

Hercules Capital, Inc.
Form 497
November 14, 2016
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**Filed Pursuant to Rule 497
Registration No. 333-203511**

PROSPECTUS SUPPLEMENT

(To prospectus dated August 24, 2016)

Up to \$150,000,000

6.25% Notes due 2024

We are an internally managed, non-diversified, closed-end investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our 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 have entered into a Debt Distribution Agreement, dated October 11, 2016, or the Distribution Agreement, pursuant to which we may offer for sale, from time to time, up to \$150,000,000 in aggregate principal amount of 6.25% notes due 2024, or the Notes, through FBR Capital Markets & Co., acting as our sales agent, or the Agent. Sales of the Notes, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, including sales made directly on the New York Stock Exchange, or NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

The Agent will receive a commission from us equal to up to 2.00% of the gross sales of any Notes sold through the Agent under the Distribution Agreement. The Agent is not required to sell any specific principal amount of Notes, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the Notes offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-22 of this prospectus supplement.

The Notes offered hereby will be a further issuance of, are fungible with, rank equally in right of payment with, and form a single series for all purposes under the indenture governing the Notes including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with each of the \$103,000,000, \$72,945,050 and \$69,000,000 aggregate principal amount of 6.25% notes due 2024 initially issued by us on July 14, 2014, May 2, 2016, and June 27, 2016, respectively, or the Existing Notes. The Existing Notes and the Notes will mature on July 30, 2024. We will pay interest on the Notes on January 30, April 30, July 30 and October 30 of each year, beginning on October 30, 2016. Any purchaser of the Notes will pay for any interest accrued from the interest payment date preceding the issuance date of the Notes up to, but excluding, the issuance date of the Notes. We may redeem the Notes in whole or in part at any time or from time to time, at the redemption price set forth under Specific Terms of the Notes and the Offering Optional Redemption in this prospectus supplement. The Notes will be issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof. From October 11, 2016, the date that we commenced this offering, through November 7, 2016, we sold 140,750 Notes in an aggregate principal amount of \$3.6 million at an average price of \$25.61 for aggregate net proceeds of \$3.6 million.

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

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

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On November 7, 2016, there were 140,750 Notes issued and outstanding and the last reported sales price on the NYSE of the Notes was \$25.48 per Note.

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

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

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

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.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about the third trading date following the date of purchase.

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The date of this prospectus supplement is November 14, 2016.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the Agent 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 the Agent 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 or such prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

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

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to this prospectus supplement document and accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

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PROSPECTUS SUPPLEMENT SUMMARY

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

Our Company

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

As of September 30, 2016, our total assets were approximately \$1.4 billion, of which our investments comprised \$1.3 billion at fair value and \$1.4 billion at cost. Since inception through September 30, 2016, we have made debt commitments of over \$6.3 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly owned small business investment companies, or SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$100.4 million and \$252.7 million in assets, respectively, and accounted for approximately 5.5% and 14.0% of our total assets, respectively, prior to consolidation at September 30, 2016. As of September 30, 2016, the maximum statutory limit on the dollar amount of combined outstanding Small Business Administration, or the SBA, guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at September 30, 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 September 30, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

As of September 30, 2016, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 34 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or

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

Organizational Chart

The following chart summarizes our organizational structure as of November 7, 2016. This chart is provided for illustrative purposes only.

Our Market Opportunity

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

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

Unfulfilled demand exists for structured debt financing to technology-related companies due to the complexity of evaluating risk in these investments; and

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

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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 sometimes required prior to liquidity events.

Our Business Strategy

Our strategy to achieve our investment objective includes the following key elements:

Leverage the Experience and Industry Relationships of Our Management Team and Investment Professionals. We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies.

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Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities. We expect that our investments have the potential to produce attractive risk-adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from 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 (typically between 24 - 48 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 and select special opportunity lower middle market companies that require additional capital to fund acquisitions, recapitalizations and refinancings and established-stage companies.

Benefit from Our Efficient Organizational Structure. We believe that the perpetual nature of our corporate structure enables us to be a long-term partner for our portfolio companies in contrast to traditional investment funds, which typically have a limited life. In addition, because of our access to the equity markets, we believe that we may benefit from a lower cost of capital than that available to private investment funds.

