Counsel, Chief Compliance Officer and Secretary</i>							
Andrew Olson	2015	\$ 186,250	\$ 195,000	\$ 53,332		\$ 22,717	\$ 457,299
<i>Controller</i>							
Jessica Baron	2015	\$ 130,096		\$ 267,838		\$ 63,168	\$ 461,102
<i>Former Chief Financial Officer</i>	2014	\$ 293,550	\$ 123,750	\$ 517,825		\$ 109,841	\$ 1,044,966
	2013	\$ 285,000	\$ 287,442	\$ 410,004		\$ 106,821	\$ 1,089,267

- (1) Salary column amounts represent base salary compensation received by each NEO for the listed fiscal year. The amount presented for Mr. Harris and Ms. Grace is the pro rata portion of their annual base salary paid through December 31, 2015.
- (2) Bonus column amounts represent the annual cash bonus earned during the fiscal year and awarded and paid out during the first quarter of the following fiscal year.
- (3) The amounts reflect the aggregate grant date fair value of restricted stock and stock option awards made to our NEOs and former NEOs during the applicable year computed in accordance with FASB ASC Topic 718. The grant date fair value of each restricted stock award is measured based on the closing price of our common stock on the date of grant.
- (4) All Other Compensation column includes the following:

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We made matching contributions under our 401(k) plan of (a) \$18,000 in 2015 to Messrs. Henriquez, Bluestein and Olson and Ms. Baron; (b) \$17,000 in 2014 to Messrs. Henriquez and Bluestein and Ms. Baron; and (c) \$17,000 in 2013 to Messrs. Henriquez and Bluestein and Ms. Baron.

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Dividends to Messrs. Henriquez, Harris, Bluestein and Olson and Ms. Grace in the amount of \$845,550, \$22,587, \$134,985, \$4,717 and \$3,100, respectively, were paid on unvested restricted stock awards during 2015.

Dividends to Messrs. Henriquez and Bluestein and Ms. Baron in the amount of \$787,675, \$127,396 and \$92,841, respectively, were paid on unvested restricted stock awards during 2014.

Dividends to Messrs. Henriquez, Bluestein and Ms. Baron in the amount of \$622,950, \$90,645, and \$89,821, respectively, were paid on unvested restricted stock awards during 2013.

Due to a change in the vacation policy of NEOs, Messrs. Henriquez, Harris, Bluestein and Ms. Grace were each paid out of all of their accrued vacation through August 30, 2015 in the amount of \$771,803, \$3,817, \$40,385 and \$1,007, respectively. NEOs no longer accrue vacation effective September 1, 2015.

Ms. Grace began as a contractor on August 3, 2015 until she was approved by the Board as an executive officer on September 17, 2015. During this period, Ms. Grace earned \$32,359 in compensation.

**Grants of Plan Based Awards in 2015**

NEO	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units <sup>(1)</sup>	All Other Option Awards: Number of Securities Underlying Options <sup>(1)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup>
Manuel Henriquez	3/10/2015	318,983		\$ 4,472,142
Mark Harris	8/06/2015	36,430		\$ 400,001
Scott Bluestein	3/10/2015	47,804		\$ 670,212
Melanie Grace	9/17/2015	10,000		\$ 112,500
Jessica Baron <sup>(3)</sup>	3/10/2015	19,104		\$ 267,838

- (1) Restricted stock awards vest as to one-third of the award on the one year anniversary of the date of the grant and quarterly over the succeeding 24 months. When payable, dividends are paid on a current basis on the unvested shares.
- (2) The amounts reflect the aggregate grant date fair value of computed in accordance with FASB ASC Topic 718.
- (3) Ms. Baron resigned effective June 9, 2015. Upon her resignation, Ms. Baron forfeited all of her unvested restricted stock.

**Outstanding Equity Awards at Fiscal Year End, December 31, 2015**

Name and Principal Position	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup>
Manuel Henriquez					15,313 <sup>(3)</sup>	\$ 186,665
					61,419 <sup>(4)</sup>	\$ 748,698
					68,750 <sup>(5)</sup>	\$ 838,063
					40,000 <sup>(7)</sup>	\$ 487,600
					318,983 <sup>(8)</sup>	\$ 3,888,403

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Mark Harris	36,430 <sup>(9)</sup>	\$ 444,082
Scott Bluestein	2,188 <sup>(3)</sup>	\$ 26,672
	12,284 <sup>(4)</sup>	\$ 76,188
	6,250 <sup>(5)</sup>	\$ 149,742
	11,250 <sup>(6)</sup>	\$ 137,138
	47,804 <sup>(8)</sup>	\$ 582,731

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Name and Principal Position	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup>
Melanie Grace					10,000 <sup>(10)</sup>	\$ 121,900
Andrew Olson	6,666 <sup>(11)</sup>	13,334	\$ 15.12	12/3/2021	3,804 <sup>(8)</sup>	\$ 46,371
Jessica Baron <sup>(2)</sup>						

- (1) Market value is computed by multiplying the closing market price of the Company's stock at December 31, 2015 by the number of shares.
- (2) Ms. Baron resigned effective June 10, 2015. Upon her resignation, Ms. Baron forfeited all of her unvested restricted stock.
- (3) Restricted stock granted on 3/9/12 that vests as to one-fourth of the total award on the one-year anniversary of the date of the grant and ratably over the succeeding 36 months
- (4) Restricted stock granted on 3/4/13 that vests as to one-fourth of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 36 months
- (5) Restricted stock granted on 4/10/14 that vests as to one-half of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 12 months.
- (6) Restricted stock granted on 4/14/14 that vests as to one half of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 12 months.
- (7) Restricted stock granted on 4/15/14 that vests as to one-half of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 12 months.
- (8) Restricted stock granted on 3/10/15 that vests as to one-third of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 24 months.
- (9) Restricted stock granted on 8/6/15 that vests as to one-third of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 24 months
- (10) Restricted stock granted on 9/17/15 that vests as to one-third of the total award on the one year anniversary of the date of the grant and quarterly over the succeeding 24 months.
- (11) Options granted on 12/03/2014 that vest as to one-third of the total underlying shares on the one year anniversary of the date of the grant and on a monthly basis over the succeeding 24 months.

**Options Exercised and Stock Vested in 2015**

Name and Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Manuel Henriquez			457,420	\$ 5,894,175
Scott Bluestein			73,512	\$ 946,463
Jessica Baron			30,541	\$ 423,669



Table of ContentsIndex to Financial Statements**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information as of December 31, 2015, with respect to compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, restricted stock and warrants	(b) Weighted-average exercise price of outstanding options, restricted stock and warrants	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders:			
2004 Equity Incentive Plan	628,171	\$ 13.97	4,241,172
2006 Non-Employee Director Plan	100,000	\$ 13.07	740,000
Equity compensation plans not approved by stockholders:			
Total	728,171	\$ 13.52	4,981,172

**2004 Equity Incentive Plan**

Our board and our stockholders have approved our Equity Plan to align our employees' interest with the performance of our Company and to attract and retain the services of executive officers and other key employees. Under our Equity Plan our Compensation Committee may award incentive stock options, referred to as ISOs, within the meaning of Section 422 of the Code, and non-qualified stock options to employees and employee directors. The following is a summary of the material features of our Equity Plan.

Under our Equity Plan, we had 3,745,060 shares of common stock available for issuance as of April 15, 2016. Participants in our Equity Plan may receive awards of options to purchase our common stock and/or restricted shares, as determined by our Compensation Committee. Options granted under our Equity Plan generally may be exercised for a period of no more than ten years from the date of grant unless the option agreement provides for an earlier expiration. Unless sooner terminated by our Board, our Equity Plan will terminate on the tenth anniversary of the date it was last approved by our stockholders. Such approval was last given by our stockholders on July 7, 2015. Our Equity Plan provides that all awards granted under the plan are subject to modification as required to ensure that such awards do not conflict with the requirements of the 1940 Act applicable to us.

Options granted under our Equity Plan will entitle the optionee, upon exercise, to purchase shares of common stock from us at a specified exercise price per share. ISOs must have a per share exercise price of no less than the fair market value of a share of stock on the date of the grant or, if the optionee owns or is treated as owning (under Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of our stock, 110% of the fair market value of a share of stock on the date of the grant. Nonstatutory stock options granted under our Equity Plan must have a per share exercise price of no less than the fair market value of a share of stock on the date of the grant. Options will not be transferable other than by laws of descent and distribution, or in the case of nonstatutory stock options, by gift, and will generally be exercisable during an optionee's lifetime only by the optionee.

Under our Equity Plan, we are permitted to issue shares of restricted stock to all key employees of the Company and its affiliates consistent with such terms and conditions as the Board shall deem appropriate. Our Board determines the time or times at which such shares of restricted stock will become exercisable and the terms on which such shares will remain exercisable. Any shares of restricted stock for which forfeiture

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restrictions have not vested at the point at which the participant terminates his employment will terminate immediately and such shares will be returned to Hercules and will be available for future awards under this plan.

Our Board administers our Equity Plan and has the authority, subject to the provisions of the Equity Plan, to determine who will receive awards under the Equity Plan and the terms of such awards. Our Board has the authority to adjust the number of shares available for awards, the number of shares subject to outstanding awards and the exercise price for awards following the occurrence of events such as stock splits, dividends, distributions and recapitalizations. The exercise price of an option may be paid in the form of shares of stock that are already owned by such option holder.

Upon specified covered transactions (as defined in the Equity Plan), all outstanding awards under our Equity Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar awards, the awards held by the participants will be accelerated in full and then terminated to the extent not exercised prior to the covered transaction.

**2006 Non-Employee Director Plan**

Our Board and our stockholders have approved our 2006 Non-Employee Director Plan. Under current SEC rules and regulations applicable to BDCs, absent exemptive relief, a BDC may not grant options or shares of restricted stock to non-employee directors. On February 15, 2007, we received exemptive relief from the SEC to permit us to grant options to non-employee directors as a portion of their compensation for service on our Board. On May 23, 2007, we received exemptive relief from the SEC to permit us to grant shares of restricted stock to non-employee directors as a portion of their compensation for service on our Board. The following is a summary of the material features of the 2006 Non-Employee Director Plan.

We instituted our 2006 Non-Employee Director Plan for the purpose of advancing our interests by providing for the grant of awards under our 2006 Non-Employee Director Plan to eligible non-employee directors. Under our 2006 Non-Employee Director Plan, we have authorized for issuance up to 1,000,000 shares of common stock of which 740,000 shares were available for issuance as of April 15, 2016.

Our 2006 Non-Employee Director Plan authorizes the issuance to non-employee directors of non-statutory stock options, referred to as NSOs, to purchase shares of our common stock at a specified exercise price per share and/or restricted stock. NSOs granted under our 2006 Non-Employee Director Plan will have a per share exercise price of no less than the current market value of a share of stock as determined in good faith by our Board on the date of the grant. The amount of the options that may be granted are limited by the terms of our 2006 Non-Employee Director Plan, which prohibits any grant that would cause us to be in violation of Section 61(a)(3) of the 1940 Act.

Under our 2006 Non-Employee Director Plan, non-employee directors will each receive an initial grant of an option to purchase 10,000 shares of stock upon initial election to such position. The options granted will vest over two years, in equal installments on each of the first two anniversaries of the date of grant, provided that the non-employee director remains in service on such dates. In addition, each non-employee director shall automatically be granted an option to purchase 15,000 shares of stock on the date of such non-employee director's re-election to our Board and such grant will vest over three years, in equal installments on each of the first three anniversaries of the date of grant, provided that the non-employee director remains in service on such dates. Our Compensation Committee has, subject to SEC approval, the authority to determine from time to time which of the persons eligible under our 2006 Non-Employee Director Plan shall be granted awards; when and how each award shall be granted, including the time or times when a person shall be permitted to exercise an award; and the number of shares of stock with respect to which an award shall be granted to such person. The exercise price of options granted under our 2006 Non-Employee Director Plan is set at the closing price of our common stock on the NYSE as of the date of grant and will not be adjusted unless we receive an exemptive order

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from the SEC or written confirmation from the staff of the SEC that we may do so (except for adjustments resulting from changes in our capital structure, such as stock dividends, stock splits and reverse stock splits).

Unless sooner terminated by our Board, our 2006 Non-Employee Director Plan will terminate on June 21, 2017 and no additional awards may be made under our 2006 Non-Employee Director Plan after that date. Our 2006 Non-Employee Director Plan provides that all awards granted under our 2006 Non-Employee Director Plan are subject to modification as required to ensure that such awards do not conflict with the requirements of the 1940 Act. Our Compensation Committee will determine the period during which any options granted under our 2006 Non-Employee Director Plan shall remain exercisable, provided that no option will be exercisable after the expiration of ten years from the date on which it was granted. Options granted under our 2006 Non-Employee Director Plan are not transferable other than by will or the laws of descent and distribution, or by gift, and will generally be exercisable during a non-employee director's lifetime only by such non-employee director. In general, any portion of any options that are not then exercisable will terminate upon the termination of the non-employee director's services to Hercules. Generally, any portion of any options that are exercisable at the time of the termination of the non-employee director's services to Hercules will remain exercisable for the lesser of (i) a period of three months (or one year if the non-employee director's services to Hercules terminated by reason of the non-employee director's death) or (ii) the period ending on the latest date on which such options could have been exercised had the non-employee director's services to Hercules not terminated. In addition, if our Board determines that a non-employee director's service to Hercules terminated for reasons that cast such discredit on the non-employee director as to justify immediate termination of the non-employee director's options, then all options then held by the non-employee director will immediately terminate.

Under our 2006 Non-Employee Director Plan, we also are permitted to issue shares of restricted stock to our non-employee directors. Upon initial election to such position, non-employee directors will automatically be granted 3,333 shares of restricted stock. The forfeiture restrictions for such initial shares of restricted stock will vest as to one-half of such shares on the first anniversary of the date of grant and as to an additional one-half of the restricted stock on the second anniversary of the date of grant. In addition, each non-employee director shall automatically be granted 5,000 shares of restricted stock on the date of such non-employee director's re-election to our Board and the forfeiture restrictions on such shares will vest as to one-third of such shares on the anniversary of such grant over three years, provided that the non-employee director remains in service on such dates.

Our Compensation Committee administers our 2006 Non-Employee Director Plan. If there is a change in our capital structure by reason of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure, our Board will make appropriate adjustments to the number and class of shares of stock subject to our 2006 Non-Employee Director Plan and each option outstanding under it. In the event of a consolidation, merger, stock sale, a sale of all or substantially all of our assets, our dissolution or liquidation or other similar events, referred to as a Covered Transaction, our Board may provide for the assumption of some or all outstanding options or for the grant of new substitute options by the acquirer or survivor. If no such assumption or substitution occurs, all outstanding options will become exercisable prior to the Covered Transaction and will terminate upon consummation of the Covered Transaction.

Our Board may, subject to SEC prior approval, at any time or times amend our 2006 Non-Employee Director Plan or any outstanding award for any purpose which may at the time be permitted by law, and may at any time terminate our 2006 Non-Employee Director Plan as to any future grants of awards; provided, that except as otherwise expressly provided in our 2006 Non-Employee Director Plan, our Board may not, without the participant's consent, alter the terms of an award so as to affect adversely the participant's rights under the award, unless our Board expressly reserved the right to do so at the time of the grant of the award.

**Table of Contents****Index to Financial Statements****CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS**

The following table sets forth, as of May 5, 2016, the beneficial ownership of each current director, each nominee for director, our NEOs, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of May 5, 2016 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of ownership is based on 73,664,846 shares of common stock outstanding as of May 5, 2016.

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

Our directors are divided into two groups interested directors and independent directors. Interested directors are interested persons as defined in Section 2(a)(19) of the 1940 Act, and independent directors are all other directors.

Name and Address of Beneficial Owner	Type of Ownership	Number of Shares Owned Beneficially <sup>(1)</sup>	Percentage of Class
<b><i>Interested Director</i></b>			
Manuel A. Henriquez <sup>(2)</sup>	Record/Beneficial	2,061,318	2.8%
<b><i>Independent Directors</i></b>			
Robert B. Badavas <sup>(3)</sup>	Beneficial	146,205	*
Allyn C. Woodward, Jr. <sup>(4)</sup>	Record/Beneficial	252,901	*
Thomas J. Fallon <sup>(5)</sup>	Beneficial	28,688	*
Susanne D. Lyons <sup>(6)</sup>	Beneficial	12,855	*
Joseph F. Hoffman <sup>(7)</sup>	Beneficial	12,855	*
Rodney A. Ferguson, Ph.D. <sup>(8)</sup>	Record	7,855	*
<b><i>Other Named Executive Officers</i></b>			
Mark R. Harris <sup>(9)</sup>	Record	69,430	*
Scott Bluestein <sup>(10)</sup>	Record	239,414	*
Melanie Grace <sup>(11)</sup>	Record	19,400	*
Andrew Olson <sup>(12)</sup>	Record	19,894	*
<b><i>Executive officers and directors as a group (11 persons)<sup>(13)</sup></i></b>			<b>3.9%</b>

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

(2) Includes 595,301 shares of restricted stock, 1,244,491 shares of common stock held by the Manuel A. Henriquez and Elizabeth H. Henriquez TTEE The Henriquez Family Trust U/A 5/11/99 of which 706,104 shares are pledged as a security; 154,954 shares of common stock held in The Henriquez Trust, U/A 05/11/99; 27,174 shares of common stock held in the Isabelle Irev Trust, EH Trustee; 27,174 shares of common stock held in the Natalie Irev Trust, EH Trustee; and 12,224 shares of common stock held in the Manuel Henriquez-Roth IRA. Mr. Henriquez disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.

(3) Includes 10,000 shares of common stock that can be acquired upon the exercise of outstanding options and 3,333 shares of restricted common stock. All shares are held of record by the Robert P. Badavas Trust of 2007, and Mr. Badavas disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.

(4) Includes 10,000 shares of common stock that can be acquired upon the exercise of outstanding options, 5,000 shares of restricted common stock, and 35,000 shares of common stock held by Mr. Woodward's spouse in her name. Mr. Woodward disclaims any beneficial ownership interest of such shares held by his spouse except to the extent of his pecuniary interest therein.

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- (5) Includes 5,000 shares of common stock that can be acquired upon the exercise of outstanding options and 6,666 shares of restricted common stock. All shares are held of record by the Fallon Family Revocable Trust, and Mr. Fallon disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.
- (6) Includes 5,000 shares of common stock that can be acquired upon the exercise of outstanding options and 1,666 shares of restricted common stock. All shares are held of record by the Lyons Family Trust, and Ms. Lyons disclaims any beneficial ownership interest of such shares except to the extent of her pecuniary interest therein.
- (7) Includes 5,000 shares of common stock that can be acquired upon the exercise of outstanding options and 1,666 shares of restricted common stock. All shares are held of record by the Hoffman Trust, and Mr. Hoffman disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.
- (8) Dr. Ferguson was appointed to our Board effective July 7, 2015. Includes 3,333 shares of restricted common stock.
- (9) Includes 69,430 shares of restricted common stock.
- (10) Includes 145,698 shares of restricted common stock.
- (11) Includes 19,400 shares of restricted common stock.
- (12) Includes 10,555 shares of common stock that can be acquired upon the exercise of outstanding options and 8,537 shares of restricted common stock.
- (13) Includes 45,555 shares of common stock that can be acquired upon the exercise of outstanding options and 860,030 shares of restricted common stock.
- \* Less than 1%.

The following table sets forth as of May 5, 2016, the dollar range of our securities owned by our directors and executive officers.

Name	Dollar Range of Equity Securities Beneficially Owned
<b><i>Interested Director</i></b>	
Manuel A. Henriquez	Over \$100,000
<b><i>Independent Directors</i></b>	
Robert B. Badavas	Over \$100,000
Allyn C. Woodward, Jr.	Over \$100,000
Thomas J. Fallon	Over \$100,000
Susanne D. Lyons	Over \$100,000
Joseph F. Hoffman	Over \$100,000
Rodney A. Ferguson, Ph.D. <sup>(1)</sup>	\$50,000 to \$100,000
<b><i>Other Named Executive Officers</i></b>	
Mark R. Harris <sup>(1)</sup>	Over \$100,000
Scott Bluestein	Over \$100,000
Melanie Grace <sup>(1)</sup>	Over \$100,000
Andrew Olson	Over \$100,000

- (1) Dr. Ferguson was appointed to our Board effective July 7, 2015. Each of Mr. Harris, Ms. Grace, and Dr. Ferguson did not have vested restricted common stock or exercisable stock options as of May 5, 2016.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We have established a written policy to govern the review, approval and monitoring of transactions involving the Company and certain persons related to Hercules. As a BDC, the 1940 Act restricts us from participating in transactions with any persons affiliated with Hercules, including our officers, directors, and employees and any person controlling or under common control with us.

In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with Hercules, our officers screen each of our transactions for any possible affiliations, close or remote, between the proposed portfolio investment, Hercules, companies controlled by us and our employees and directors.

We will not enter into any agreements unless and until we are satisfied that no affiliations prohibited by the 1940 Act exist or, if such affiliations exist, we have taken appropriate actions to seek Board review and approval or exemptive relief from the SEC for such transaction.

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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](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

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**Table of Contents****Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****(unaudited)****(dollars in thousands, except per share data)**

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments:		
Debt investments (cost of \$1,239,601 and \$1,150,103, respectively)	\$ 1,204,136	\$ 1,109,196
Equity investments (cost of \$51,208 and \$50,305, respectively)	55,837	60,781
Warrant investments (cost of \$39,789 and \$38,131, respectively)	23,240	22,675
<b>Total Non-control/Non-affiliate investments (cost of \$1,330,598 and \$1,238,539, respectively)</b>	<b>1,283,213</b>	<b>1,192,652</b>
Affiliate investments:		
Debt investments (cost of \$2,185 and \$2,200, respectively)	1,537	1,013
Equity investments (cost of \$8,912 and \$8,912, respectively)	6,304	6,661
Warrant investments (cost of \$2,630 and \$2,630, respectively)	256	312
<b>Total Affiliate investments (cost of \$13,727 and \$13,742, respectively)</b>	<b>8,097</b>	<b>7,986</b>
<b>Total investments, at value (cost of \$1,344,325 and \$1,252,281, respectively)</b>	<b>1,291,310</b>	<b>1,200,638</b>
Cash and cash equivalents	13,478	95,196
Restricted cash	3,646	9,191
Interest receivable	10,993	9,239
Other assets	12,388	9,720
<b>Total assets</b>	<b>\$ 1,331,815</b>	<b>\$ 1,323,984</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12,086	\$ 17,241
Long-Term Liabilities (Convertible Senior Notes), net (principal of \$17,604 and \$17,604, respectively) <sup>(1)</sup>	17,572	17,478
Wells Facility	61,003	50,000
2021 Asset-Backed Notes, net (principal of \$129,300 and \$129,300, respectively) <sup>(1)</sup>	127,227	126,995
2019 Notes, net (principal of \$110,364 and \$110,364, respectively) <sup>(1)</sup>	108,339	108,179
2024 Notes, net (principal of \$103,000 and \$103,000, respectively) <sup>(1)</sup>	100,211	100,128
Long-Term SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) <sup>(1)</sup>	186,997	186,829
<b>Total liabilities</b>	<b>\$ 613,435</b>	<b>\$ 606,850</b>
<b>Net assets consist of:</b>		
Common stock, par value	74	73
Capital in excess of par value	761,565	752,244
Unrealized depreciation on investments <sup>(2)</sup>	(54,142)	(52,808)
Accumulated realized gains on investments	23,525	27,993
Undistributed net investment income (Distributions in excess of net investment income)	(12,642)	(10,368)
<b>Total net assets</b>	<b>\$ 718,380</b>	<b>\$ 717,134</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,331,815</b>	<b>\$ 1,323,984</b>
<b>Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)</b>	<b>73,230</b>	<b>72,118</b>

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<b>Net asset value per share</b>	\$	9.81	\$	9.94
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- (1) The Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 2 Summary of Significant Accounting Policies and Note 4 Borrowings.
- (2) Amounts include \$1.1 million and \$1.2 million, respectively, in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and Citigroup warrant participation agreement liabilities.

See notes to consolidated financial statements.

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The following table presents the assets and liabilities of our consolidated securitization trust for the 2021 Asset-Backed Notes (see Note 4), which is a variable interest entity ( VIE ). The assets of our securitization VIE can only be used to settle obligations of our consolidated securitization VIE, these liabilities are only the obligations of our consolidated securitization VIE, and the creditors (or beneficial interest holders) do not have recourse to our general credit. These assets and liabilities are included in the Consolidated Statement of Assets and Liabilities above.

<b>(Dollars in thousands)</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Restricted Cash	\$ 3,646	\$ 9,191
Total investments, at value (cost of \$265,038 and \$258,748, respectively)	264,469	257,657
Total assets	\$ 268,115	\$ 266,848
<b>Liabilities</b>		
2021 Asset-Backed Notes, net (principal of \$129,300 and \$129,300, respectively) <sup>(1)</sup>	\$ 127,227	\$ 126,995
Total liabilities	\$ 127,227	\$ 126,995

- (1) The Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 2 Summary of Significant Accounting Policies and Note 4 Borrowings. See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
<b>Investment income:</b>		
Interest income		
Non-control/Non-affiliate investments	\$ 36,409	\$ 30,459
Affiliate investments	65	100
Total interest income	36,474	30,559
Fees		
Non-control/Non-affiliate investments	2,465	1,934
Affiliate investments		1
Total fees	2,465	1,935
<b>Total investment income</b>	<b>38,939</b>	<b>32,494</b>
<b>Operating expenses:</b>		
Interest	7,018	7,854
Loan fees	988	1,513
General and administrative	3,580	3,618
Employee compensation:		
Compensation and benefits	4,685	3,796
Stock-based compensation	2,571	2,719
Total employee compensation	7,256	6,515
<b>Total operating expenses</b>	<b>18,842</b>	<b>19,500</b>
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)		(1)
<b>Net investment income</b>	<b>20,097</b>	<b>12,993</b>
<b>Net realized gain (loss) on investments</b>		
Non-control/Non-affiliate investments	(4,468)	3,312
Total net realized gain (loss) on investments	(4,468)	3,312
<b>Net change in unrealized appreciation (depreciation) on investments</b>		
Non-control/Non-affiliate investments	(1,460)	3,301
Affiliate investments	126	2,313
Total net unrealized appreciation (depreciation) on investments	(1,334)	5,614
<b>Total net realized and unrealized gain (loss)</b>	<b>(5,802)</b>	<b>8,926</b>

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<b>Net increase in net assets resulting from operations</b>	\$ 14,295	\$ 21,919
<b>Net investment income before investment gains and losses per common share:</b>		
Basic	\$ 0.28	\$ 0.20
<b>Change in net assets resulting from operations per common share:</b>		
Basic	\$ 0.20	\$ 0.33
Diluted	\$ 0.20	\$ 0.33
<b>Weighted average shares outstanding</b>		
Basic	71,172	63,783
Diluted	71,199	64,163
<b>Dividends declared per common share:</b>		
Basic	\$ 0.31	\$ 0.31
	See notes to consolidated financial statements.	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Stock 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
<b>Balance at December 31, 2014</b>	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations				5,614	3,312	12,993		21,919
Public offering, net of offering expenses	7,591	8	100,084					100,092
Issuance of common stock due to stock option exercises	34		406					406
Retired shares from net issuance	(27)		(401)					(401)
Issuance of common stock under restricted stock plan	580							
Retired shares for restricted stock vesting	(42)		(591)					(591)
Issuance of common stock as stock dividend	40		562					562
Dividends distributed						(20,266)		(20,266)
Stock-based compensation			2,741					2,741
<b>Balance at March 31, 2015</b>	72,891	\$ 73	\$ 760,034	\$ (11,462)	\$ 17,391	\$ (2,368)	\$ (342)	\$ 763,326
<b>Balance at December 31, 2015</b>	72,118	\$ 73	\$ 752,244	\$ (52,808)	\$ 27,993	\$ (10,026)	\$ (342)	\$ 717,134
Net increase (decrease) in net assets resulting from operations				(1,334)	(4,468)	20,097		14,295
Public offering, net of offering expenses	1,109	1	12,403					12,404
Acquisition of common stock under repurchase plan	(449)		(4,789)					(4,789)
Issuance of common stock under restricted stock plan	538							
Retired shares for restricted stock vesting	(129)		(1,385)					(1,385)
Issuance of common stock as stock dividend	43		496					496
Dividends distributed						(22,371)		(22,371)
Stock-based compensation			2,596					2,596
<b>Balance at March 31, 2016</b>	73,230	\$ 74	\$ 761,565	\$ (54,142)	\$ 23,525	\$ (12,300)	\$ (342)	\$ 718,380

See notes to consolidated financial statements.





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## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(dollars in thousands)

	For the Three Months Ended March 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$ 14,295	\$ 21,919
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(170,921)	(209,387)
Principal and fee payments received on investments	77,808	75,368
Proceeds from the sale of investments	4,636	7,001
Net unrealized depreciation (appreciation) on investments	1,334	(5,614)
Net realized loss (gain) on investments	4,468	(3,312)
Accretion of paid-in-kind principal	(1,535)	(665)
Accretion of loan discounts	(1,863)	(1,356)
Accretion of loan discount on Convertible Senior Notes	61	62
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)		1
Payment of loan discount on Convertible Senior Notes		(2)
Accretion of loan exit fees	(5,231)	(2,767)
Change in deferred loan origination revenue	655	1,540
Unearned fees related to unfunded commitments	(87)	527
Amortization of debt fees and issuance costs	785	1,288
Depreciation	56	58
Stock-based compensation and amortization of restricted stock grants	2,596	2,741
Change in operating assets and liabilities:		
Interest and fees receivable	(1,753)	351
Prepaid expenses and other assets	(2,540)	2,674
Accounts payable	(88)	(504)
Accrued liabilities	(5,029)	(3,978)
Net cash used in operating activities	(82,353)	(114,055)
<b>Cash flows from investing activities:</b>		
Purchases of capital equipment	(127)	(42)
Reduction of (investments in) restricted cash	5,545	(9,289)
Net cash provided by (used in) investing activities	5,418	(9,331)
<b>Cash flows from financing activities:</b>		
Issuance of common stock, net	12,404	100,092
Repurchase of common stock, net	(4,789)	
Retirement of employee shares	(1,385)	(586)
Dividends paid	(21,875)	(19,704)
Repayments of 2017 Asset-Backed Notes		(11,846)
Borrowings of credit facilities	106,666	
Repayments of credit facilities	(95,663)	
Cash paid for redemption of Convertible Senior Notes		(30)
Fees paid for credit facilities and debentures	(141)	100
Net cash provided by (used in) financing activities	(4,783)	68,026
Net decrease in cash and cash equivalents	(81,718)	(55,360)

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Cash and cash equivalents at beginning of period	95,196	227,116
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13,478</b>	<b>\$ 171,756</b>
<b>Supplemental non-cash investing and financing activities:</b>		
Dividends Reinvested	\$ 496	\$ 562
	See notes to consolidated financial statements.	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Debt Investments</b>							
<b>Biotechnology Tools</b>							
<b>1-5 Years Maturity</b>							
Exicure, Inc. <sup>(11)(13)</sup>	Biotechnology Tools	Senior	September 2019	Interest rate PRIME +			
		Secured		6.45% or Floor rate of 9.95%	\$ 6,000	\$5,862	\$5,862
<b>Subtotal: 1-5 Years Maturity</b>						5,862	5,862
<b>Subtotal: Biotechnology Tools (0.82%)*</b>						5,862	5,862
<b>Communications &amp; Networking</b>							
<b>1-5 Years Maturity</b>							
Avanti Communications Group <sup>(4)(9)</sup>	Communications & Networking	Senior	October 2019	Interest rate FIXED 10.00%	\$ 7,500	6,693	5,475
OpenPeak, Inc. <sup>(7)</sup>	Communications & Networking	Senior	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,370	9,134	4,379
SkyCross, Inc. <sup>(7)(12)(13)(14)</sup>	Communications & Networking	Senior	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%, PIK Interest 5.00%	\$ 19,674	20,529	7,050
Spring Mobile Solutions, Inc. <sup>(13)</sup>	Communications & Networking	Senior	January 2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	2,959	2,959
<b>Subtotal: 1-5 Years Maturity</b>						39,315	19,863
<b>Subtotal: Communications &amp; Networking (2.76%)*</b>						39,315	19,863
<b>Consumer &amp; Business Products</b>							
<b>Under 1 Year Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(14)</sup>	Consumer & Business Products	Senior	June 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 158	158	158
Miles, Inc. (p.k.a. Fluc, Inc.) <sup>(8)</sup>	Consumer & Business Products	Convertible Debt	March	Interest rate FIXED 4.00%	\$ 100	100	

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2017

**Subtotal: Under 1 Year Maturity** 258 158

**1-5 Years Maturity**

Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(13)(14)</sup>	Consumer & Business Products	Senior	December	Interest rate PRIME + 6.75% or Floor rate of 10.00%, PIK			
		Secured	2017	Interest 2.50%	\$ 4,433	4,359	4,359
Nasty Gal <sup>(13)(14)</sup>	Consumer & Business Products	Senior	May	Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 15,000	14,996	14,723
		Secured	2019				
Second Time Around (Simplify Holdings, LLC) <sup>(13)(14)</sup>	Consumer & Business Products	Senior	February	Interest rate PRIME + 7.25% or Floor rate of 10.75%	\$ 2,500	2,477	2,477
		Secured	2019				

**Subtotal: 1-5 Years Maturity** 21,832 21,559

**Subtotal: Consumer & Business Products (3.02%)\*** 22,090 21,717

**Drug Delivery**

**1-5 Years Maturity**

AcelRx Pharmaceuticals, Inc. <sup>(9)(10)(13)(14)</sup>	Drug Delivery	Senior	October	Interest rate PRIME + 3.85% or Floor rate of .10%	\$ 20,466	\$20,914	\$20,892
		Secured	2017				

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**Table of Contents****Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****March 31, 2016****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Agile Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior	December	Interest rate PRIME + 4.75% or Floor rate of 9.00%	\$16,500	\$16,347	\$16,304
BIND Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior	July	Interest rate PRIME + 5.10% or Floor rate of 8.35%	\$13,691	13,919	13,754
BioQ Pharma Incorporated <sup>(10)(13)</sup>	Drug Delivery	Senior	May	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$10,000	10,237	10,174
	Drug Delivery	Senior	May	Interest rate PRIME + 7.00% or Floor rate of 10.50%	\$3,000	2,983	2,983
		Secured	2018				
Total BioQ Pharma Incorporated					\$13,000	13,220	13,157
Celator Pharmaceuticals, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior	June	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$13,276	13,349	13,510
		Secured	2018				
Celsion Corporation <sup>(10)(13)</sup>	Drug Delivery	Senior	June	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$5,364	5,575	5,603
		Secured	2017				
Dance Biopharm, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior	November 2017	Interest rate PRIME + 7.40% or Floor rate of 10.65%	\$2,384	2,475	1,380
		Secured	2017				
Edge Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior	March 2018	Interest rate PRIME + 5.45% or Floor rate of 9.95%	\$4,919	4,915	4,942
		Secured	2018				
Egalet Corporation <sup>(11)(13)</sup>	Drug Delivery	Senior	July	Interest rate PRIME + 6.15% or Floor rate of 9.40%	\$15,000	15,059	15,170
		Secured	2018				
Neos Therapeutics, Inc. <sup>(10)(13)(14)</sup>	Drug Delivery	Senior	October 2017	Interest rate FIXED 9.00%	\$10,000	10,000	10,063
		Secured	2017				
	Drug Delivery	Senior	October 2017	Interest rate FIXED 10.50%	\$10,000	10,109	10,123
		Secured	2017				
	Drug Delivery	Senior	October 2017	Interest rate FIXED 9.00%	\$5,000	5,017	5,027
		Secured	2017				

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Secured									
Total Neos Therapeutics, Inc.						\$25,000	25,126	25,213	
Pulmatrix Inc. <sup>(8)(10)(13)</sup>	Drug Delivery	Senior	July	Interest rate PRIME + 6.25% or Floor rate of 9.50%					
		Secured	2018			\$7,000	6,924	6,935	
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(10)(13)</sup>	Drug Delivery	Senior	December 2018	Interest rate PRIME + 2.70% or Floor rate of 7.95%					
		Secured				\$15,000	14,996	14,936	
<b>Subtotal: 1-5 Years Maturity</b>								152,819	151,796
<b>Subtotal: Drug Delivery (21.13%)*</b>								152,819	151,796
<b>Drug Discovery &amp; Development</b>									
<b>1-5 Years Maturity</b>									
Aveo Pharmaceuticals, Inc. <sup>(9)(13)</sup>	Drug Discovery	Senior	January 2018	Interest rate PRIME + 6.65% or Floor rate of 11.90%					
	& Development	Secured				\$10,000	10,149	10,067	
Bellicum Pharmaceuticals, Inc. <sup>(13)(14)</sup>	Drug Discovery	Senior	March 2020	Interest rate PRIME + 5.85% or Floor rate of 9.35%					
	& Development	Secured				\$15,000	14,893	14,893	
Brickell Biotech, Inc. <sup>(11)(13)</sup>	Drug Discovery	Senior	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%					
	& Development	Secured				\$7,500	7,321	7,321	

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**Table of Contents****Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****March 31, 2016****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Cerecor, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior	August	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$4,884	4,928	4,980
		Secured	2017				
Cerulean Pharma, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior	July	Interest rate PRIME + 1.55% or Floor rate of 7.30%	\$19,072	19,432	19,454
		Secured	2018				
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	December	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$25,000	25,607	25,778
		Secured	2018				
CytRx Corporation <sup>(10)(13)(14)</sup>	Drug Discovery & Development	Senior	February	Interest rate PRIME + 6.00% or Floor rate of 9.50%	\$25,000	24,436	24,436
		Secured	2020				
Epirus Biopharmaceuticals, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior	April	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$15,000	14,944	15,061
		Secured	2018				
Genoea Biosciences, Inc. <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	January	Interest rate PRIME +			
		Secured	2019	2.25% or Floor rate of 7.25%	\$17,000	17,081	17,147
Immune Pharmaceuticals <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	September	Interest rate PRIME + 4.75% or Floor rate of 10.00%	\$4,500	\$4,429	\$4,388
		Secured	2018				
Insmmed, Incorporated <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	January	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$25,000	24,776	24,764
		Secured	2018				
Mast Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Discovery & Development	Senior	January	Interest rate PRIME + 5.70% or Floor rate of 8.95%	\$15,000	14,890	14,920
		Secured	2019				
Melinta Therapeutics <sup>(11)(13)</sup>	Drug Discovery & Development	Senior	June	Interest rate PRIME + 3.75% or Floor rate of 8.25%	\$30,000	30,010	30,013
		Secured	2018				
Merrimack Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior	December	Interest rate FIXED 11.50%	\$25,000	25,000	25,000
		Secured	2022				
Neothetics, Inc. (p.k.a. Lithera, Inc.) <sup>(13)(14)</sup>	Drug Discovery & Development	Senior	January	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$4,000	4,132	4,137
		Secured	2018				

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Neuralstem, Inc. <sup>(13)(14)</sup>	Drug Discovery	Senior	April	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$7,235	7,364	7,341
	& Development	Secured	2017				
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(13)(14)</sup>	Drug Discovery	Senior	September	Interest rate PRIME + 2.75% or Floor rate of 8.50%	\$20,000	19,893	19,890
	& Development	Secured	2020				
uniQure B.V. <sup>(4)(9)(10)(13)</sup>	Drug Discovery	Senior	June	Interest rate PRIME + 5.00% or Floor rate of 10.25%	\$20,000	20,002	20,053
	& Development	Secured	2018				
XOMA Corporation <sup>(9)(13)(14)</sup>	Drug Discovery	Senior	September	Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$20,000	20,129	20,067
	& Development	Secured	2018				
<b>Subtotal: 1-5 Years Maturity</b>						<b>309,416</b>	<b>309,710</b>
<b>Subtotal: Drug Discovery &amp; Development (43.11%)*</b>						<b>309,416</b>	<b>309,710</b>
<b>Electronics &amp; Computer Hardware</b>							
<b>1-5 Years Maturity</b>							
Persimmon Technologies <sup>(11)(13)</sup>	Electronics	Senior	June	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$7,000	6,928	6,855
	& Computer	Secured	2019				
	Hardware						
<b>Subtotal: 1-5 Years Maturity</b>						<b>6,928</b>	<b>6,855</b>
<b>Subtotal: Electronics &amp; Computer Hardware (0.95%)*</b>						<b>6,928</b>	<b>6,855</b>

See notes to consolidated financial statements.