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

Recent Developments

Dividend Distribution Declaration

On October 26, 2016, our board of directors (the Board of Directors) declared a cash dividend distribution of \$0.31 per share to be paid on November 21, 2016 to stockholders of record as of November 14, 2016. This dividend distribution represents our forty-fifth consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$12.47 per share.

2024 Notes ATM Program

Subsequent to September 30, 2016 and as of November 7, 2016, we sold 140,750 Notes for approximately \$3.6 million in aggregate principal amount. As of November 7, 2016 approximately \$146.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

ATM Equity Program Issuances

Subsequent to September 30, 2016 and as of November 7, 2016, we sold 786,000 shares of common stock for total accumulated net proceeds of approximately \$10.6 million, including \$107,000 of offering expenses, under our ATM equity distribution agreement with JMP. As of November 7, 2016 approximately 2.4 million shares remain available for issuance and sale under the equity distribution agreement.

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In September 2016, we hired Paul Gibson as Managing Director in the Technology Group in Hercules Washington DC office. Mr. Gibson is a seasoned executive with more than 20 years of commercial banking experience, including more than 13 years in venture lending, focused on structuring financial transactions for growth technology and life sciences-related companies.

Closed and Pending Commitments

As of November 7, 2016, we have:

Closed debt and equity commitments of approximately \$50.8 million to new and existing portfolio companies and funded approximately \$52.0 million subsequent to September 30, 2016.

Pending commitments (signed non-binding term sheets) of approximately \$150.0 million. The table below summarizes our year-to-date closed and pending commitments as follows:

Closed Commitments and Pending Commitments (in millions)	
January 1 - September 30, 2016 Closed Commitments	\$ 603.0
Q4 2016 Closed Commitments (as of November 7, 2016) ^(a)	\$ 50.8
Pending Commitments (as of November 7, 2016) ^(b)	\$ 150.0
Closed and Pending Commitments as of November 7, 2016	\$ 803.8

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

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

Portfolio Company Developments

As of November 7, 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 (the JOBS Act). There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all. In addition, subsequent to September 30, 2016, Napo Pharmaceuticals, a company that focuses on the development and commercialization of proprietary pharmaceuticals for the global marketplace in collaboration with local partners, signed a non-binding letter-of-intent to merge with our portfolio company Jaguar Animal Health, Inc. in October of 2016.

General Information

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

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

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

Issuer	Hercules Capital, Inc.
Title of the securities	6.25% Notes due 2024.
Initial aggregate principal amount being offered	Up to \$150,000,000.
Manner of offering	At the market offering that may be made, from time to time, through the Agent, as sales agent, using commercially reasonable efforts. See Plan of Distribution.
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Trustee in The City of New York or at such other office designated by the Trustee.
Type of Note	Fixed rate note.
Listing	The Existing Notes are listed on the NYSE and trade on the NYSE under the symbol HTGX. We intend to list the Notes offered hereby on the NYSE under the same trading symbol.
Interest rate	6.25% per year.
Day count basis	360-day year of twelve 30-day months.
Issue date of the Notes	The third trading date following the date of the at the market purchase of the Notes.

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Stated maturity date

July 30, 2024.

Date interest starts accruing on the Notes

The interest payment date prior to the at the market purchase of the Notes.

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Interest payment dates for the Notes	Each January 30, April 30, July 30, and October 30, commencing October 30, 2016. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Interest periods for the Notes	The interest period for the Notes will be the period from the interest payment date preceding the issuance date of any Notes to, but excluding, the next interest payment date or the stated maturity date, as the case may be, and any purchaser of Notes will be required to pay for any interest accrued from the interest payment date preceding the issuance date of the Notes up to, but excluding, the issuance date of the Notes.
Regular record dates for interest	Each January 15, April 15, July 15 and October 15.
Specified currency	U.S. Dollars
Place of payment	New York City or such other office designated by the Trustee
Ranking of Notes	<p>The Notes will be our general unsecured obligations and will rank:</p> <p><i>pari passu</i> with our other outstanding and future unsecured indebtedness, including, without limitation, the approximately \$64.5 million of 7.00% Senior Notes due April 30, 2019 (the April 2019 Notes); the approximately \$45.9 million of 7.00% Senior Notes due September 30, 2019 (the September 2019 Notes and together with the April 2019 Notes, the 2019 Notes); and the approximately \$244.9 million of Existing Notes, each as of November 7, 2016.</p> <p>senior to any of our future indebtedness that expressly provides it is subordinated to the Notes.</p> <p>effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the \$75.0 million revolving senior secured credit facility with MUFG Union Bank, N. A. (the Union Bank Facility).</p> <p>structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including, without limitation, the indebtedness of HT II and HT III, borrowings under the \$120.0 million revolving senior secured credit facility with Wells Fargo Capital Finance, LLC, (the Wells Facility), borrowings under the Union Bank Facility and the approximately \$114.3 million of fixed-rate asset-backed notes (the Asset-Backed Notes), each as of November 7, 2016. Note that there were no borrowings outstanding under the Wells Facility or Union Bank Facility as of November 7, 2016.</p>