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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Healthcare Services, Other</b>							
<b>1-5 Years Maturity</b>							
Chromadex Corporation <sup>(13)(14)</sup>	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10% or Floor rate of 9.35%	\$5,000	4,952	4,977
InstaMed Communications, LLC <sup>(13)(14)</sup>	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$10,000	10,127	10,111
<b>Subtotal: 1-5 Years Maturity</b>						15,079	15,088
<b>Subtotal: Healthcare Services, Other (2.10%)*</b>						15,079	15,088
<b>Information Services</b>							
<b>Under 1 Year Maturity</b>							
InXpo, Inc. <sup>(13)(14)</sup>	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$1,247	\$1,304	\$1,304
<b>Subtotal: Under 1 Year Maturity</b>						1,304	1,304
<b>Subtotal: Information Services (0.18%)*</b>						1,304	1,304
<b>Internet Consumer &amp; Business Services</b>							
<b>Under 1 Year Maturity</b>							
NetPlenish <sup>(7)(8)(14)</sup>	Internet	Convertible Debt	September 2016	Interest rate FIXED 10.00%	\$381	373	
	Consumer & Business Services						
	Internet	Senior Secured	April 2016	Interest rate FIXED 10.00%	\$44	44	
	Consumer & Business Services						

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Services						
Total NetPlenish					\$425	417
<b>Subtotal: Under 1 Year Maturity</b>						<b>417</b>
<b>1-5 Years Maturity</b>						
Aria Systems, Inc. <sup>(10)(12)</sup>	Internet	Senior Secured	June	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%		
	Consumer		2019			
	& Business					
	Services				\$2,031	2,008 1,983
	Internet	Senior Secured	June	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%		
	Consumer		2019			
	& Business					
	Services				\$18,191	17,962 17,767
Total Aria Systems, Inc.					\$20,222	19,970 19,750
CloudOne, Inc. <sup>(13)</sup>	Internet	Senior Secured	April	Interest rate PRIME + 6.35% or Floor rate of 9.85%		
	Consumer		2019			
	& Business				\$5,000	4,927 4,927
	Services					
LogicSource <sup>(13)(14)</sup>	Internet	Senior Secured	October	Interest rate PRIME + 6.25% or Floor rate of 9.75%		
	Consumer		2019			
	& Business				\$8,500	8,371 8,371
	Services					
One Planet Ops Inc. (p.k.a. Reply! Inc.)	Internet	Senior Secured	March	Interest rate PRIME + 4.25% or Floor rate of 7.50%		
	Consumer		2019			
	& Business				\$6,168	5,725 5,262
	Services					
ReachLocal <sup>(13)</sup>	Internet	Senior Secured	April	Interest rate PRIME + 8.50% or Floor rate of 11.75%		
	Consumer		2018			
	& Business				\$25,000	25,147 25,007
	Services					

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Tapjoy, Inc. <sup>(11)(13)</sup>	Internet	Senior Secured	July	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$20,000	19,653	19,555
	Consumer		2018				
	& Business						
	Services						
Tectura Corporation <sup>(7)(12)(15)</sup>	Internet	Senior Secured	May	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$6,468	6,468	5,175
	Consumer		2014				
	& Business						
	Services						
	Internet	Senior Secured	May	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	\$7,670	7,670	6,136
	Consumer		2014				
	& Business						
	Services						
	Internet	Senior Secured	May	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$563	563	450
	Consumer		2014				
	& Business						
	Services						
	Internet	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	\$5,000	\$4,000
	Consumer & Business Services						
Total Tectura Corporation					\$ 19,701	19,701	15,761
<b>Subtotal: 1-5 Years Maturity</b>						<b>103,494</b>	<b>98,633</b>
<b>Subtotal: Internet Consumer &amp; Business Services (13.73%)*</b>						<b>103,911</b>	<b>98,633</b>

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<b>Media/Content/Info</b>								
<b>1-5 Years Maturity</b>								
Machine Zone, Inc. <sup>(12)</sup>	Media/Content/ Info	Senior Secured	May 2018	Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00%	\$101,437	99,395	98,647	
WP Technology, Inc. (Wattpad, Inc.) <sup>(4)(9)(13)</sup>	Media/Content/ Info	Senior Secured	April 2020	Interest rate PRIME + 4.75% or Floor rate of 8.25%	\$ 5,000	4,943	4,943	
<b>Subtotal: 1-5 Years Maturity</b>						104,338	103,590	
<b>Subtotal: Media/Content/Info (14.42%)*</b>						104,338	103,590	
<b>Medical Devices &amp; Equipment</b>								
<b>Under 1 Year Maturity</b>								
InspireMD, Inc. <sup>(4)(9)(13)</sup>	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00% or Floor rate of 10.50%	\$ 3,992	4,412	3,730	
Optiscan Biomedical, Corp. <sup>(5)(8)(14)</sup>	Medical Devices & Equipment	Convertible Debt	December 2016	Interest Rate FIXED 8.00%	\$ 431	431	431	
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) <sup>(13)</sup>	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 73	481	481	
<b>Subtotal: Under 1 Year Maturity</b>						5,324	4,642	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>1-5 Years Maturity</b>							
Amedica Corporation <sup>(8)(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20% or Floor rate of 12.45%	\$ 15,218	16,015	15,753
Aspire Bariatrics, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%	\$ 7,000	6,860	6,827
Avedro, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 11,761	11,688	11,675
Flowonix Medical Incorporated <sup>(11)(13)</sup>	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 4.75% or Floor rate of 10.00%	\$ 15,000	15,179	15,092
Gamma Medica, Inc. <sup>(10)(13)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 2,500	2,567	2,549
Micell Technologies, Inc. <sup>(11)(13)</sup>	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 8,500	8,253	8,253
Quanta Fluid Solutions <sup>(4)(9)(13)</sup>	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05% or Floor rate of 11.55%	\$ 12,500	12,351	12,351
Quanterix Corporation <sup>(10)(13)</sup>	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75% or Floor rate of 8.00%	\$12,661	\$12,757	\$12,707
SynergEyes, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$3,804	4,104	4,036
<b>Subtotal: 1-5 Years Maturity</b>						89,774	89,243
<b>Subtotal: Medical Devices &amp; Equipment (13.07%)*</b>						95,098	93,885
<b>Semiconductors</b>							
<b>Under 1 Year Maturity</b>							
Achronix Semiconductor Corporation <sup>(14)</sup>	Semiconductors	Senior Secured	July 2016	Interest rate PRIME + 4.75% or Floor rate of 8.00%	\$4,260	4,260	4,260
<b>Subtotal: Under 1 Year Maturity</b>						4,260	4,260
<b>1-5 Years Maturity</b>							
Achronix Semiconductor Corporation <sup>(13)(14)</sup>	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25% or Floor rate of	\$4,710	4,787	4,728

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Avnera Corporation <sup>(10)(13)</sup>	Semiconductors	Senior Secured	April 2018	11.50% Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$7,500	7,527	7,596
<b>Subtotal: 1-5 Years Maturity</b>						12,314	12,324
<b>Subtotal: Semiconductors (2.31%)*</b>						16,574	16,584

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Software</b>							
<b>Under 1 Year Maturity</b>							
Clickfox, Inc. <sup>(14)(16)</sup>	Software	Senior Secured	March 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$2,600	2,600	2,600
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) <sup>(12)(13)(14)</sup>	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$1,483	1,444	815
Message Systems, Inc. <sup>(14)</sup>	Software	Senior Secured	February 2017	Interest rate PRIME + 2.75% or Floor rate of 6.00%	\$318	318	318
Neos, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	May 2016	Interest rate PRIME + 6.75% or Floor rate of 10.50%	\$446	616	616
Touchcommerce, Inc. <sup>(14)</sup>	Software	Senior Secured	August 2016	Interest rate PRIME + 2.25% or Floor rate of 6.50%	\$6,000	6,000	6,000
<b>Subtotal: Under 1 Year Maturity</b>						10,978	10,349
<b>1-5 Years Maturity</b>							
Actifio, Inc. <sup>(12)(13)</sup>	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$30,434	30,216	29,898
	Software	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.75%, PIK Interest 2.50%	\$10,000	9,533	9,533
Total Actifio, Inc.					\$40,434	39,749	39,431
Clickfox, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$4,935	4,988	4,979
Druva, Inc. <sup>(10)(13)</sup>	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60% or Floor rate of 7.85%	\$12,000	12,173	12,113
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) <sup>(12)(13)(14)</sup>	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$12,308	11,640	6,568
Message Systems, Inc. <sup>(14)</sup>	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$17,500	17,141	16,960
OneLogin, Inc. <sup>(12)(14)</sup>	Software				\$13,033	12,880	12,880

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		Senior Secured	August 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25%			
RedSeal Inc. <sup>(13)(14)</sup>	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 5,000	5,038	4,992
Signpost, Inc. <sup>(12)(13)(14)</sup>	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%	\$15,035	14,609	14,609
Touchcommerce, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00% or Floor rate of 10.25%	\$12,000	11,957	11,872
<b>Subtotal: 1-5 Years Maturity</b>						<b>130,175</b>	<b>124,404</b>
<b>Subtotal: Software (18.76%)*</b>						<b>141,153</b>	<b>134,753</b>

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Specialty Pharmaceuticals</b>							
<b>Under 1 Year Maturity</b>							
Cranford Pharmaceuticals, LLC <sup>(14)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2016	Interest rate LIBOR + 8.25% or Floor rate of 9.50%	\$ 1,100	1,100	1,100
<b>Subtotal: Under 1 Year Maturity</b>						1,100	1,100
<b>1-5 Years Maturity</b>							
Alimera Sciences, Inc. <sup>(10)(13)</sup>	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65% or Floor rate of 10.90%	\$35,000	34,137	34,090
Cranford Pharmaceuticals, LLC <sup>(10)(12)(13)(14)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2017	Interest rate LIBOR + 9.55% or Floor rate of 10.80%, PIK Interest 1.35%	\$ 8,874	9,071	9,071
Jaguar Animal Health, Inc. <sup>(10)(13)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65% or Floor rate of 9.90%	\$ 5,821	5,897	5,842
<b>Subtotal: 1-5 Years Maturity</b>						49,105	49,003
<b>Subtotal: Specialty Pharmaceuticals (6.97%)*</b>						50,205	50,103
<b>Surgical Devices</b>							
<b>1-5 Years Maturity</b>							
Transmedics, Inc. <sup>(13)</sup>	Surgical Devices	Senior Secured	March 2019	Interest rate PRIME + 5.30% or Floor rate of 9.55%	\$ 8,500	8,491	8,428
<b>Subtotal: 1-5 Years Maturity</b>						8,491	8,428
<b>Subtotal: Surgical Devices (1.17%)*</b>						8,491	8,428
<b>Sustainable and Renewable Technology</b>							
<b>Under 1 Year Maturity</b>							
Agrivida, Inc. <sup>(13)(14)</sup>	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 3,786	\$4,034	\$4,034

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American Superconductor Corporation <sup>(10)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 2,667	3,135	3,135
Amyris, Inc. <sup>(9)(11)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$17,543	17,543	17,543
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 3,497	3,497	3,497
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$10,960	11,224	11,224
Total Amyris, Inc.					\$32,000	32,264	32,264

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>	
Modumetal, Inc. <sup>(11)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$ 1,429	1,805	1,805	
Stion Corporation <sup>(5)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 1,754	1,754	1,106	
<b>Subtotal: Under 1 Year Maturity</b>						42,992	42,344	
<b>1-5 Years Maturity</b>								
American Superconductor Corporation <sup>(10)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 1,500	1,509	1,500	
Modumetal, Inc. <sup>(11)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 6,170	6,415	6,362	
Proterra, Inc. <sup>(10)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95% or Floor rate of 10.20%	\$25,000	25,140	24,592	
Rive Technology, Inc. <sup>(13)(14)</sup>	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20% or Floor rate of 9.45%	\$ 7,500	7,450	7,450	
Sungevity, Inc. <sup>(11)(13)(14)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$35,000	35,969	35,879	
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$20,000	20,000	19,975	
<b>Total Sungevity, Inc.</b>						\$55,000	55,969	55,854
Tendrill Networks <sup>(11)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$15,000	14,908	14,580	
Verdezyn, Inc. <sup>(13)(14)</sup>	Sustainable and Renewable Technology	Senior Secured	April 2019	Interest rate PRIME + 8.25% or Floor rate of 11.75%	\$15,000	14,820	14,820	
<b>Subtotal: 1-5 Years Maturity</b>						126,211	125,158	

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<b>Subtotal: Sustainable and Renewable Technology (23.32%)*</b>	169,203	167,502
<b>Total Debt Investments (167.83%)*</b>	1,241,786	1,205,673

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Equity Investments</b>						
<b>Biotechnology Tools</b>						
NuGEN Technologies, Inc. <sup>(14)</sup>	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 538
<b>Subtotal: Biotechnology Tools (0.07%)*</b>					500	538
<b>Communications &amp; Networking</b>						
GlowPoint, Inc. <sup>(3)</sup>	Communications &					
	Networking	Equity	Common Stock	114,192	102	45
Peerless Network, Inc.	Communications &					
	Networking	Equity	Preferred Series A	1,000,000	1,000	4,304
Ping Identity Corporation	Communications &					
	Networking	Equity	Preferred Series B	684,004	52	391
<b>Subtotal: Communications &amp; Networking (0.66%)*</b>					1,154	4,740
<b>Consumer &amp; Business Products</b>						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		192
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	3
<b>Total Market Force Information, Inc.</b>				668,231	500	195
<b>Subtotal: Consumer &amp; Business Products (0.03%)*</b>					500	195
<b>Diagnostic</b>						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	60
<b>Subtotal: Diagnostic (0.01%)*</b>					750	60
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Delivery	Equity	Common Stock	54,240	108	168
BioQ Pharma Incorporated <sup>(14)</sup>	Drug Delivery	Equity	Preferred Series D	165,000	500	650
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	157,190	1,000	1,438
Merrion Pharmaceuticals, Plc <sup>(3)(4)(9)</sup>	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Equity	Common Stock	125,000	1,500	1,349

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Revance Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	22,765	557	397
<b>Subtotal: Drug Delivery (0.56%)*</b>					3,674	4,002
<b>Drug Discovery &amp; Development</b>						
Aveo Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	167,864	842	153
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	119,087	1,000	444
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	135,501	1,000	367
Dicerna Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	142,858	1,000	766
Dynavax Technologies <sup>(3)(9)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	20,000	550	385
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	200,000	1,000	538
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	223,463	2,000	1,730
Inotek Pharmaceuticals Corporation <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	3,778	1,500	28
Insmed, Incorporated <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	70,771	1,000	897
Melinta Therapeutics	Drug Discovery &					
	Development	Equity	Preferred Series 4	1,914,448	2,000	2,040
Paratek Pharmaceutcals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)</sup>	Drug Discovery &					
	Development	Equity	Common Stock	76,362	2,744	1,158
<b>Subtotal: Drug Discovery &amp; Development (1.18%)*</b>					14,636	8,506
<b>Electronics &amp; Computer Hardware</b>						
Identiv, Inc. <sup>(3)</sup>	Electronics & Computer					
	Hardware	Equity	Common Stock	6,700	34	14
<b>Subtotal: Electronics &amp; Computer Hardware (0.00%)*</b>					34	14

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Internet Consumer &amp; Business Services</b>						
Blurb, Inc. <sup>(14)</sup>	Internet Consumer &					
	Business Services	Equity	Preferred Series B	220,653	175	223
Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer &					
	Business Services	Equity	Preferred Series C	230,030	250	254
	Internet Consumer &					
	Business Services	Equity	Preferred Series D	198,677	250	241
Total Lightspeed POS, Inc.				428,707	500	495
Oportun (p.k.a. Progress Financial)	Internet Consumer &					
	Business Services	Equity	Preferred Series G	218,351	250	374
	Internet Consumer &					
	Business Services	Equity	Preferred Series H	87,802	250	245
Total Oportun (p.k.a. Progress Financial)				306,153	500	619
Philotic, Inc.	Internet Consumer &					
	Business Services	Equity	Common Stock	9,023	93	
RazorGator Interactive Group, Inc.	Internet Consumer &					
	Business Services	Equity	Preferred Series AA	34,783	15	28
<b>Subtotal: Internet Consumer &amp; Business Services (0.19%)*</b>					1,283	1,365
<b>Medical Devices &amp; Equipment</b>						
AtriCure, Inc. <sup>(3)(14)</sup>	Medical Devices &					
	Equipment	Equity	Common Stock	7,536	\$ 266	\$ 116
Flowonix Medical Incorporated	Medical Devices &					
	Equipment	Equity	Preferred Series E	221,893	1,500	1,913
Gelesis, Inc. <sup>(14)</sup>	Medical Devices &	Equity	Common Stock	198,202		815

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	Equipment					
	Medical Devices &					
	Equipment	Equity	Preferred Series A-1	191,210	425	859
	Medical Devices &					
	Equipment	Equity	Preferred Series A-2	191,626	500	823
Total Gelesis, Inc. Medrobotics Corporation <sup>(14)</sup>				581,038	925	2,497
	Medical Devices &					
	Equipment	Equity	Preferred Series E	136,798	250	207
	Medical Devices &					
	Equipment	Equity	Preferred Series F	73,971	155	192
	Medical Devices &					
	Equipment	Equity	Preferred Series G	163,934	500	504
Total Medrobotics Corporation Novasys Medical, Inc.				374,703	905	903
	Medical Devices &					
	Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. <sup>(5)(14)</sup>	Medical Devices &					
	Equipment	Equity	Preferred Series B	6,185,567	3,000	520
	Medical Devices &					
	Equipment	Equity	Preferred Series C	1,927,309	655	156
	Medical Devices &					
	Equipment	Equity	Preferred Series D	55,103,923	5,257	5,628
Total Optiscan Biomedical, Corp. Oraya Therapeutics, Inc.				63,216,799	8,912	6,304
	Medical Devices &					
	Equipment	Equity	Preferred Series 1	1,086,969	500	267
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices &					
	Equipment	Equity	Preferred Series B	232,061	527	503
Quanterix Corporation	Medical Devices &					
	Equipment	Equity	Preferred Series D	272,479	1,000	1,216
<b>Subtotal: Medical Devices &amp; Equipment (1.91%)*</b>					15,535	13,719
<b>Software</b>						
Box, Inc. <sup>(3)(14)</sup>	Software	Equity	Common Stock	1,287,347	5,654	15,532
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	50	82
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,056
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,363
	Software	Equity	Preferred Series E	80,587	131	348
Total ForeScout Technologies, Inc.				399,686	529	1,711
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Equity	Preferred Series E	669,173	963	699
WildTangent, Inc. <sup>(14)</sup>	Software	Equity	Preferred Series 3	100,000	402	171



**Subtotal: Software (2.68%)\***

8,905

19,251

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<b>Specialty Pharmaceuticals</b>						
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	
<b>Subtotal: Specialty Pharmaceuticals (0.00%)*</b>					750	
<b>Surgical Devices</b>						
Gynesonics, Inc. <sup>(14)</sup>	Surgical Devices	Equity	Preferred Series B	219,298	250	26
	Surgical Devices	Equity	Preferred Series C	656,538	282	36
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	602
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	390
Total Gynesonics, Inc.				5,652,395	1,673	1,054
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	105
	Surgical Devices	Equity	Preferred Series C	119,999	300	59
	Surgical Devices	Equity	Preferred Series D	260,000	650	427
	Surgical Devices	Equity	Preferred Series F	100,200	500	470
Total Transmedics, Inc.				569,160	2,550	1,061
<b>Subtotal: Surgical Devices (0.29%)*</b>					4,223	2,115
<b>Sustainable and Renewable Technology</b>						
Glori Energy, Inc. <sup>(3)</sup>	Sustainable and Renewable					
	Technology	Equity	Common Stock	18,208	165	4
Modumetal, Inc.	Sustainable and Renewable					
	Technology	Equity	Preferred Series C	3,107,520	500	483
SCIEnergy, Inc.	Sustainable and Renewable					
	Technology	Equity	Common Stock	19,250	761	
Sungevity, Inc. <sup>(14)</sup>	Sustainable and Renewable					
	Technology	Equity	Preferred Series D	68,807,339	6,750	7,149

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<b>Subtotal: Sustainable and Renewable Technology (1.06%)*</b>					8,176	7,636
<b>Total: Equity Investments (8.65%)*</b>					60,120	62,141
<b>Warrant Investments</b>						
<b>Biotechnology Tools</b>						
Exicure, Inc.	Biotechnology Tools	Warrant	Preferred Series C	104,348	\$ 107	\$ 109
Labcyte, Inc. <sup>(14)</sup>	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	181
<b>Subtotal: Biotechnology Tools (0.04%)*</b>					430	290
<b>Communications &amp; Networking</b>						
Intelepeer, Inc. <sup>(14)</sup>	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	37
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	360
SkyCross, Inc. <sup>(14)</sup>	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	55
<b>Subtotal: Communications &amp; Networking (0.06%)*</b>					1,219	452
<b>Consumer &amp; Business Products</b>						
Antenna79 (p.k.a. Pong Research Corporation) <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	
Intelligent Beauty, Inc. <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	281
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	805
Nasty Gal <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	18
The Neat Company <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
<b>Subtotal: Consumer &amp; Business Products (0.15%)*</b>					1,922	1,104
<b>Diagnostic</b>						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) <sup>(3)(14)</sup>	Diagnostic	Warrant	Common Stock	333,333	244	4
<b>Subtotal: Diagnostic (0.00%)*</b>					244	4

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Delivery	Warrant	Common Stock	176,730	785	154
Agile Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	180,274	730	204
BIND Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Warrant	Common Stock	152,586	488	5
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	354
Celsion Corporation <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	194,986	428	10
Dance Biopharm, Inc. <sup>(14)</sup>	Drug Delivery	Warrant	Common Stock	43,813	74	
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	78,595	390	228
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	877
Neos Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Warrant	Common Stock	70,833	285	122
Pulmatrix Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	25,150	116	2
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	72,379	266	2
<b>Subtotal: Drug Delivery (0.27%)*</b>					4,157	1,958
<b>Drug Discovery &amp; Development</b>						
ADMA Biologics, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	89,750	295	123
Anthera Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	608,696	194	117
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	125
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	22,328	70	11
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,901	369	9
Chroma Therapeutics, Ltd. <sup>(4)(9)</sup>	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	7,813	105	2
Concert Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	70,796	367	158
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	292,398	165	20
CytRx Corporation <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	634,146	416	773
Dicerna Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	64,194	276	42
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,009	142	15
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,725	266	219
Immune Pharmaceuticals <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	214,853	\$ 164	\$ 13
Mast Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	2,272,724	203	185
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	100
Nanotherapeutics, Inc. <sup>(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,035
Neotherics, Inc. (p.k.a. Lithera, Inc) <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	46,838	266	8
Neuralstem, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	75,187	77	10
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	21,467	129	20
uniQure B.V. <sup>(3)(4)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	37,174	218	105
XOMA Corporation <sup>(3)(9)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	181,268	279	53

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<b>Subtotal: Drug Discovery &amp; Development (0.44%)*</b>				7,086	3,143	
<b>Electronics &amp; Computer Hardware</b>						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	67
<b>Subtotal: Electronics &amp; Computer Hardware (0.01%)*</b>				52	67	
<b>Healthcare Services, Other</b>						
Chromadex Corporation <sup>(3)(9)(14)</sup>	Healthcare Services, Other	Warrant	Common Stock	419,020	157	201
<b>Subtotal: Healthcare Services, Other (0.03%)*</b>				157	201	
<b>Information Services</b>						
Cha Cha Search, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. <sup>(4)(9)</sup>	Information Services	Warrant	Common Stock	46,874	82	
InXpo, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,165,183	74	2
Total InXpo, Inc.				1,813,583	172	4
RichRelevance, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series E	112,612	98	
<b>Subtotal: Information Services (0.00%)*</b>				410	4	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Internet Consumer &amp; Business Services</b>						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	74
Blurb, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	130
CashStar, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	37
CloudOne, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	19
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,417
Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	67
LogicSource <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	55
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	134
Prism Education Group, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ReachLocal <sup>(3)</sup>	Internet Consumer & Business Services	Warrant	Common Stock	300,000	155	315
ShareThis, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	127
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	198
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
<b>Subtotal: Internet Consumer &amp; Business Services (0.36%)*</b>					3,200	2,573
<b>Media/Content/Info</b>						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	155,271	1,959	2,822
Rhapsody International, Inc. <sup>(14)</sup>	Media/Content/Info	Warrant	Common Stock	715,755	384	221
WP Technology, Inc. (Wattpad, Inc.) <sup>(4)</sup>	Media/Content/Info	Warrant	Common Stock	127,909	1	1
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	18
<b>Subtotal: Media/Content/Info (0.43%)*</b>					2,692	3,062
<b>Medical Devices &amp; Equipment</b>						
Amedica Corporation <sup>(3)(14)</sup>	Medical Devices & Equipment	Warrant	Common Stock	103,225	459	65
Aspire Bariatrics, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	220
Avedro, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	128
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	110,947	203	450
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	183
Gelesis, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	\$ 78	\$ 336
InspireMD, Inc. <sup>(3)(4)(9)</sup>	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	232
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	280
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	17
NinePoint Medical, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	67
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. <sup>(5)(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	256

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Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	57
<b>Total Oraya Therapeutics, Inc.</b>				<b>1,633,038</b>	<b>742</b>	<b>313</b>
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	243
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	173,428	180	144
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) <sup>(3)</sup>	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. <sup>(3)(14)</sup>	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	30
<b>Subtotal: Medical Devices &amp; Equipment (0.38%)*</b>					<b>6,850</b>	<b>2,708</b>
<b>Semiconductors</b>						
Achronix Semiconductor Corporation <sup>(14)</sup>	Semiconductors	Warrant	Preferred Series C	360,000	160	18
	Semiconductors	Warrant	Preferred Series D-1	500,000	6	4
<b>Total Achronix Semiconductor Corporation</b>				<b>860,000</b>	<b>166</b>	<b>22</b>
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	38
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	47	67
<b>Subtotal: Semiconductors (0.02%)*</b>					<b>217</b>	<b>127</b>

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Software</b>						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	190
	Software	Warrant	Preferred Series F	31,673	343	343
Total Actifio, Inc.				105,257	592	533
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation <sup>(14)</sup>	Software	Warrant	Preferred Series B	413,433	258	609
Clickfox, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series B	1,038,563	330	193
	Software	Warrant	Preferred Series C	592,019	730	161
	Software	Warrant	Preferred Series C-A	46,109	13	9
Total Clickfox, Inc.				1,676,691	1,073	363
Hillcrest Laboratories, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	1,865,650	55	183
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(14)</sup>	Software	Warrant	Preferred Series E	614,333	16	
Message Systems, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	503,718	334	434
Mobile Posse, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	396,430	130	80
Neos, Inc. <sup>(14)</sup>	Software	Warrant	Common Stock	221,150	22	110
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Warrant	Preferred Series E	225,586	33	28
OneLogin, Inc. <sup>(14)</sup>	Software	Warrant	Common Stock	228,972	150	148
Poplicus, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	2,595,230		98
Signpost, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	324,005	314	305
Soasta, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	410,800	691	273
Sonian, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	185,949	106	26
Touchcommerce, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	2,282,968	446	575
<b>Subtotal: Software (0.52%)*</b>					4,408	3,765
<b>Specialty Pharmaceuticals</b>						
Alimera Sciences, Inc. <sup>(3)</sup>	Specialty Pharmaceuticals	Warrant	Common Stock	862,069	\$ 729	\$ 313
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
<b>Subtotal: Specialty Pharmaceuticals (0.04%)*</b>					1,036	313
<b>Surgical Devices</b>						
Gynesonics, Inc. <sup>(14)</sup>	Surgical Devices	Warrant	Preferred Series C	180,480	75	8
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	200
Total Gynesonics, Inc.				1,756,445	395	208
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	224	
	Surgical Devices	Warrant	Preferred Series D	175,000	100	121
	Surgical Devices	Warrant	Preferred Series F	16,476	3	2



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Total Transmedics, Inc.				231,912	327	123
<b>Subtotal: Surgical Devices (0.05%)*</b>					722	331
<b>Sustainable and Renewable Technology</b>						
Agrivida, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	79
Alphabet Energy, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	149
American Superconductor Corporation <sup>(3)</sup>	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	103
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	7
Calera, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	134
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	38
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	207
GreatPoint Energy, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	12
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	397,931	37	55
Rive Technology, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	24
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	6,229	50	
Total SCIEnergy, Inc.				537,040	231	
Solexel, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	649
Stion Corporation <sup>(5)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	763
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	807
Total Sungevity, Inc.				52,472,222	1,445	1,570

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	208
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	108
Trilliant, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	51
<b>Subtotal: Sustainable and Renewable Technology (0.47%)*</b>					7,617	3,394
<b>Total: Warrant Investments (3.27%)*</b>					42,419	23,496
<b>Total Investments (179.75%)*</b>					\$ 1,344,325	\$ 1,291,310

\* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$24.3 million, \$77.2 million and \$52.9 million respectively. The tax cost of investments is \$1.3 billion.
- (3) Except for warrants in 37 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at March 31, 2016 and were valued at fair value as determined in good faith by the Company's board of directors (the Board of Directors). No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the 1940 Act) in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board. There were no control investments at March 31, 2016.
- (7) Debt is on non-accrual status at March 31, 2016, and is therefore considered non-income producing.
- (8) Denotes that all or a portion of the debt investment is convertible debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).

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- (12) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or payment-in-kind, interest and is net of repayments.
- (13) Denotes that all or a portion of the debt investment includes an exit fee receivable. This fee ranges from 1.0% to 19.4% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (14) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly-owned SBIC subsidiaries.
- (15) The stated maturity date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) Repayment of debt investment is delinquent of the contractual maturity date.

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Debt Investments</b>							
<b>Communications &amp; Networking</b>							
<b>1-5 Years Maturity</b>							
Avanti Communications Group <sup>(4)(9)</sup>	Communications	Senior	October				
	& Networking	Secured	2019	Interest rate FIXED 10.00%	\$ 10,000	\$8,900	\$7,812
OpenPeak, Inc. <sup>(7)</sup>	Communications	Senior	April				
	& Networking	Secured	2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,370	9,134	2,444
SkyCross, Inc. <sup>(7)(12)(13)(14)</sup>	Communications	Senior	January				
	& Networking	Secured	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. <sup>(13)</sup>	Communications	Senior	January				
	& Networking	Secured	2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	2,935	2,935
<b>Subtotal: 1-5 Years Maturity</b>						41,049	28,050
<b>Subtotal: Communications &amp; Networking (3.91%)*</b>						41,049	28,050
<b>Consumer &amp; Business Products</b>							
<b>Under 1 Year Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(14)</sup>	Consumer	Senior Secured	June				
	& Business Products		2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 308	308	308
<b>Subtotal: Under 1 Year Maturity</b>						308	308
<b>1-5 Years Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(13)(14)</sup>	Consumer	Senior	December				
	& Business Products	Secured	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.) <sup>(8)</sup>	Consumer	Convertible	March				
	& Business Products	Debt	2017	Interest rate FIXED 4.00%	\$ 100	100	

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Nasty Gal <sup>(13)(14)</sup>	Consumer	Senior	May				
	& Business Products	Secured	2019	Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 15,000	14,876	14,876
The Neat Company <sup>(7)(12)(13)(14)</sup>	Consumer	Senior	September				
	& Business Products	Secured	2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 15,936	15,545	5,527
<b>Subtotal: 1-5 Years Maturity</b>						<b>35,306</b>	<b>25,186</b>
<b>Subtotal: Consumer &amp; Business Products (3.55%)*</b>						<b>35,614</b>	<b>25,494</b>
<b>Drug Delivery</b>							
<b>1-5 Years Maturity</b>							
AcelRx Pharmaceuticals, Inc. <sup>(9)(10)(13)(14)</sup>	Drug Delivery	Senior Secured	October	Interest rate PRIME + 3.85% or Floor rate of 9.10%	\$ 20,466	20,772	20,678
			2017				
Agile Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	December	Interest rate PRIME + 4.75% or Floor rate of 9.00%	\$ 16,500	16,231	16,107
			2018				
BIND Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior Secured	July	Interest rate PRIME + 5.10% or Floor rate of 8.35%	\$ 15,000	15,119	15,044
			2018				
BioQ Pharma Incorporated <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	May	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 10,000	10,180	10,066
			2018				
			May				
Total BioQ Pharma Incorporated	Drug Delivery	Senior Secured	May	Interest rate PRIME + 7.00% or Floor rate of 10.50%	\$ 3,000	2,962	2,962
			2018				
			2018				
Celator Pharmaceuticals, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	June	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 13,000	13,142	13,028
			2018				
					\$ 14,573	14,594	14,609

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Celsion Corporation <sup>(10)(13)</sup>	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. <sup>(13)(14)</sup>	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. <sup>(10)(13)</sup>	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 <sup>(11)(13)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.15% or Floor rate of 9.40%	\$ 15,000	14,967	15,036
Neos Therapeutics, Inc. <sup>(10)(13)(14)</sup>	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. <sup>(8)(10)(13)</sup>	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) <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70% or Floor rate of 7.95%	\$ 15,000	14,925	14,781
<b>Subtotal: 1-5 Years Maturity</b>						156,355	155,857
<b>Subtotal: Drug Delivery (21.73%)*</b>						156,355	155,857
<b>Drug Discovery &amp; Development</b>							
<b>1-5 Years Maturity</b>							
Aveo Pharmaceuticals, Inc. <sup>(9)(13)</sup>	Drug Discovery	Senior	January		\$ 10,000	10,076	9,944

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	& Development	Secured	2018	Interest rate PRIME + 6.65% or Floor rate of 11.90%			
Cerecor, Inc. <sup>(13)</sup>	Drug Discovery	Senior	August	Interest rate PRIME + 4.70% or Floor rate of 7.95%			
	& Development	Secured	2017		\$ 5,688	5,705	5,740
Cerulean Pharma, Inc. <sup>(11)(13)</sup>	Drug Discovery	Senior	July	Interest rate PRIME + 1.55% or Floor rate of 7.30%			
	& Development	Secured	2018		\$ 21,000	21,132	21,109
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(10)(13)</sup>	Drug Discovery	Senior	December	Interest rate PRIME + 7.70% or Floor rate of 10.95%			
	& Development	Secured	2018		\$ 25,000	25,507	25,550
Epirus Biopharmaceuticals, Inc. <sup>(11)(13)</sup>	Drug Discovery	Senior	April	Interest rate PRIME + 4.70% or Floor rate of 7.95%			
	& Development	Secured	2018		\$ 15,000	14,852	14,924
Genocea Biosciences, Inc. <sup>(10)(13)</sup>	Drug Discovery	Senior	January	Interest rate PRIME + 3.75% or Floor rate of 7.25%			
	& Development	Secured	2019		\$ 17,000	17,008	16,948
Immune Pharmaceuticals <sup>(10)(13)</sup>	Drug Discovery	Senior	September	Interest rate PRIME + 6.50% or Floor rate of 10.00%			
	& Development	Secured	2018		\$ 4,500	4,374	4,374
Insmed, Incorporated <sup>(10)(13)</sup>	Drug Discovery	Senior	January	Interest rate PRIME + 4.75% or Floor rate of 9.25%			
	& Development	Secured	2018		\$ 25,000	25,128	24,991
Mast Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Discovery	Senior	January	Interest rate PRIME + 5.70% or Floor rate of 8.95%			
	& Development	Secured	2019		\$ 15,000	14,808	14,808
Melinta Therapeutics <sup>(11)(13)</sup>	Drug Discovery	Senior	June	Interest rate PRIME + 3.75% or Floor rate of 8.25%			
	& Development	Secured	2018		\$ 30,000	29,843	29,703
Merrimack Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery	Senior	December	Interest rate FIXED 11.50%			
	& Development	Secured	2022		\$ 25,000	25,000	25,000
Neotherics, Inc. (p.k.a. Lithera, Inc.) <sup>(13)(14)</sup>	Drug Discovery	Senior	January	Interest rate PRIME + 5.75% or Floor rate of 9.00%			
	& Development	Secured	2018		\$ 10,000	9,966	9,940
Neuralstem, Inc. <sup>(13)(14)</sup>	Drug Discovery	Senior	April	Interest rate PRIME + 6.75% or Floor rate of 10.00%			
	& Development	Secured	2017		\$ 8,335	8,418	8,397
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(13)(14)</sup>	Drug Discovery	Senior	September	Interest rate PRIME + 2.75% or Floor rate of 8.50%			
	& Development	Secured	2020		\$ 20,000	19,828	19,828
uniQure B.V. <sup>(4)(9)(10)(13)</sup>	Drug Discovery	Senior	June	Interest rate PRIME + 5.00% or Floor rate of 10.25%			
	& Development	Secured	2018		\$ 20,000	19,956	19,929