Denominations

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

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

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Other covenants

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

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

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

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

Modifications to events of default

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

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

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

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

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

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

Global Clearance and Settlement Procedures

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

Further issuances

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

Use of Proceeds

We estimate that the net proceeds we receive from the sale of the \$150,000,000 aggregate principal amount of Notes in this offering will be approximately \$147.88 million after deducting the Agent's discount of approximately \$1.63 million payable by us and estimated offering expenses of approximately \$500,000 payable by us. We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objective and for other general corporate purposes.

Governing Law

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

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FORWARD-LOOKING STATEMENTS

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

our future operating results;

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

the impact of investments that we expect to make;

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

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

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

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

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

the adequacy of our cash resources and working capital;

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

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses.

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

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

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Industry and Market Data

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

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SUPPLEMENTARY RISK FACTORS

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

Risks Related to the Notes

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

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of November 7, 2016, we had no outstanding borrowings under our Union Bank Facility, which is secured by debt investments in our portfolio companies and related assets, and no outstanding borrowings under our Wells Facility, which is secured by loans in the borrowing base for the Wells Facility.

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

The Notes are obligations exclusively of Hercules Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A significant portion of the indebtedness required to be consolidated on our balance sheet is held through our SBIC subsidiaries. For example, at November 7, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources in the accompanying prospectus for more detail on the SBA-guaranteed debentures.

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

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As of November 7, 2016, we had no outstanding borrowings under our Wells Facility, no outstanding borrowings under our Union Bank Facility and approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, HT II and HT III. All of such indebtedness would be structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

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

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

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

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

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

enter into transactions with affiliates;

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

make investments; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. We do not undertake any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agencies if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

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

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the Union Bank Facility, the 2019 Notes and the Asset-Backed Notes or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Wells Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings

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

FATCA withholding may apply to payments to certain foreign entities.

Payments made under the Notes to a foreign financial institution or non-financial foreign entity (including such an institution or entity acting as an intermediary) may be subject to a U.S. withholding tax of 30% under U.S. Foreign Account Tax Compliance Act provisions of the Code (commonly referred to as *FATCA*). This withholding tax may apply to certain payments of interest on the Notes as well as, after December 31, 2018, to payments made upon maturity, redemption, or sale of the Notes, unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. You should consult your own tax advisors regarding FATCA and how it may affect your investment in the Notes. See *United States Federal Income Tax Matters Taxation of Note Holders FATCA* in this prospectus supplement for further information.

Risks Related to our Business Structure***We may be subject to restrictions on our ability to pay dividends and other distributions.***

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

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

Lenders have fixed dollar claims on our assets that are superior to the claims of stockholders, and we have granted, and may in the future grant, lenders a security interest in our assets in connection with borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. In addition, borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets increases, then leverage would cause the net asset value, or NAV, attributable to our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause the NAV attributable to our common stock to decline more than it otherwise would have had we not used leverage. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on common stock.

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Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. We and, indirectly, our stockholders will bear the cost associated with our leverage activity. If we are not able to service our substantial indebtedness, our business could be harmed materially.

Our secured credit facilities, the Wells Facility and Union Bank Facility, our 2019 Notes, our Existing Notes and our Asset-Backed Notes 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 November 7, 2016, we had no outstanding borrowings under the Wells Facility and Union Bank Facility. As of November 7, 2016, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$110.4 million in aggregate principal amount of the 2019 Notes, approximately \$244.9 million in aggregate principal amount of Existing Notes and approximately \$114.3 million in aggregate principal amount of Asset-Backed Notes.