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XOMA Corporation <sup>(9)(13)(14)</sup>	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$ 20,000	\$ 19,974	\$ 19,815
<b>Subtotal: 1-5 Years Maturity</b>						271,575	271,000
<b>Subtotal: Drug Discovery &amp; Development (37.79%)*</b>						271,575	271,000
<b>Electronics &amp; Computer Hardware</b>							
<b>1-5 Years Maturity</b>							
Persimmon Technologies <sup>(13)</sup>	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 7,000	6,873	6,873
<b>Subtotal: 1-5 Years Maturity</b>						6,873	6,873
<b>Subtotal: Electronics &amp; Computer Hardware (0.96%)*</b>						6,873	6,873
<b>Sustainable and Renewable Technology</b>							
<b>Under 1 Year Maturity</b>							
Agrivida, Inc. <sup>(13)(14)</sup>	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 <sup>(10)(13)</sup>	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. <sup>(10)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 784	931	931
Polyera Corporation <sup>(13)(14)</sup>	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 637	890	890
Stion Corporation <sup>(5)(13)</sup>	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



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Sungevity, Inc. <sup>(11)</sup>	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
<b>Subtotal: Under 1 Year Maturity</b>						<b>32,714</b>	<b>31,527</b>
<b>1-5 Years Maturity</b>							
American Superconductor Corporation <sup>(10)(13)</sup>	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. <sup>(9)(11)(13)</sup>	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. Modumetal, Inc. <sup>(13)</sup>					\$ 32,000	32,085	32,032
	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$ 1,759	2,062	2,032
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 7,061	7,101	7,080
Total Modumetal, Inc.					\$ 8,820	9,163	9,112

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Polyera Corporation <sup>(13)</sup>	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. <sup>(10)(13)</sup>	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. <sup>(11)(13)</sup>	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 <sup>(13)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,735	14,477
<b>Subtotal: 1-5 Years Maturity</b>						118,662	117,883
<b>Subtotal: Sustainable and Renewable Technology (20.83%)*</b>						151,376	149,410
<b>Healthcare Services, Other</b>							
<b>1-5 Years Maturity</b>							
Chromadex Corporation <sup>(13)(14)</sup>	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 <sup>(13)(14)</sup>	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,048	10,049
<b>Subtotal: 1-5 Years Maturity</b>						14,955	14,967
<b>Subtotal: Healthcare Services, Other (2.09%)*</b>						14,955	14,967
<b>Information Services</b>							
<b>Under 1 Year Maturity</b>							
Eccentex Corporation <sup>(13)(16)</sup>	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 13	28	28

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InXpo, Inc. <sup>(13)(14)</sup>	Information	Senior	October	Interest rate PRIME + 7.50% or Floor rate of 10.75%			
	Services	Secured	2016		\$ 1,589	1,624	1,624
<b>Subtotal: Under 1 Year Maturity</b>						1,652	1,652
<b>Subtotal: Information Services (0.23%)*</b>						1,652	1,652

**Internet Consumer & Business Services**

**Under 1 Year Maturity**

NetPlenish <sup>(7)(8)(14)</sup>	Internet	Convertible	September	Interest rate FIXED 10.00%			
	Consumer	Debt	2016		\$ 381	373	
	& Business						
	Services						
	Internet	Senior	April	Interest rate FIXED 10.00%			
	Consumer	Secured	2016		\$ 45	45	
	& Business						
	Services						
<b>Total NetPlenish</b>						\$ 426	418
<b>Subtotal: Under 1 Year Maturity</b>							418

**1-5 Years Maturity**

Aria Systems, Inc. <sup>(10)(12)</sup>	Internet	Senior	June	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%			
	Consumer	Secured	2019				
	& Business						
	Services				\$ 18,101	17,850	17,673

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%	\$ 2,021	\$ 1,995	\$ 1,972
Total Aria Systems, Inc.					\$ 20,122	19,845	19,645
One Planet Ops Inc. (p.k.a. Reply! Inc.) <sup>(7)(12)</sup>	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 <sup>(13)</sup>	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. <sup>(11)(13)</sup>	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 20,000	19,598	19,514
Tectura Corporation <sup>(7)(12)(15)</sup>	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	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 563	563	422

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	& Business Services							
	Internet Consumer	Senior Secured	May	Interest rate LIBOR + 10.00% or Floor rate of 13.00%				
			2014					
	& Business Services					\$ 5,000	5,000	3,750
Total Tectura Corporation						\$ 20,201	20,201	15,151
<b>Subtotal: 1-5 Years Maturity</b>							92,452	84,945
<b>Subtotal: Internet Consumer &amp; Business Services (11.85%)*</b>							92,870	84,945
<b>Media/Content/Info</b>								
<b>Under 1 Year Maturity</b>								
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
<b>Subtotal: Under 1 Year Maturity</b>							5,060	5,060
<b>1-5 Years Maturity</b>								
Machine Zone, Inc. <sup>(12)</sup>	Media/Content/Info	Senior Secured	May	Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00%		\$ 90,729	88,730	88,101
<b>Subtotal: 1-5 Years Maturity</b>							88,730	88,101
<b>Subtotal: Media/Content/Info (12.99%)*</b>							93,790	93,161

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Medical Devices &amp; Equipment Under 1 Year Maturity</b>							
Medrobotics Corporation <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior	March	Interest rate PRIME + 7.85% or Floor rate of 11.10%			
		Secured	2016		\$ 576	\$ 735	\$ 735
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) <sup>(13)</sup>	Medical Devices & Equipment	Senior	April	Interest rate PRIME + 7.75% or Floor rate of 11.00%			
		Secured	2016		\$ 292	700	700
<b>Subtotal: Under 1 Year Maturity</b>						1,435	1,435
<b>1-5 Years Maturity</b>							
Amedica Corporation <sup>(8)(13)(14)</sup>	Medical Devices & Equipment	Senior	January	Interest rate PRIME + 9.20% or Floor rate of 12.45%			
		Secured	2018		\$ 17,051	17,642	17,350
Aspire Bariatrics, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior	October	Interest rate PRIME + 4.00% or Floor rate of 9.25%			
		Secured	2018		\$ 7,000	6,771	6,739
Avedro, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior	June	Interest rate PRIME + 6.00% or Floor rate of 9.25%			
		Secured	2018		\$ 12,500	12,391	12,201
Flowonix Medical Incorporated <sup>(11)(13)</sup>	Medical Devices & Equipment	Senior	May	Interest rate PRIME + 6.50% or Floor rate of 10.00%			
		Secured	2018		\$ 15,000	15,071	14,974
Gamma Medica, Inc. <sup>(10)(13)</sup>	Medical Devices & Equipment	Senior	January	Interest rate PRIME + 6.50% or Floor rate of 9.75%			
		Secured	2018		\$ 4,000	4,009	3,989
InspireMD, Inc. <sup>(4)(9)(13)</sup>	Medical Devices & Equipment	Senior	February	Interest rate PRIME + 5.00% or Floor rate of 10.50%			
		Secured	2017		\$ 5,009	5,380	3,764
Quanterix Corporation <sup>(10)(13)</sup>	Medical Devices & Equipment	Senior	February	Interest rate PRIME + 2.75% or Floor rate of 8.00%			
		Secured	2018		\$ 9,661	9,718	9,659
SynergEyes, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior	January	Interest rate PRIME + 7.75% or Floor rate of 11.00%			
		Secured	2018		\$ 4,263	4,516	4,464

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<b>Subtotal: 1-5 Years Maturity</b>					75,498	73,140	
<b>Subtotal: Medical Devices &amp; Equipment (10.40%)*</b>					76,933	74,575	
<b>Semiconductors</b>							
<b>Under 1 Year Maturity</b>							
Achronix Semiconductor Corporation <sup>(14)</sup>	Semiconductors	Senior	July	Interest rate PRIME + 4.75% or Floor rate of 8.00%			
		Secured	2016		\$ 5,000	5,000	5,000
<b>Subtotal: Under 1 Year Maturity</b>					5,000	5,000	
<b>1-5 Years Maturity</b>							
Achronix Semiconductor Corporation <sup>(13)(14)</sup>	Semiconductors	Senior	July	Interest rate PRIME + 8.25% or Floor rate of 11.50%			
		Secured	2018		\$ 5,000	5,027	4,999
Aquantia Corporation	Semiconductors	Senior	February	Interest rate PRIME + 2.95% or Floor rate of 6.20%			
		Secured	2017		\$ 5,001	5,001	5,001
Avnera Corporation <sup>(10)(13)</sup>	Semiconductors	Senior	April	Interest rate PRIME + 5.25% or Floor rate of 8.50%			
		Secured	2018		\$ 7,500	7,498	7,568
<b>Subtotal: 1-5 Years Maturity</b>					17,526	17,568	
<b>Subtotal: Semiconductors (3.15%)*</b>					22,526	22,568	

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



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Total Message Systems, Inc.					\$ 19,118	18,721	18,629
RedSeal Inc. <sup>(13)(14)</sup>	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. <sup>(13)(14)</sup>	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25% or Floor rate of 5.50%	\$ 3,500	3,432	3,419
	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75% or Floor rate of 8.00%	\$ 15,000	14,699	14,646
Total Soasta, Inc.					\$ 18,500	18,131	18,065
Touchcommerce, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00% or Floor rate of 10.25%	\$ 12,000	11,853	11,721
<b>Subtotal: 1-5 Years Maturity</b>						<b>115,474</b>	<b>110,862</b>
<b>Subtotal: Software (16.96%)*</b>						<b>126,695</b>	<b>121,608</b>

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Specialty Pharmaceuticals</b>							
<b>Under 1 Year Maturity</b>							
Cranford Pharmaceuticals, LLC <sup>(10)(12)</sup>	Specialty	Senior	August	Interest rate LIBOR + 8.25% or Floor rate of 9.50%	\$ 1,100	\$ 1,100	\$ 1,100
	Pharmaceuticals	Secured	2016				
<b>Subtotal: Under 1 Year Maturity</b>						1,100	1,100
<b>1-5 Years Maturity</b>							
Alimera Sciences, Inc. <sup>(10)(13)</sup>	Specialty	Senior	May	Interest rate PRIME + 7.65% or Floor rate of 10.90%	\$ 35,000	34,296	34,309
	Pharmaceuticals	Secured	2018				
Cranford Pharmaceuticals, LLC <sup>(10)(12)(13)(14)</sup>	Specialty	Senior	August	Interest rate LIBOR + 9.55% or Floor rate of 10.80%, PIK Interest 1.35%	\$ 10,041	10,164	10,235
	Pharmaceuticals	Secured	2017				
Jaguar Animal Health, Inc. <sup>(10)(13)</sup>	Specialty	Senior	August	Interest rate PRIME + 5.65% or Floor rate of 9.90%	\$ 6,000	6,009	6,009
	Pharmaceuticals	Secured	2018				
<b>Subtotal: 1-5 Years Maturity</b>						50,469	50,553
<b>Subtotal: Specialty Pharmaceuticals (7.20%)*</b>						51,569	51,653
<b>Surgical Devices</b>							
<b>1-5 Years Maturity</b>							
Transmedics, Inc. <sup>(13)</sup>	Surgical Devices	Senior	March	Interest rate PRIME + 5.30% or Floor rate of 9.55%	\$ 8,500	8,471	8,396
		Secured	2019				
<b>Subtotal: 1-5 Years Maturity</b>						8,471	8,396
<b>Subtotal: Surgical Devices (1.17%)*</b>						8,471	8,396
<b>Total Debt Investments (154.81%)*</b>						1,152,303	1,110,209

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Equity Investments</b>						
<b>Biotechnology Tools</b>						
NuGEN Technologies, Inc. <sup>(14)</sup>	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 532
<b>Subtotal: Biotechnology Tools (0.07%)*</b>					500	532
<b>Communications &amp; Networking</b>						
GlowPoint, Inc. <sup>(3)</sup>	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
<b>Subtotal: Communications &amp; Networking (0.62%)*</b>					1,102	4,437
<b>Consumer &amp; Business Products</b>						
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
<b>Subtotal: Consumer &amp; Business Products (0.03%)*</b>					500	220
<b>Diagnostic</b>						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	304
<b>Subtotal: Diagnostic (0.04%)*</b>					750	304
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Delivery	Equity	Common Stock	54,240	108	209
BioQ Pharma Incorporated <sup>(14)</sup>	Drug Delivery	Equity	Preferred Series D	165,000	500	660
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	157,190	1,000	1,965
Merrion Pharmaceuticals, Plc <sup>(3)(4)(9)</sup>	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Equity	Common Stock	125,000	1,500	1,790
Revance Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	22,765	557	778
<b>Subtotal: Drug Delivery (0.75%)*</b>					3,674	5,402

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<b>Drug Discovery &amp; Development</b>						
Aveo Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Discovery & Development	Equity	Common Stock	167,864	842	212
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	399
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	379
Dicerna Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,695
Dynavax Technologies <sup>(3)(9)</sup>	Drug Discovery & Development	Equity	Common Stock	20,000	550	483
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	618
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,178
Inotek Pharmaceuticals Corporation <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	43
Insmed, Incorporated <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	1,284
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,026
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,450
<b>Subtotal: Drug Discovery &amp; Development (1.36%)*</b>					<b>14,635</b>	<b>9,767</b>

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Electronics &amp; Computer Hardware</b>						
Identiv, Inc. <sup>(3)</sup>	Electronics & Computer Hardware	Equity	Common Stock	6,700	\$ 34	\$ 13
<b>Subtotal: Electronics &amp; Computer Hardware (0.00%)*</b>					34	13
<b>Sustainable and Renewable Technology</b>						
Glori Energy, Inc. <sup>(3)</sup>	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
SCI Energy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	
Sungevity, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,912
<b>Subtotal: Sustainable and Renewable Technology (1.03%)*</b>					8,176	7,373
<b>Internet Consumer &amp; Business Services</b>						
Blurb, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	244
Lightspeed POS, Inc. <sup>(4)(9)</sup>	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

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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
<b>Subtotal: Internet Consumer &amp; Business Services (0.21%)*</b>					<b>1,433</b>	<b>1,481</b>
<b>Medical Devices &amp; Equipment</b>						
AtriCure, Inc. <sup>(3)(14)</sup>	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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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Gelesis, Inc. <sup>(14)</sup>	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 <sup>(14)</sup>	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. <sup>(5)(14)</sup>	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
<b>Subtotal: Medical Devices &amp; Equipment (1.89%)*</b>					14,535	13,543
<b>Software</b>						
Box, Inc. <sup>(3)(14)</sup>	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 <sup>(4)(9)</sup>	Software	Equity	Preferred Series E	669,173	963	1,016



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WildTangent, Inc. <sup>(14)</sup>	Software	Equity	Preferred Series 3	100,000	402	190
<b>Subtotal: Software (3.07%)*</b>					8,905	21,991
<b>Specialty Pharmaceuticals</b>						
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	
<b>Subtotal: Specialty Pharmaceuticals (0.00%)*</b>					750	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Surgical Devices</b>						
Gynesonics, Inc. <sup>(14)</sup>	Surgical Devices	Equity	Preferred Series B	219,298	\$ 250	\$ 32
	Surgical Devices	Equity	Preferred Series C	656,538	282	46
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	637
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	422
Total Gynesonics, Inc.				5,652,395	1,673	1,137
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	154
	Surgical Devices	Equity	Preferred Series C	119,999	300	96
	Surgical Devices	Equity	Preferred Series D	260,000	650	521
	Surgical Devices	Equity	Preferred Series F	100,200	500	471
Total Transmedics, Inc.				569,160	2,550	1,242
<b>Subtotal: Surgical Devices (0.33%)*</b>					4,223	2,379
<b>Total: Equity Investments (9.40%)*</b>					59,217	67,442
<b>Warrant Investments</b>						
<b>Biotechnology Tools</b>						
Labcyte, Inc. <sup>(14)</sup>	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	187
<b>Subtotal: Biotechnology Tools (0.03%)*</b>					323	187
<b>Communications &amp; Networking</b>						
Intelepeer, Inc. <sup>(14)</sup>	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. <sup>(14)</sup>	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
<b>Subtotal: Communications &amp; Networking (0.10%)*</b>					1,271	726

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<b>Consumer &amp; Business Products</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	2	
Intelligent Beauty, Inc. <sup>(14)</sup>	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 <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	20	
The Neat Company <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365		
<b>Subtotal: Consumer &amp; Business Products (0.13%)*</b>					1,946	897	

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Diagnostic</b>						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) <sup>(3)(14)</sup>	Diagnostic	Warrant	Common Stock	333,333	\$ 244	\$ 17
<b>Subtotal: Diagnostic (0.00%)*</b>					244	17
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Delivery	Warrant	Common Stock	176,730	786	238
Agile Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	180,274	730	680
BIND Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Warrant	Common Stock	152,586	488	6
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	423
Celator Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	210,675	138	59
Celsion Corporation <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	194,986	428	20
Dance Biopharm, Inc. <sup>(14)</sup>	Drug Delivery	Warrant	Common Stock	43,813	74	55
Edge Therapeutics, Inc. <sup>(3)</sup>	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. <sup>(3)(14)</sup>	Drug Delivery	Warrant	Common Stock	70,833	285	275
Pulmatrix Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	25,150	116	12
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	72,379	266	4
<b>Subtotal: Drug Delivery (0.47%)*</b>					4,296	3,406
<b>Drug Discovery &amp; Development</b>						
ADMA Biologics, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	89,750	295	98
Anthera Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	608,696	194	216
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	22,328	70	10
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,901	369	90
Chroma Therapeutics, Ltd. <sup>(4)(9)</sup>	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	7,813	105	5
Concert Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	70,796	367	368
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	292,398	165	59
Dicerna Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	64,194	276	55

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Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,009	142	11
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,725	266	92
Immune Pharmaceuticals <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	214,853	164	40
Mast Therapeutics, Inc. <sup>(3)(14)</sup>	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

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Nanotherapeutics, Inc. <sup>(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,389	\$ 838	\$ 1,762
Neothetics, Inc. (p.k.a. Lithera, Inc.) <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	46,838	266	2
Neuralstem, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	75,187	77	12
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	21,467	129	36
uniQure B.V. <sup>(3)(4)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	37,174	218	183
XOMA Corporation <sup>(3)(9)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	181,268	279	115
<b>Subtotal: Drug Discovery &amp; Development (0.49%)*</b>					<b>6,551</b>	<b>3,499</b>
<b>Electronics &amp; Computer Hardware</b>						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	42
<b>Subtotal: Electronics &amp; Computer Hardware (0.01%)*</b>					<b>52</b>	<b>42</b>
<b>Sustainable and Renewable Technology</b>						
Agrivida, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	38
Alphabet Energy, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	159
American Superconductor Corporation <sup>(3)</sup>	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. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. <sup>(14)</sup>	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. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	10

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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.) <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	82	48
Solexel, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	466
Stion Corporation <sup>(5)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	\$ 543	\$ 569
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	525
Total Sungevity, Inc.				52,472,222	1,445	1,094
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	188	242
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	85
Trilliant, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	53
<b>Subtotal: Sustainable and Renewable Technology (0.38%)*</b>					7,686	2,704
<b>Healthcare Services, Other</b>						
Chromadex Corporation <sup>(3)(14)</sup>	Healthcare Services, Other	Warrant	Common Stock	419,020	157	164
<b>Subtotal: Healthcare Services, Other (0.02%)*</b>					157	164
<b>Information Services</b>						
Cha Cha Search, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. <sup>(4)(9)</sup>	Information Services	Warrant	Common Stock	46,874	82	3
InXpo, Inc. <sup>(14)</sup>	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. <sup>(14)</sup>	Information Services	Warrant	Preferred Series E	112,612	98	
<b>Subtotal: Information Services (0.00%)*</b>					410	5
<b>Internet Consumer &amp; Business Services</b>						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	88
Blurb, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	148
CashStar, Inc. <sup>(14)</sup>	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



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Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	82
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	104
Prism Education Group, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ReachLocal <sup>(3)</sup>	Internet Consumer & Business Services	Warrant	Common Stock	300,000	155	290
ShareThis, Inc. <sup>(14)</sup>	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	
<b>Subtotal: Internet Consumer &amp; Business Services (0.27%)*</b>					3,151	1,951

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Media/Content/Info</b>						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	143,626	\$ 1,802	\$ 2,086
Rhapsody International, Inc. <sup>(14)</sup>	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
<b>Subtotal: Media/Content/Info (0.32%)*</b>					<b>2,534</b>	<b>2,327</b>
<b>Medical Devices &amp; Equipment</b>						
Amedica Corporation <sup>(3)(14)</sup>	Medical Devices & Equipment	Warrant	Common Stock	1,548,387	459	31
Aspire Bariatrics, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	236
Avedro, Inc. <sup>(14)</sup>	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. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	262
InspireMD, Inc. <sup>(3)(4)(9)</sup>	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation <sup>(14)</sup>	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. <sup>(14)</sup>	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. <sup>(5)(14)</sup>	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	

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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.) <sup>(3)</sup>	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. <sup>(3)(14)</sup>	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	84
<b>Subtotal: Medical Devices &amp; Equipment (0.34%)*</b>					6,564	2,442

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Semiconductors</b>						
Achronix Semiconductor Corporation <sup>(14)</sup>	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
<b>Subtotal: Semiconductors (0.02%)*</b>					217	137
<b>Software</b>						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	210
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation <sup>(14)</sup>	Software	Warrant	Preferred Series B	413,433	258	625
Clickfox, Inc. <sup>(14)</sup>	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. <sup>(14)</sup>	Software	Warrant	Preferred Series E	1,865,650	55	138
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(14)</sup>	Software	Warrant	Preferred Series E	614,333	16	
Message Systems, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series B	408,011	334	497
Mobile Posse, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	396,430	130	59
Neos, Inc. <sup>(14)</sup>	Software	Warrant	Common Stock	221,150	22	113
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Warrant	Preferred Series E	225,586	33	55
Poplicus, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	2,595,230		110
Soasta, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	410,800	691	561
Sonian, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	185,949	106	39
Touchcommerce, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	2,282,968	446	581
<b>Subtotal: Software (0.51%)*</b>					3,601	3,638
<b>Specialty Pharmaceuticals</b>						
Alimera Sciences, Inc. <sup>(3)</sup>	Specialty Pharmaceuticals	Warrant	Common Stock	660,377	729	435
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
<b>Subtotal: Specialty Pharmaceuticals (0.06%)*</b>					1,036	435
<b>Surgical Devices</b>						
Gynesonics, Inc. <sup>(14)</sup>	Surgical Devices	Warrant	Preferred Series C	180,480	75	12

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	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
<b>Subtotal: Surgical Devices (0.06%)*</b>					722	410
<b>Total: Warrant Investments (3.21%)*</b>					40,761	22,987
<b>Total Investments (167.42%)*</b>					\$ 1,252,281	\$ 1,200,638

See notes to consolidated financial statements.

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**HERCULES CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(unaudited)**

**(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 1940 Act in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board. There were no control investments at December 31, 2015.
- (7) Debt is on non-accrual status at December 31, 2015, and is therefore considered non-income producing. Note that at December 31, 2015, only the PIK interest is on non-accrual for the Company's debt investment in Skycross, Inc and only the \$2.1 million PIK loan is on non-accrual for the Company's debt investment in One Planet Ops Inc. (p.k.a. Reply! Inc.).
- (8) Denotes that all or a portion of the debt investment is convertible senior debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitizations.
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility.
- (12) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (13) 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.

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

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

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

HT II and HT III hold approximately \$111.6 million and \$289.1 million in assets, respectively, and they accounted for approximately 6.6% and 17.1% of the Company's total assets, respectively, prior to consolidation at March 31, 2016.

The Company also established wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to hold portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities). By investing through these wholly owned subsidiaries, the Company is able to benefit from the tax treatment of these entities and create a tax structure that is more advantageous with respect to the Company's RIC status. These taxable subsidiaries are consolidated for U.S. GAAP financial reporting purposes, and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated financial statements and recorded at fair value. The taxable subsidiaries are not consolidated with Hercules for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments.

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 and 10 of Regulation S-X the Securities Exchange Act of 1934, as amended (the Exchange Act), the Company does not consolidate portfolio company investments. It is not appropriate for an investment company to consolidate a portfolio company that is not an investment company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC 946.

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The accompanying consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Exchange Act. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair statement of consolidated financial statements for the interim periods have been included. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the full fiscal year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2015. The year-end Consolidated Statement of Assets and Liabilities data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

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

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation***

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

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

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

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

As of the date of this report, the VIE consolidated by the Company is its securitization VIE formed in conjunction with the issuance of the 2021 Asset-Backed Notes (as defined herein). See Note 4 Borrowings .



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

***Change in Accounting Principle***

As of January 1, 2016, the Company adopted Accounting Standards Update ( ASU ) 2015-03 Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements , which require debt issuance costs to be presented on the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line-of-credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of the Company s SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. In addition, the comparative Consolidated Statement of Assets and Liabilities as of December 31, 2015 has been adjusted to apply the change in accounting principle retrospectively. Specifically, the presentation of the Company s Other Assets, SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes line items were adjusted by the amount of unamortized debt issuance costs for each instrument. There is no impact to the Company s Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities.

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

<b>(in thousands)</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
SBA Debentures	\$ 3,203	\$ 3,371
2019 Notes	2,025	2,185
2024 Notes	2,789	2,872
2021 Asset-Backed Notes	2,073	2,305
Convertible Senior Notes	12	44
Wells Facility <sup>(1)</sup>	737	669
Union Bank Facility <sup>(1)</sup>	190	229
<b>Total</b>	<b>\$ 11,029</b>	<b>\$ 11,675</b>

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

***Valuation of Investments***

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

At March 31, 2016, approximately 97.0% of the Company s total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in

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Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's investments are carried at fair value in accordance with the 1940 Act and ASC 946 and measured in accordance with ASC 820 ( Fair Value Measurements ). The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable 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.

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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.

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 March 31, 2016 and as of December 31, 2015. The Company transfers investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three months ended March 31, 2016, there were no transfers between Levels 1 or 2.

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

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

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

(in thousands)	Balance January 1, 2016	Net Realized Gains (Losses) <sup>(1)</sup>	Net Change in Unrealized		Sales	Repayments <sup>(6)</sup>	Gross Transfers into Level 3 <sup>(3)</sup>	Gross Transfers out of Level 3 <sup>(3)</sup>	Balance March 31, 2016
			(Depreciation) <sup>(2)</sup>	Purchases <sup>(5)</sup>					
Senior Debt	\$ 1,102,396	\$ (6,451)	\$ 6,112	\$ 175,552	\$	\$ (77,411)	\$	\$	\$ 1,200,198
Preferred Stock	35,245	(150)	156	1,000			52	(761)	35,542
Common Stock	1,527		(1,220)				761		1,068
Warrants	18,565	(106)	(91)	1,539				(52)	19,855
Escrow Receivable	2,967								2,967
<b>Total</b>	\$ 1,160,700	\$ (6,707)	\$ 4,957	\$ 178,091	\$	\$ (77,411)	\$ 813	\$ (813)	\$ 1,259,630

(in thousands)	Balance January 1, 2015	Net Realized Gains (Losses) <sup>(1)</sup>	Net Change in Unrealized		Sales	Repayments <sup>(6)</sup>	Gross Transfers into Level 3 <sup>(4)</sup>	Gross Transfers out of Level 3 <sup>(4)</sup>	Balance December 31, 2015
			(Depreciation) <sup>(2)</sup>	Purchases <sup>(5)</sup>					
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
<b>Total</b>	\$ 1,008,362	\$ (3,773)	\$ (18,475)	\$ 720,453	\$ (4,659)	\$ (505,455)	\$ 685	\$ (36,438)	\$ 1,160,700

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

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

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

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

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

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

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

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,

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respectively, relating to assets still held at the reporting date.

The following tables provide quantitative information about the Company's Level 3 fair value measurements of the Company's investments as of March 31, 2016 and December 31, 2015. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy the Company may also use other

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valuation techniques and methodologies when determining the Company's 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 the Company's fair value measurements.

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

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

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

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

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

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

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

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

(b) The weighted averages are calculated based on the fair market value of each investment.

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- (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.

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

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

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

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.



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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.

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(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.

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

(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.

Investment Type	Level Three	Fair Value at		Valuation Techniques/ Methodologies	Unobservable Input <sup>(a)</sup>	Range	Weighted Average <sup>(e)</sup>
		December 31, 2015 (in thousands)					
Equity and Warrant Investments		\$ 5,898		Market Comparable Companies	EBITDA Multiple <sup>(b)</sup>	3.3x 19.5x	7.6x
Equity Investments					Revenue Multiple <sup>(b)</sup>	0.7x 3.7x	2.1x
					Discount for Lack of Marketability <sup>(c)</sup>	14.31%-25.11%	18.05%
					Average Industry Volatility <sup>(d)</sup>	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 <sup>(d)</sup>	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

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Warrant Investments	7,904	Market Comparable Companies	EBITDA Multiple <sup>(b)</sup>	5.1x	57.9x	16.0x
			Revenue Multiple <sup>(b)</sup>	0.4x	9.6x	3.0x
			Discount for Lack of Marketability <sup>(c)</sup>	10.09%-31.37%		23.11%
			Average Industry Volatility <sup>(d)</sup>	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 <sup>(d)</sup>	28.52%-109.64%		64.31%
			Risk-Free Interest Rate	0.36%-1.45%		0.85%
			Estimated Time to Exit (in months)	10-44		20

### Total Level Three Warrant and

**Equity Investments**                      \$ 55,337

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

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- (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.

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

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based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants or other equity-related securities received. Any resulting discount on the debt investments from recordation of the warrant or other equity instruments is accreted into interest income over the life of the debt investment.

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

**Equity-Related Securities and Warrants**

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

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

***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. Under the 1940 Act, the Company is generally deemed to control a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of the Company, as defined in the 1940 Act, which are not control investments. The Company is deemed to be an affiliate of a company in which it has invested if it owns 5% or more, but generally less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

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

(in thousands)

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

(in thousands)

Portfolio Company	Type	Fair Value at March 31,	Investment Income	For the Three Months Ended March 31, 2015		
				Net Change in Unrealized	Reversal of Unrealized	Realized Gain/ (Loss)

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		2015		Appreciation/ (Depreciation)		Appreciation / (Depreciation)	
Gelesis, Inc.	Affiliate	\$	2,414	\$	\$	2,087	\$
Optiscan BioMedical, Corp.	Affiliate		6,768			695	
Stion Corporation	Affiliate		1,600	101		(469)	
<b>Total</b>		\$	10,782	\$	101	\$	2,313

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

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

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

A summary of the Company's investment portfolio, at value, by geographic location as of March 31, 2016 and December 31, 2015 is shown as follows:

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

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

(in thousands)	March 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 321,359	24.9%	\$ 284,266	23.7%
Sustainable and Renewable Technology	178,532	13.8%	159,487	13.3%
Software	157,769	12.2%	147,237	12.3%
Drug Delivery	157,756	12.2%	164,665	13.7%
Medical Devices & Equipment	110,312	8.6%	90,560	7.5%
Media/Content/Info	106,652	8.3%	95,488	7.9%
Internet Consumer & Business Services	102,571	8.0%	88,377	7.4%
Specialty Pharmaceuticals	50,416	3.9%	52,088	4.3%
Communications & Networking	25,055	1.9%	33,213	2.8%

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Consumer & Business Products	23,016	1.8%	26,611	2.2%
Semiconductors	16,711	1.3%	22,705	1.9%
Healthcare Services, Other	15,289	1.2%	15,131	1.3%
Surgical Devices	10,874	0.8%	11,185	0.9%
Electronics & Computer Hardware	6,936	0.5%	6,928	0.6%
Biotechnology Tools	6,690	0.5%	719	0.1%
Information Services	1,308	0.1%	1,657	0.1%
Diagnostic	64	0.0%	321	0.0%
<b>Total</b>	<b>\$ 1,291,310</b>	<b>100.0%</b>	<b>\$ 1,200,638</b>	<b>100.0%</b>

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No single portfolio investment represents more than 10% of the fair value of the investments as of March 31, 2016 and December 31, 2015.

***Portfolio Activity***

During the three months ended March 31, 2016, the Company funded and or restructured investments in debt securities totaling approximately \$169.9 million. During the three months ended March 31, 2016, the Company funded equity investments totaling approximately \$1.0 million.

During the three months ended March 31, 2015, the Company funded and or restructured investments in debt securities totaling approximately \$207.0 million. During the three months ended March 31, 2015, the Company funded equity investments totaling approximately \$2.4 million.

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

During the three months ended March 31, 2015, the Company recognized net realized gains of approximately \$3.3 million. During the three months ended March 31, 2015, the Company recorded gross realized gains of approximately \$4.3 million primarily from the sale of investments in four portfolio companies, including Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000). These gains were partially offset by gross realized losses of approximately \$1.0 million from the liquidation of the Company's investments in three portfolio companies.

***Investment Collateral***

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

***Income Recognition***

The Company records interest income on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect that principal, interest and other obligations due will be collected in full, the Company will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or the Company

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believes the portfolio company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection.

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

Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$26.8 million of unamortized fees at March 31, 2016, of which approximately \$24.3 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2015 the Company had approximately \$26.1 million of unamortized fees, of which approximately \$23.6 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone.

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

In addition, the Company may also be entitled to an end-of-term payment that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At March 31, 2016 the Company had approximately \$26.0 million in exit fees receivable, of which approximately \$20.8 million was included as a component of the cost basis of the Company's current debt investments and approximately \$5.2 million was a deferred receivable related to expired commitments. At December 31, 2015 the Company had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included a component of the cost basis of the Company's current debt investments and approximately \$5.3 million was a deferred receivable related to expired commitments.

The Company has debt investments in its portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$1.7 million and \$907,000 in PIK income during the three months ended March 31, 2016 and 2015, respectively.

To maintain the Company's status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments.

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In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three months ended March 31, 2016 and 2015.

**3. Fair Value of Financial Instruments**

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables including escrow receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes, the April 2019 Notes, the September 2019 Notes (together with the April 2019 Notes, the 2019 Notes), the 2024 Notes, the 2021 Asset-Backed Notes, and the SBA debentures, provide a strategic advantage as sources of liquidity due to their flexible structure, long-term duration, and low fixed interest rates. At March 31, 2016, the April 2019 Notes were trading on the New York Stock Exchange, or NYSE, for \$25.59 per share at par value, the September 2019 Notes were trading on the NYSE for \$25.32 per share at par value and the 2024 Notes were trading on the NYSE for \$25.12 per share at par value. The par value at underwriting for each of these notes was \$25.00 per share. Based on market quotations on or around March 31, 2016, the Convertible Senior Notes were quoted for 1.086 per dollar at par value and the 2021 Asset-Backed Notes were quoted for 0.991 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately \$196.7 million, compared to the carrying amount of \$190.2 million as of March 31, 2016. The fair value of the outstanding borrowings under the Wells Facility at March 31, 2016 is equal to its transaction price as the Company added Alostara Bank of Commerce as an additional lender to the agreement with Wells Fargo Capital Finance, LLC at the same terms in March 2016.

See the accompanying Consolidated Schedule of Investments for the fair value of the Company's investments. The methodology for the determination of the fair value of the Company's investments is discussed in Note 2.

The liabilities of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's liabilities at March 31, 2016 and December 31, 2015:

(in thousands)

Description	March 31, 2016	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 19,111	\$	\$ 19,111	\$
Wells Facility	61,003			61,003
2021 Asset-Backed Notes	128,169		128,169	
April 2019 Notes	66,012		66,012	
September 2019 Notes	46,462		46,462	
2024 Notes	103,494		103,494	
SBA Debentures	196,692			196,692
<b>Total</b>	<b>\$ 620,943</b>	<b>\$</b>	<b>\$ 363,248</b>	<b>\$ 257,695</b>

(in thousands)

Description	December 31, 2015	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 19,540	\$	\$ 19,540	\$
Wells Facility	50,000			50,000
2021 Asset-Backed Notes	128,775		128,775	
April 2019 Notes	65,573		65,573	
September 2019 Notes	46,297		46,297	
2024 Notes	104,401		104,401	

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SBA Debentures	194,121			194,121
<b>Total</b>	\$ 608,707	\$	\$ 364,586	\$ 244,121

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

(in thousands)	March 31, 2016			December 31, 2015		
	Total Available	Principal	Carrying Value <sup>(1)</sup>	Total Available	Principal	Carrying Value <sup>(1)</sup>
SBA Debentures <sup>(2)</sup>	\$ 190,200	\$ 190,200	\$ 186,997	\$ 190,200	\$ 190,200	\$ 186,829
2019 Notes	110,364	110,364	108,339	110,364	110,364	108,179
2024 Notes	103,000	103,000	100,211	103,000	103,000	100,128
2021 Asset-Backed Notes	129,300	129,300	127,227	129,300	129,300	126,995
Convertible Senior Notes	17,604	17,604	17,572	17,604	17,604	17,478
Wells Facility <sup>(3)</sup>	95,000	61,003	61,003	75,000	50,000	50,000
Union Bank Facility <sup>(3)</sup>	75,000			75,000		
<b>Total</b>	<b>\$ 720,468</b>	<b>\$ 611,471</b>	<b>\$ 601,349</b>	<b>\$ 700,468</b>	<b>\$ 600,468</b>	<b>\$ 589,609</b>

- (1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See Note 2 Summary of Significant Accounting Policies for the amount of debt issuance cost associated with each borrowing.
- (2) At both March 31, 2016 and December 31, 2015, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) Availability subject to the Company meeting the borrowing base requirements.