There can be no assurance that we will be successful in obtaining any additional debt capital on terms acceptable to us or at all. If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

As a BDC, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. As of September 30, 2016 our asset coverage ratio under our regulatory requirements as a BDC was 259.6% excluding our SBIC debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. Total leverage when including our SBA debentures was 213.7% at September 30, 2016.

Based on assumed leverage equal to 87.9% of our net assets as of September 30, 2016, our investment portfolio would have been required to experience an annual return of at least 2.7% to cover annual interest payments on our additional indebtedness.

Risks Related to our Investments

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

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

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the \$150,000,000 aggregate principal amount of Notes in this offering will be approximately \$147.88 million based on a public offering of 100.00% of par, after deducting the Agent's discount of approximately \$1.63 million payable by us and estimated offering expenses of approximately \$500,000 payable by us.

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

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

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

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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 years 2015, 2014, 2013, 2012 and 2011 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, but not all of which are presented in this prospectus supplement. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the nine months ended September 30, 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 nine months ended September 30, 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 Nine Months Ended September 30 (unaudited)		For the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
Investment income:							
Interest	\$ 116,047	\$ 106,139	\$ 140,266	\$ 126,618	\$ 123,671	\$ 87,603	\$ 70,346
Fees	11,532	11,612	16,866	17,047	16,042	9,917	9,509
Total investment income	127,579	117,751	157,132	143,665	139,713	97,520	79,855
Operating expenses:							
Interest	23,306	23,243	30,834	28,041	30,334	19,835	13,252
Loan fees	3,698	4,166	6,055	5,919	4,807	3,917	2,635
General and administrative	12,095	12,190	16,658	10,209	9,354	8,108	7,992
Employee Compensation:							
Compensation and benefits	15,637	17,621	20,713	16,604	16,179	13,326	13,260
Stock-based compensation	5,616	7,166	9,370	9,561	5,974	4,227	3,128
Total employee compensation	21,253	24,787	30,083	26,165	22,153	17,553	16,388
Total operating expenses	60,352	64,386	83,630	70,334	66,648	49,413	40,267
Loss on debt extinguishment (Long-term Liabilities - Convertible Senior Notes)		(1)	(1)	(1,581)			
Net investment income	67,227	53,364	73,501	71,750	73,065	48,107	39,588
Net realized gain (loss) on investments	3,427	8,424	5,147	20,112	14,836	3,168	2,741
Net change in unrealized appreciation (depreciation) on investments	(16,072)	(33,042)	(35,732)	(20,674)	11,545	(4,516)	4,607
Total net realized and unrealized gain (loss)	(12,645)	(24,618)	(30,585)	(562)	26,381	(1,348)	7,348
Net increase in net assets resulting from operations	\$ 54,582	\$ 28,746	\$ 42,916	\$ 71,188	\$ 99,446	\$ 46,759	\$ 46,936
Change in net assets per common share (basic)	\$ 0.74	\$ 0.40	\$ 0.60	\$ 1.12	\$ 1.67	\$ 0.93	\$ 1.08
Dividend distributions declared per common share	\$ 0.93	\$ 0.93	\$ 1.24	\$ 1.24	\$ 1.11	\$ 0.95	\$ 0.88

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(in thousands, except per share amounts)	For the Nine Months Ended September 30 (unaudited)			For the Year Ended December 31,			
	2016	2015	2015	2014	2013	2012	2011
Balance sheet data:							
Investments, at value	\$ 1,320,610	\$ 1,151,728	\$ 1,200,638	\$ 1,020,737	\$ 910,295	\$ 906,300	\$ 652,870
Cash and cash equivalents	69,012	147,304	95,196	227,116	268,368	182,994	64,474
Total assets	1,419,424	1,332,731	1,334,761	1,299,223	1,221,715	1,123,643	747,394
Total liabilities	665,835	609,938	617,627	640,359	571,708	607,675	316,353
Total net assets	753,589	722,793	717,134	658,864	650,007	515,968	431,041
Other Data:							
Total debt investments, at value	1,224,121	1,077,606	1,110,209	923,906	821,988	827,540	585,767
Total warrant investments, at value	27,738	21,321	22,987	25,098	35,637	29,550	30,045
Total equity investments, at value	68,751	52,801	67,442	71,733	52,670	49,210	37,058
Unfunded Commitments ⁽²⁾	73,865	109,611	75,402	147,689	69,091	19,265	76,128
Net asset value per share ⁽¹⁾	\$ 9.86	\$ 10.02	\$ 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 of the portfolio company. Amount excludes unfunded commitments which are unavailable due to the borrower having not met certain milestones.