***Long-Term SBA Debentures***

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

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

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$19.5 million and have average annual fully taxed net income not exceeding \$6.5 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the



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SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through the Company's wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

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

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

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

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

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

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

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

(in thousands)

<b>Issuance/Pooling Date</b>	<b>Maturity Date</b>	<b>Interest Rate<sup>(1)</sup></b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>SBA Debentures:</b>				
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
<b>Total SBA Debentures</b>			<b>\$ 190,200</b>	<b>\$ 190,200</b>

(1) Interest rate includes annual charge

**2019 Notes**

On March 6, 2012, the Company and U.S. Bank National Association (the 2019 Trustee ) entered into an indenture (the Base Indenture ). On April 17, 2012, the Company and the 2019 Trustee entered into the First Supplemental Indenture to the Base Indenture (the First Supplemental Indenture ), dated April 17, 2012, relating to the Company s issuance, offer and sale of \$43.0 million aggregate principal amount of 7.00% notes due 2019 (the April 2019 Notes ). The sale of the April 2019 Notes generated net proceeds, before expenses, of approximately \$41.7 million.

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

On September 24, 2012, the Company and the 2019 Trustee, entered into the Second Supplemental Indenture to the Base Indenture (the Second Supplemental Indenture ), dated as of September 24, 2012, relating to the Company s issuance, offer and sale of \$75.0 million aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes ). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately \$72.75 million.

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

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

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

<b>(in thousands)</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
April 2019 Notes	\$ 64,490	\$ 64,490



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September 2019 Notes	45,874	45,874
<b>Total 2019 Notes Principal Outstanding</b>	<b>\$ 110,364</b>	<b>\$ 110,364</b>

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

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

*September 2019 Notes*

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

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

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

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

As of March 31, 2016, the Company was in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes.

***2024 Notes***

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee ), entered into the Third Supplemental Indenture (the Third Supplemental Indenture ) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated net proceeds of approximately \$99.9 million.

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

The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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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 March 31, 2016, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At both March 31, 2016 and December 31, 2015, the 2024 Notes had an outstanding principal balance of \$103.0 million. See Note 12 Subsequent Events .

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

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

**2021 Asset-Backed Notes**

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

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014

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Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended, (the Securities Act ) (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2 (a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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

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

For the three months ended March 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

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

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

***Convertible Senior Notes***

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible senior notes due 2016 (the Convertible Senior Notes ). As of March 31, 2016, the outstanding principal balance of the Convertible Senior Notes is \$17.6 million and the carrying value, comprised of the aggregate principal amount outstanding less the remaining unamortized debt issuance costs associated with the borrowing and the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately \$17.6 million.

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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 is not adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the conversion rate is increased for converting holders. As of March 31, 2016, the conversion rate was 91.3937 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$10.94 per share of common stock).

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

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

Upon meeting the stock trading price conversion requirement as set forth in the indenture governing the Convertible Senior Notes, dated April 15, 2011, between the Company and U.S. Bank National Association, during the three months ended June 30, 2014, September 30, 2014 and December 31, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible during each of the three months ended September 30, 2014, December 31, 2014 and March 31, 2015, respectively. During this period and as of March 31, 2016, approximately \$57.4 million of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 1.5 million shares of the Company's common stock, or \$24.3 million. By not meeting the stock trading price conversion requirement during the three months ended March 31, 2015, June 30, 2015, or September 30, 2015 the Convertible Senior Notes were not convertible for the period between April 1, 2015 and October 14, 2015. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time as described above. See Note 12 Subsequent Events.

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

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

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

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

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

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

***Wells Facility***

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

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

On March 8, 2016, the Company entered into a further amendment to the Wells Facility that amended the minimum interest coverage ratio covenant and added Alostair Bank of Commerce as a lender of the facility, expanding the available commitment to \$95.0 million under the accordion feature. See Note 12 Subsequent Events .

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

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

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

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

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

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

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The Company has a \$75.0 million revolving senior secured credit facility (the *Union Bank Facility*) with MUFG Union Bank, N.A. (*MUFG Union Bank*). The Company originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to \$75.0 million from \$30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. The Company further amended the Union Bank Facility in November 2015 but the amendment did not result in any material changes to the facility.

LIBOR-based borrowings by the Company under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously the Company paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings by the Company under the Union Bank Facility, which are based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced MUFG Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. The Company continues to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that the Company may incur.

The Union Bank Facility contains an accordion feature, pursuant to which the Company may increase the size of the Union Bank Facility to an aggregate principal amount of \$300.0 million by bringing in additional lenders, subject to the approval of MUFG Union Bank and other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings.

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three months ended March 31, 2016, this non-use fee was approximately \$95,000. For the three months ended March 31, 2015, this non-use fee was approximately \$94,000. The amount that the Company may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

The Union Bank Facility is collateralized by debt investments in the Company's portfolio companies, and includes an advance rate equal to 50.0% of eligible debt investments placed in the collateral pool.

The Company has various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that the Company maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. As of March 31, 2016, the minimum tangible net worth covenant has increased to \$651.2 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million and the 1.1 million shares of common stock issued under the ATM equity distribution agreement with JMP for net proceeds of \$12.4 million during the three months ended March 31, 2016. The Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control.

At March 31, 2016 there were no borrowings outstanding on the Union Bank Facility.

***Citibank Credit Facility***

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the *Citibank Credit Facility*) with Citigroup Global Markets Realty Corp. (*Citigroup*), which expired

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

**5. Income taxes**

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed as dividends to stockholders. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

To qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing dividends of an amount at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, to its stockholders. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company's earnings fall below the amount of dividends declared, however, a portion of the total amount of the Company's dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

During the three months ended March 31, 2016, the Company declared a distribution of \$0.31 per share. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's taxable year based upon its taxable income for the full taxable year and distributions paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. If the Company had determined the tax attributes of our distributions taxable year-to-date as of March 31, 2016, 100% would be from our current and accumulated earnings and profits. However there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2016 distributions to shareholders will actually be.

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes dividends in a timely manner to our shareholders in respect

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of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding calendar years (the Excise Tax Avoidance Requirements). The Company will not be subject to excise taxes on amounts on which the Company is required to pay corporate income tax (such as retained net capital gains).

Depending on the level of taxable income earned in a taxable year, the Company may choose to carry over taxable income in excess of current taxable year distributions from such taxable income into the next taxable year and pay a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of dividends paid in the following taxable year, subject to certain declaration and payment guidelines. To the extent the Company chooses to carry over taxable income into the next taxable year, dividends declared and paid by the Company in a taxable year may differ from taxable income for that taxable year as such dividends may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

The Company has taxable subsidiaries which are designed to hold certain portfolio investments in an effort to limit potential legal liability and/or comply with source-income type requirements contained in the RIC tax provisions of the Code. These taxable subsidiaries are consolidated for U.S. GAAP financial reporting purposes and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated financial statements, and recorded at fair value. The taxable subsidiaries are not consolidated with the Company for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments. Any income generated by the taxable subsidiaries would be taxed at normal corporate tax rates based on its taxable income.

Taxable income for the three months ended March 31, 2016 was approximately \$21.7 million or \$0.30 per share. Taxable net realized losses for the same period was \$3.7 million or approximately \$0.05 per share. Taxable income for the three months ended March 31, 2015 was approximately \$16.3 million or \$0.26 per share. Taxable net realized losses for the same period were \$2.6 million or approximately \$0.04 per share.

The Company intends to distribute approximately \$8.2 million of spillover earnings from ordinary income from the year ended December 31, 2015 to the Company's shareholders in 2016.

**6. Shareholders' Equity**

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

During the three months ended March 31, 2016 the Company sold 1.1 million shares of common stock for total accumulated net proceeds of approximately \$12.4 million. The Company did not sell any shares under the program during the year ended December 31, 2015. The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of March 31, 2016 approximately 6.2 million shares remain available for issuance and sale under the equity distribution agreement. See Note 12 Subsequent Events.

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On February 24, 2015, the Company's Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. This plan expired on August 24, 2015. On August 27, 2015, the Company's Board of Directors authorized a replacement stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock and on February 17, 2016 the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in the most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. During the three months ended March 31, 2016 the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of March 31, 2016 approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan. See Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for further information on the repurchases made during the period.

The Company anticipates that the manner, timing, and amount of any share purchases will be determined by management based upon the evaluation of market conditions, stock price, and additional factors in accordance with regulatory requirements. Pursuant to the 1940 Act, the Company is required to notify shareholders when such a program is initiated or implemented. The repurchase program does not require the Company to acquire any specific number of shares and may be extended, modified, or discontinued at any time.

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

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

The Company has issued stock options for common stock subject to future issuance, of which 695,838 and 622,171 were outstanding at March 31, 2016 and December 31, 2015, respectively.

**7. Equity Incentive Plan**

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7.0 million shares of common stock. On June 1, 2011, stockholders approved an amended and restated plan and provided an increase of 1.0 million shares, authorizing the Company to issue 8.0 million shares of common stock under the 2004 Plan. At the Company's 2015 Annual Meeting of stockholders on July 7, 2015, the Company's stockholders voted to approve an amendment to the 2004 Equity Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder by 4.0 million shares.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan and, together with the 2004 Plan, the Plans) for purposes of attracting and retaining the services of its Board of Directors. Under the 2006 Plan, the Company is authorized to issue 1.0 million shares of common stock. The Company filed an exemptive relief request with the Securities and Exchange Commission (SEC) to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

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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.

The following table summarizes the common stock options activities for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016		2015	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
<b>Outstanding at December 31,</b>	622,171	\$ 14.25	695,672	\$ 14.58
Granted	124,000	\$ 11.29	68,500	\$ 14.10
Exercised		\$	(34,664)	\$ 10.69
Forfeited	(45,890)	\$ 14.23	(141,280)	\$ 14.71
Expired	(4,443)	\$ 16.34	(2,499)	\$ 11.01
<b>Outstanding at March 31,</b>	695,838	\$ 13.71	585,729	\$ 14.74
Shares Expected to Vest at March 31,	367,032	\$ 13.71	438,472	\$ 14.74

The following table summarizes common stock options outstanding and exercisable at March 31, 2016:

(Dollars in thousands,

except exercise price)

	Options Outstanding				Options Exercisable			
	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price
Range of exercise prices								
\$9.25 - \$14.02	302,644	6.38	\$ 214,703	\$ 11.52	67,890	3.84	\$ 75,893	\$ 11.15
\$14.60 - \$16.34	393,194	4.82		\$ 15.40	260,916	4.35		\$ 15.33
\$9.25 - \$16.34	695,838	5.50	\$ 214,703	\$ 13.71	328,806	4.25	\$ 75,893	\$ 14.47

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months.

All options may be exercised for a period ending seven years after the date of grant. At March 31, 2016 options for 328,806 shares were exercisable at a weighted average exercise price of approximately \$14.47 per share with a weighted average remaining contractual term of 4.25 years.

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The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the three months ended March 31, 2016 and 2015 was approximately \$39,000 and \$27,000, respectively. During the three months ended March 31, 2016 and 2015, approximately \$51,000 and \$67,000 of share-based cost due to stock option grants was expensed, respectively. As of March 31, 2016 there was approximately \$181,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average remaining vesting period of 1.42 years.

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The Company follows ASC 718 ( Compensation Stock Compensation ) to account for stock options granted. Under ASC 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Expected Volatility	18.94%	18.94%
Expected Dividends	10%	10%
Expected term (in years)	4.5	4.5
Risk-free rate	1.04% - 1.63%	1.08% - 1.57%

During the three months ended March 31, 2016 and 2015 the Company granted 538,250 shares and 579,833 shares, respectively, of restricted stock pursuant to the Plans. The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the three months ended March 31, 2016 and 2015 was approximately \$6.5 million and \$8.1 million, respectively. During the three months ended March 31, 2016 and 2015, the Company expensed approximately \$2.5 million and \$2.7 million of compensation expense related to restricted stock, respectively. As of March 31, 2016, there was approximately \$12.2 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average remaining vesting period of 2.27 years.

The following table summarizes the activities for the Company's unvested restricted stock for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,		Three Months Ended March 31,	
	2016	2015	2016	2015
	Restricted Stock Awards	Weighted Average Grant Date Fair Value	Restricted Stock Awards	Weighted Average Grant Date Fair Value
<b>Unvested at December 31,</b>	850,072	\$ 13.59	1,302,780	\$ 13.23
Granted	538,250	\$ 12.00	579,833	\$ 14.02
Vested	(285,155)	\$ 13.65	(102,042)	\$ 12.01
Forfeited	(7,138)	\$ 14.02	(1,438)	\$ 12.88
<b>Unvested at March 31,</b>	1,096,029	\$ 12.79	1,779,133	\$ 13.56

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company's common stock to pay for the exercise price and applicable taxes with respect to an option exercise ( net issuance exercise ). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of the Company's stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make a cash payment at the time of option exercise or to pay taxes on restricted stock.



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

(in thousands, except per share data)	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Numerator</b>		
Net increase in net assets resulting from operations	\$ 14,295	\$ 21,919
Less: Dividends declared-common and restricted shares	(22,371)	(20,266)
Undistributed (distributions in excess of) earnings	(8,076)	1,653
Undistributed (distributions in excess of) earnings-common shares	(8,076)	1,653
Add: Dividend declared-common shares	21,975	19,712
<b>Numerator for basic and diluted change in net assets per common share</b>	<b>\$ 13,899</b>	<b>\$ 21,365</b>
<b>Denominator</b>		
Basic weighted average common shares outstanding	71,172	63,783
Common shares issuable	27	380
<b>Weighted average common shares outstanding assuming dilution</b>	<b>71,199</b>	<b>64,163</b>
<b>Change in net assets per common share</b>		
Basic	\$ 0.20	\$ 0.33
Diluted	\$ 0.20	\$ 0.33

In the table above, unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents are treated as participating securities for calculating earnings per share.

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

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the three months ended March 31, 2016 and 2015, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was approximately 717,679 shares and 652,102 shares, respectively.

At March 31, 2016, the Company was authorized to issue 200.0 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

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Following is a schedule of financial highlights for the three months ended March 31, 2016 and 2015:

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Per share data <sup>(1)</sup> :		
<b>Net asset value at beginning of period</b>	\$ 9.94	\$ 10.18
Net investment income	0.28	0.20
Net realized gain on investments	(0.06)	0.05
Net unrealized appreciation (depreciation) on investments	(0.02)	0.09
<b>Total from investment operations</b>	0.20	0.34
Net increase (decrease) in net assets from capital share transactions <sup>(1)</sup>	(0.06)	0.23
Distributions of net investment income <sup>(6)</sup>	(0.31)	(0.32)
Stock-based compensation expense included in investment income <sup>(2)</sup>	0.04	0.04
<b>Net asset value at end of period</b>	\$ 9.81	\$ 10.47
Ratios and supplemental data:		
Per share market value at end of period	\$ 12.01	\$ 13.48
Total return <sup>(3)</sup>	1.18%	(7.35%)
Shares outstanding at end of period	73,230	72,891
Weighted average number of common shares outstanding	71,172	63,783
Net assets at end of period	\$ 718,380	\$ 763,326
Ratio of total expense to average net assets <sup>(4)</sup>	10.47%	11.73%
Ratio of net investment income before investment gains and losses to average net assets <sup>(4)</sup>	11.17%	7.82%
Portfolio turnover rate <sup>(5)</sup>	7.16%	7.64%
Average debt outstanding	\$ 578,406	\$ 624,132
Weighted average debt per common share	\$ 8.13	\$ 9.79

- (1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.
- (2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the three months ended March 31, 2016 and 2015 equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution. As such, the total return is not annualized.
- (4) All ratios are calculated based on weighted average net assets for the relevant period and are annualized.
- (5) The portfolio turnover rate for the three months ended March 31, 2016 and 2015 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period. As such, portfolio turnover rate is not annualized.
- (6) Includes dividends on unvested shares.

**10. Commitments and Contingencies**

The Company's commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, our credit agreements contain customary lending provisions which allow us relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the Company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company's disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.



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At March 31, 2016, the Company had approximately \$64.6 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, the Company had approximately \$98.0 million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions.

The Company also had approximately \$60.5 million of non-binding term sheets outstanding at March 31, 2016. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$436,000 during the three months ended March 31, 2016. Total rent expense amounted to approximately \$408,000 during the same period ended March 31, 2015. The Company's contractual obligations as of March 31, 2016 include:

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

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) The Company also has a warrant participation agreement with Citigroup. See Note 4 to the Company's consolidated financial statements.

(3) Includes \$190.2 million in principal outstanding under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the 2024 Notes, \$129.3 million of the 2021 Asset-Backed Notes, \$17.6 million of the Convertible Senior Note, and \$61.0 million under the Wells Facility as of March 31, 2016.

(4) Amounts represent future principal repayments and not the carrying value of each liability. See Note 4 to the Company's consolidated financial statements.

(5) Long-term facility leases.

The Company may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, the Company does not expect any current matters will materially affect the Company's financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on the Company's financial condition or results of operations in any future reporting period.

**11. Recent Accounting Pronouncements**

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis. The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from

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applying the VIE guidance. There is not a material impact from adopting this standard on the Company's financial statements. The Company has adopted this standard for the three months ended March 31, 2016.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability and in August 2015, the FASB issued ASU 2015-15 *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which clarifies the application of ASU 2015-03 to debt issuance costs associated with line-of-credit arrangements and allows presentation of debt issuance costs on these instruments as assets that are amortized over the term of the instrument. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of the Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There is no impact to the Company's Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. The Company has adopted this standard for the three months ended March 31, 2016. Refer to Note 2 Summary of Significant Accounting Policies.

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

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

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

**12. Subsequent Events***Dividend Declaration*

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

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#### *Convertible Senior Notes*

The Convertible Senior Notes were convertible into shares of the Company's common stock beginning October 15, 2015 until the close of business on the scheduled trading day immediately preceding the April 15, 2016 maturity date. Subsequent to March 31, 2016, approximately \$17.4 million of the Convertible Senior Notes were converted pursuant to the conversion procedures as set forth in the indenture governing the Convertible Senior Notes and were settled in April 2016 with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 137,854 shares of the Company's common stock. The remaining Convertible Senior Notes outstanding were fully repaid at maturity on April 15, 2016.

#### *Wells Facility*

On April 7, 2016, the Company entered into a further amendment to the Wells Facility that amended the concentration limits on eligible assets in the collateral pool and added Everbank Commercial Finance, Inc. as a lender of the facility, expanding the available commitment to \$120.0 million under the accordion feature.