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2015 and the quarters ending March 31, 2016, June 30, 2016 and September 30, 2016. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(in thousands, except per share data)	For the Quarter Ended (unaudited)		
	September 30, 2016	June 30, 2016	March 31, 2016
Total investment income	\$ 45,102	\$ 43,538	\$ 38,939
Net investment income before investment gains and losses	23,776	23,354	20,097
Net increase (decrease) in net assets resulting from operations	30,812	9,475	14,295
Change in net assets per common share (basic)	\$ 0.41	\$ 0.13	\$ 0.20

(in thousands, except per share data)	For the 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)	For the 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

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

The following table sets forth (i) our actual capitalization as of September 30, 2016, and (ii) our capitalization as adjusted to give effect to the sale of \$150,000,000 aggregate principal amount of Notes in this offering, excluding accrued interest, after deducting the Agent's discounts and commissions of approximately \$1.63 million payable by us and estimated offering expenses of approximately \$500,000 payable by us. You should read this table together with the "Use of Proceeds" section and our statement of assets and liabilities included elsewhere in this prospectus supplement.

	As of September 30, 2016	
	Actual	As Adjusted ⁽¹⁾
	(in thousands)	
Investments at fair value	\$ 1,320,610	\$ 1,320,610
Cash and cash equivalents	\$ 69,012	\$ 216,887
Debt:		
Accounts payable and accrued liabilities	\$ 16,649	\$ 16,649
Long-term SBA debentures	187,333	187,333
2019 Notes	108,659	108,659
2021 Asset-Backed Notes	115,531	115,531
2024 Notes	237,663	237,663
Notes offered herein		147,875
Total debt	\$ 665,835	\$ 813,710
Stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 76,399,7787 shares issued and outstanding	\$ 77	\$ 77
Capital in excess of par value	802,521	802,521
Unrealized depreciation on investments	(68,880)	(68,880)
Accumulated realized gains on investments	31,420	31,420
Distributions in excess of investment income	(11,549)	(11,549)
Total stockholders' equity	\$ 753,589	\$ 753,589
Total capitalization	\$ 1,419,424	\$ 1,567,299

(1) Although the as adjusted amounts reflect the issuance of all of the notes offered pursuant to this prospectus, our ability to issue all of the notes may be limited by our regulatory requirements.