#### *2024 Notes*

On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of its 6.25% unsecured notes due 2024 (the Additional 2024 Notes). The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallocments. The Additional 2024 Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$103.0 million in aggregate principal amount of the 6.25% unsecured notes due 2024 that the Company initially issued on July 14, 2014 (the Existing 2024 Notes).

The Existing 2024 Notes currently trade on the NYSE under the symbol HTGX and it is anticipated that the additional \$74.8 million in aggregate principal amount of the Additional 2024 Notes will trade under the same symbol. The Existing 2024 Notes and the Additional 2024 Notes will mature on July 30, 2024, and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after July 30, 2017. The Additional 2024 Notes will bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30, of each year, beginning July 30, 2016. The Company intends to invest the net proceeds of this public offering to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

#### *ATM Issuances*

Subsequent to March 31, 2016 and as of May 2, 2016, the Company sold 331,000 shares of common stock for total accumulated net proceeds of approximately \$4.0 million under its ATM equity distribution agreement with JMP. As of May 2, 2016 approximately 5.9 million shares remain available for issuance and sale under the equity distribution agreement.

#### *Credit Rating*

On April 26, 2016, Standard and Poor's assigned a BBB- credit rating to the Company's 2024 Notes and 2019 Notes.

#### *Portfolio Company Developments*

As of May 2, 2016, the Company held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All four companies filed confidentially under the Jumpstart Our Business Startups Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely matter or at all.

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On May 2, 2016, Bind Therapeutics, Inc. ( BIND ), a portfolio company, filed for Voluntary Chapter 11 Bankruptcy Protection in the District of Delaware. In that filing, BIND claims it will pursue strategic and financial alternatives to continue as a going concern and that their cash and assets exceed the loan amount due to Hercules Capital. The Company's agreements with BIND have affirmative and negative covenants and events of defaults customary for a senior secured lending transaction of this nature. As of the date of these financial statements, the Company believes that BIND has the ability to meet its Secured Obligations and given that BIND is current on all payments, the Company has left our investment in BIND on accrual status.

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**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



**Table of Contents****Index to Financial Statements****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
<b>Assets</b>		
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
<b>Total Non-control/Non-affiliate investments (cost of \$1,238,539 and \$1,019,799, respectively)</b>	<b>1,192,652</b>	<b>1,012,738</b>
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
<b>Total Affiliate investments (cost of \$13,742 and \$15,538, respectively)</b>	<b>7,986</b>	<b>7,999</b>
<b>Total investments, at value (cost of \$1,252,281 and \$1,035,337, respectively)</b>	<b>1,200,638</b>	<b>1,020,737</b>
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
<b>Total assets</b>	<b>\$ 1,334,761</b>	<b>\$ 1,299,223</b>
<b>Liabilities</b>		
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
<b>Total liabilities</b>	<b>\$ 617,627</b>	<b>\$ 640,359</b>
Commitments and Contingencies (Note 10)		
<b>Net assets consist of:</b>		
Common stock, par value	73	65
Capital in excess of par value	752,244	657,233
Unrealized depreciation on investments <sup>(1)</sup>	(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
<b>Total net assets</b>	<b>\$ 717,134</b>	<b>\$ 658,864</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,334,761</b>	<b>\$ 1,299,223</b>

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Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)		72,118		64,715
<b>Net asset value per share</b>	\$	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.

<b>(Dollars in thousands)</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>		
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
<b>Liabilities</b>		
Asset-Backed Notes	\$ 129,300	\$ 145,349
Total liabilities	\$ 129,300	\$ 145,349

See notes to consolidated financial statements.

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

(in thousands, except per share data)

	For the Year Ended December 31,		
	2015	2014	2013
<b>Investment income:</b>			
Interest income			
Non-Control/Non-Affiliate investments	\$ 139,919	\$ 124,776	\$ 121,302
Affiliate investments	347	1,842	2,369
<b>Total interest income</b>	<b>140,266</b>	<b>126,618</b>	<b>123,671</b>
Fees			
Non-Control/Non-Affiliate investments	16,865	17,013	16,016
Affiliate investments	1	34	26
<b>Total fees</b>	<b>16,866</b>	<b>17,047</b>	<b>16,042</b>
<b>Total investment income</b>	<b>157,132</b>	<b>143,665</b>	<b>139,713</b>
<b>Operating expenses:</b>			
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
<b>Total employee compensation</b>	<b>30,083</b>	<b>26,165</b>	<b>22,153</b>
<b>Total operating expenses</b>	<b>83,630</b>	<b>70,334</b>	<b>66,648</b>
Loss on debt extinguishment (Long-term Liabilities-Convertible Senior Notes)	(1)	(1,581)	
<b>Net investment income</b>	<b>73,501</b>	<b>71,750</b>	<b>73,065</b>
<b>Net realized gain on investments</b>			
Non-Control/Non-Affiliate investments	5,147	20,112	14,836
<b>Total net realized gain on investments</b>	<b>5,147</b>	<b>20,112</b>	<b>14,836</b>
<b>Net change in unrealized appreciation (depreciation) on investments</b>			
Non-Control/Non-Affiliate investments	(36,839)	(17,392)	12,370
Affiliate investments	1,107	(3,282)	(825)
<b>Total net unrealized appreciation (depreciation) on investments</b>	<b>(35,732)</b>	<b>(20,674)</b>	<b>11,545</b>
<b>Total net realized and unrealized gain (loss)</b>	<b>(30,585)</b>	<b>(562)</b>	<b>26,381</b>

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<b>Net increase in net assets resulting from operations</b>	\$ 42,916	\$ 71,188	\$ 99,446
<b>Net investment income before investment gains and losses per common share:</b>			
Basic	\$ 1.04	\$ 1.13	\$ 1.22
<b>Change in net assets resulting from operations per common share:</b>			
Basic	\$ 0.60	\$ 1.12	\$ 1.67
Diluted	\$ 0.59	\$ 1.10	\$ 1.63
<b>Weighted average shares outstanding</b>			
Basic	69,479	61,862	58,838
Diluted	69,663	63,225	60,292
<b>Dividends declared per common share:</b>			
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			Unrealized Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Undistributed net investment income/ (Distributions in excess of investment income)	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value	Capital in excess of par value					
<b>Balance at December 31, 2012</b>	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		
<b>Balance at December 31, 2013</b>	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		
<b>Balance at December 31, 2014</b>	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

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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)		
<b>Balance at December 31, 2015</b>	<b>72,118</b>	<b>\$ 73</b>	<b>\$ 752,244</b>	<b>\$ (52,808)</b>	<b>\$ 27,993</b>	<b>\$ (10,026)</b>	<b>\$ (342)</b>	<b>\$ 717,134</b>	

See notes to consolidated financial statements.

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

(in thousands)

	<b>For the Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>			
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
<b>Cash flows from investing activities:</b>			
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)
<b>Cash flows from financing activities:</b>			
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)	



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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
<b>Cash and cash equivalents at end of period</b>	<b>\$ 95,196</b>	<b>\$ 227,116</b>	<b>\$ 268,368</b>
<b>Supplemental non-cash investing and financing activities:</b>			
Interest paid	\$ 30,527	\$ 25,738	\$ 25,245
Income taxes paid	\$ 973	\$ 133	\$ 85
Dividends Reinvested	\$ 2,446	\$ 1,485	\$ 2,201

See notes to consolidated financial statements.

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Debt Investments</b>							
<b>Communications &amp; Networking</b>							
<b>1-5 Years Maturity</b>							
Avanti Communications Group <sup>(4)(9)</sup>	Communications & Networking	Senior	October 2019	Interest rate FIXED 10.00%	\$ 10,000	\$8,900	\$7,812
OpenPeak, Inc. <sup>(7)</sup>	Communications & Networking	Senior	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,370	9,134	2,444
SkyCross, Inc. <sup>(7)(12)(13)(14)</sup>	Communications & Networking	Senior	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. <sup>(13)</sup>	Communications & Networking	Senior	January 2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	2,935	2,935
<b>Subtotal: 1-5 Years Maturity</b>						41,049	28,050
<b>Subtotal: Communications &amp; Networking (3.91%)*</b>						41,049	28,050
<b>Consumer &amp; Business Products</b>							
<b>Under 1 Year Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(14)</sup>	Consumer & Business Products	Senior	June 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 308	308	308
<b>Subtotal: Under 1 Year Maturity</b>						308	308
<b>1-5 Years Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(13)(14)</sup>	Consumer & Business Products	Senior	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.) <sup>(8)</sup>	Consumer & Business Products	Convertible	March 2017	Interest rate FIXED 4.00%	\$ 100	100	
Nasty Gal <sup>(13)(14)</sup>	Consumer & Business Products	Senior	May 2019	Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 15,000	14,876	14,876

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The Neat Company <sup>(7)(12)(13)(14)</sup>	Consumer & Business Products	Senior	September 2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 15,936	15,545	5,527
		Secured					

<b>Subtotal: 1-5 Years Maturity</b>	35,306	25,186
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<b>Subtotal: Consumer &amp; Business Products (3.55%)*</b>	35,614	25,494
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### Drug Delivery

#### 1-5 Years Maturity

AcelRx Pharmaceuticals, Inc. <sup>(9)(10)(13)(14)</sup>	Drug Delivery	Senior	October 2017	Interest rate PRIME + 3.85% or Floor rate of 9.10%	\$ 20,466	\$20,772	\$20,678
		Secured					

Agile Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior	December 2018	Interest rate PRIME + 4.75% or Floor rate of 9.00%	\$ 16,500	16,231	16,107
		Secured					

BIND Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior	July 2018	Interest rate PRIME + 5.10% or Floor rate of 8.35%	\$ 15,000	15,119	15,044
		Secured					

BioQ Pharma Incorporated <sup>(10)(13)</sup>	Drug Delivery	Senior	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 10,000	10,180	10,066
		Secured					

	Drug Delivery	Senior	May 2018	Interest rate PRIME + 7.00% or Floor rate of 10.50%	\$ 3,000	2,962	2,962
		Secured					

Total BioQ Pharma Incorporated	\$ 13,000	13,142	13,028
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Celator Pharmaceuticals, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior	June 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 14,573	14,594	14,609
		Secured					

Celsion Corporation <sup>(10)(13)</sup>	Drug Delivery	Senior	June 2017	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 6,346	6,501	6,544
		Secured					

Dance Biopharm, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior	November 2017	Interest rate PRIME + 7.40% or Floor rate of 10.65%	\$ 2,705	2,776	2,757
		Secured					

Edge Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior	March 2018	Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 5,466	5,431	5,455
		Secured					

Egalet Corporation <sup>(11)(13)</sup>	Drug Delivery	Senior	July 2018	Interest rate PRIME + 6.15% or Floor rate of 9.40%	\$ 15,000	14,967	15,036
		Secured					

See notes to consolidated financial statements.

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

Portfolio Company	Sub-Industry	Type of		Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
		Investment <sup>(1)</sup>	Secured					
Neos Therapeutics, Inc. <sup>(10)(13)(14)</sup>	Drug Delivery	Senior		October 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 10,000	\$ 10,000	\$ 10,007
		Secured						
	Drug Delivery	Senior		October 2017	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 10,000	10,043	9,998
		Secured						
Drug Delivery	Senior		October 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 5,000	4,977	4,957	
	Secured							
Total Neos Therapeutics, Inc.						\$ 25,000	25,020	24,962
Pulmatrix Inc. <sup>(8)(10)(13)</sup>	Drug Delivery	Senior		July	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 7,000	6,877	6,856
		Secured		2018				
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(10)(13)</sup>	Drug Delivery	Senior		December 2018	Interest rate PRIME + 2.70% or Floor rate of 7.95%	\$ 15,000	14,925	14,781
		Secured						
<b>Subtotal: 1-5 Years Maturity</b>							<b>156,355</b>	<b>155,857</b>
<b>Subtotal: Drug Delivery (21.73%)*</b>							<b>156,355</b>	<b>155,857</b>
<b>Drug Discovery &amp; Development</b>								
<b>1-5 Years Maturity</b>								
Aveo Pharmaceuticals, Inc. <sup>(9)(13)</sup>	Drug Discovery & Development	Senior		January 2018	Interest rate PRIME + 6.65% or Floor rate of 11.90%	\$ 10,000	10,076	\$9,944
		Secured						
Cerecor, Inc. <sup>(13)</sup>	Drug Discovery & Development	Senior		August 2017	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 5,688	5,705	5,740
		Secured						
Cerulean Pharma, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior		July	Interest rate PRIME + 1.55% or Floor rate of 7.30%	\$ 21,000	21,132	21,109
		Secured		2018				
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(10)(13)</sup>	Drug Discovery & Development	Senior		December 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$ 25,000	25,507	25,550
		Secured						
Epirus Biopharmaceuticals, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior		April	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 15,000	14,852	14,924
		Secured		2018				

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Genocea Biosciences, Inc. <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	January 2019	Interest rate PRIME + 3.75% or Floor rate of 7.25%	\$ 17,000	17,008	16,948
		Secured					
Immune Pharmaceuticals <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	September 2018	Interest rate PRIME + 6.50% or Floor rate of 10.00%	\$ 4,500	4,374	4,374
		Secured					
Insmed, Incorporated <sup>(10)(13)</sup>	Drug Discovery & Development	Senior	January 2018	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 25,000	25,128	24,991
		Secured					
Mast Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Discovery & Development	Senior	January 2019	Interest rate PRIME + 5.70% or Floor rate of 8.95%	\$ 15,000	14,808	14,808
		Secured					
Melinta Therapeutics <sup>(11)(13)</sup>	Drug Discovery & Development	Senior	June 2018	Interest rate PRIME + 3.75% or Floor rate of 8.25%	\$ 30,000	29,843	29,703
		Secured					
Merrimack Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior	December 2022	Interest rate FIXED 11.50%	\$ 25,000	25,000	25,000
		Secured					
Neothetics, Inc. (p.k.a. Lithera, Inc) <sup>(13)(14)</sup>	Drug Discovery & Development	Senior	January 2018	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 10,000	9,966	9,940
		Secured					
Neuralstem, Inc. <sup>(13)(14)</sup>	Drug Discovery & Development	Senior	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 8,335	8,418	8,397
		Secured					
Paratek Pharmaceutcals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(13)(14)</sup>	Drug Discovery & Development	Senior	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%	\$ 20,000	19,828	19,828
		Secured					
uniQure B.V. <sup>(4)(9)(10)(13)</sup>	Drug Discovery & Development	Senior	June 2018	Interest rate PRIME + 5.00% or Floor rate of 10.25%	\$ 20,000	19,956	19,929
		Secured					
XOMA Corporation <sup>(9)(13)(14)</sup>	Drug Discovery & Development	Senior	September 2018	Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$ 20,000	19,974	19,815
		Secured					
<b>Subtotal: 1-5 Years Maturity</b>						271,575	271,000
<b>Subtotal: Drug Discovery &amp; Development (37.79%)*</b>						271,575	271,000
<b>Electronics &amp; Computer Hardware</b>							
<b>1-5 Years Maturity</b>							
Persimmon Technologies <sup>(13)</sup>	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 7,000	6,873	6,873
<b>Subtotal: 1-5 Years Maturity</b>						6,873	6,873
<b>Subtotal: Electronics &amp; Computer Hardware (0.96%)*</b>						6,873	6,873

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Sustainable and Renewable Technology Under 1 Year Maturity</b>							
Agrivida, Inc. <sup>(13)(14)</sup>	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 <sup>(10)(13)</sup>	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. <sup>(10)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 784	931	931
Polyera Corporation <sup>(13)(14)</sup>	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 637	890	890
Stion Corporation <sup>(5)(13)</sup>	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. <sup>(11)</sup>	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
<b>Subtotal: Under 1 Year Maturity</b>						<b>32,714</b>	<b>31,527</b>
<b>1-5 Years Maturity</b>							
American Superconductor Corporation <sup>(10)(13)</sup>	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. <sup>(9)(11)(13)</sup>	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. <sup>(13)</sup>	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

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Total Modumetal, Inc.					\$ 8,820	9,163	9,112
Polyera Corporation <sup>(13)</sup>	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. <sup>(10)(13)</sup>	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. <sup>(11)(13)</sup>	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 <sup>(13)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,735	14,477
<b>Subtotal: 1-5 Years Maturity</b>						<b>118,662</b>	<b>117,883</b>
<b>Subtotal: Sustainable and Renewable Technology (20.83%)*</b>						<b>151,376</b>	<b>149,410</b>

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Healthcare Services, Other</b>							
<b>1-5 Years Maturity</b>							
Chromadex Corporation <sup>(13)(14)</sup>	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 <sup>(13)(14)</sup>	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,048	10,049
<b>Subtotal: 1-5 Years Maturity</b>						14,955	14,967
<b>Subtotal: Healthcare Services, Other (2.09%)*</b>						14,955	14,967
<b>Information Services</b>							
<b>Under 1 Year Maturity</b>							
Eccentex Corporation <sup>(13)(16)</sup>	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 13	28	28
InXpo, Inc. <sup>(13)(14)</sup>	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 1,589	1,624	1,624
<b>Subtotal: Under 1 Year Maturity</b>						1,652	1,652
<b>Subtotal: Information Services (0.23%)*</b>						1,652	1,652
<b>Internet Consumer &amp; Business Services</b>							
<b>Under 1 Year Maturity</b>							
NetPlenish <sup>(7)(8)(14)</sup>	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	
<b>Total NetPlenish</b>						\$ 426	418
<b>Subtotal: Under 1 Year Maturity</b>							418
<b>1-5 Years Maturity</b>							
Aria Systems, Inc. <sup>(10)(12)</sup>	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



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	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.) <sup>(7)(12)</sup>	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 <sup>(13)</sup>	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. <sup>(11)(13)</sup>	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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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Tectura Corporation <sup>(7)(12)(15)</sup>	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
<b>Total Tectura Corporation</b>					<b>\$ 20,201</b>	<b>20,201</b>	<b>15,151</b>
<b>Subtotal: 1-5 Years Maturity</b>						<b>92,452</b>	<b>84,945</b>
<b>Subtotal: Internet Consumer &amp; Business Services (11.85%)*</b>						<b>92,870</b>	<b>84,945</b>
<b>Media/Content/Info Under 1 Year Maturity</b>							
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
<b>Subtotal: Under 1 Year Maturity</b>						<b>5,060</b>	<b>5,060</b>
<b>1-5 Years Maturity</b>							
Machine Zone, Inc. <sup>(12)</sup>	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
<b>Subtotal: 1-5 Years Maturity</b>						<b>88,730</b>	<b>88,101</b>
<b>Subtotal: Media/Content/Info (12.99%)*</b>						<b>93,790</b>	<b>93,161</b>
<b>Medical Devices &amp; Equipment Under 1 Year Maturity</b>							
Medrobotics Corporation <sup>(13)(14)</sup>		Senior Secured			\$ 576	\$ 735	\$ 735

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	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) <sup>(13)</sup>	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$	292	700	
<b>Subtotal: Under 1 Year Maturity</b>							1,435	1,435
<b>1-5 Years Maturity</b>								
Amedica Corporation <sup>(8)(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20% or Floor rate of 12.45%	\$	17,051		