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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 September 30, 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 N/A indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
Securitized Credit Facility with Wells Fargo Capital Finance			
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 79,200,000	\$ 6,755	N/A
December 31, 2008	\$ 89,582,000	\$ 6,689	N/A
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
December 31, 2011	\$ 10,186,830	\$ 73,369	N/A
December 31, 2012 ⁽⁶⁾			N/A
December 31, 2013 ⁽⁶⁾			N/A
December 31, 2014 ⁽⁶⁾			N/A
December 31, 2015	\$ 50,000,000	\$ 26,352	N/A
December 31, 2016 (as of September 30, 2016, unaudited) ⁽⁶⁾			N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
December 31, 2011 ⁽⁶⁾			N/A
December 31, 2012 ⁽⁶⁾			N/A
December 31, 2013 ⁽⁶⁾			N/A
December 31, 2014 ⁽⁶⁾			N/A
December 31, 2015 ⁽⁶⁾			N/A
December 31, 2016 (as of September 30, 2016, unaudited) ⁽⁶⁾			N/A
Small Business Administration Debentures (HT II)⁽⁴⁾			
December 31, 2007	\$ 55,050,000	\$ 9,718	N/A
December 31, 2008	\$ 127,200,000	\$ 4,711	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 150,000,000	\$ 3,942	N/A
December 31, 2011	\$ 125,000,000	\$ 5,979	N/A
December 31, 2012	\$ 76,000,000	\$ 14,786	N/A
December 31, 2013	\$ 76,000,000	\$ 16,075	N/A
December 31, 2014	\$ 41,200,000	\$ 31,535	N/A
December 31, 2015	\$ 41,200,000	\$ 31,981	N/A
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 41,200,000	\$ 34,371	N/A
Small Business Administration Debentures (HT III)⁽⁵⁾			
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A
December 31, 2011	\$ 100,000,000	\$ 7,474	N/A
December 31, 2012	\$ 149,000,000	\$ 7,542	N/A
December 31, 2013	\$ 149,000,000	\$ 8,199	N/A
December 31, 2014	\$ 149,000,000	\$ 8,720	N/A
December 31, 2015	\$ 149,000,000	\$ 8,843	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 149,000,000	\$ 9,504	N/A
Senior Convertible Notes			
December 31, 2011	\$ 75,000,000	\$ 10,623	\$ 885
December 31, 2012	\$ 75,000,000	\$ 15,731	\$ 1,038
December 31, 2013	\$ 75,000,000	\$ 16,847	\$ 1,403
December 31, 2014	\$ 17,674,000	\$ 74,905	\$ 1,290
December 31, 2015	\$ 17,604,000	\$ 74,847	\$ 1,110
December 31, 2016 (as of September 30, 2016, unaudited)			N/A
April 2019 Notes			
December 31, 2012	\$ 84,489,500	\$ 13,300	\$ 986
December 31, 2013	\$ 84,489,500	\$ 14,460	\$ 1,021
December 31, 2014	\$ 84,489,500	\$ 15,377	\$ 1,023
December 31, 2015	\$ 64,489,500	\$ 20,431	\$ 1,017
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 64,489,500	\$ 21,959	\$ 1,022
September 2019 Notes			
December 31, 2012	\$ 85,875,000	\$ 13,086	\$ 1,003
December 31, 2013	\$ 85,875,000	\$ 14,227	\$ 1,016
December 31, 2014	\$ 85,875,000	\$ 15,129	\$ 1,026
December 31, 2015	\$ 45,875,000	\$ 28,722	\$ 1,009
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 45,875,000	\$ 30,869	\$ 1,019
2024 Notes			
December 31, 2014	\$ 103,000,000	\$ 12,614	\$ 1,010
December 31, 2015	\$ 103,000,000	\$ 12,792	\$ 1,014
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 244,945,050	\$ 5,781	\$ 1,026
2017 Asset-Backed Notes			
December 31, 2012	\$ 129,300,000	\$ 8,691	\$ 1,000
December 31, 2013	\$ 89,556,972	\$ 13,642	\$ 1,004
December 31, 2014	\$ 16,049,144	\$ 80,953	\$ 1,375
December 31, 2015			
2021 Asset-Backed Notes			
December 31, 2014	\$ 129,300,000	\$ 10,048	\$ 1,000
December 31, 2015	\$ 129,300,000	\$ 10,190	\$ 996
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 117,004,374	\$ 12,103	\$ 997
Total Senior Securities⁽⁷⁾			
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 134,250,000	\$ 3,985	N/A
December 31, 2008	\$ 216,782,000	\$ 2,764	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 170,000,000	\$ 3,478	N/A
December 31, 2011	\$ 310,186,830	\$ 2,409	N/A
December 31, 2012	\$ 599,664,500	\$ 1,874 ⁽⁸⁾	N/A
December 31, 2013	\$ 559,921,472	\$ 2,182	N/A
December 31, 2014	\$ 626,587,644	\$ 2,073	N/A
December 31, 2015	\$ 600,468,500	\$ 2,194	N/A
December 31, 2016 (as of September 30, 2016, unaudited)	\$ 662,513,924	\$ 2,137	N/A

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

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, including senior securities not subject to asset coverage requirements under the 1940 Act due to exemptive relief from the SEC, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage per Unit.

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- (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 September 30, 2016 our asset coverage ratio under our regulatory requirements as a BDC was 259.6% 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%.

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

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

	For the nine months ended September 30, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Earnings to Fixed Charges ⁽¹⁾	3.02	2.16	3.10	3.83	2.97	3.95

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

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

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

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

Overview

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a 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, Washington, DC, Santa Monica, CA, Hartford, CT, and San Diego, CA.

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

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

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

We also make investments in qualifying small businesses through our two wholly owned SBICs. Our SBIC subsidiaries, HT II and HT III, hold approximately \$100.4 million and \$252.7 million in assets, respectively, and accounted for approximately 5.5% and 14.0% of our total assets, respectively, prior to consolidation at September 30, 2016. As of September 30, 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 September 30, 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 September 30, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

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We have qualified as and have elected to be treated for tax purposes as a RIC under Subchapter M of the Code. Pursuant to this election, we generally will not be subject to 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 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 September 30, 2016, as compared to \$1.2 billion at December 31, 2015. The fair value of our debt investment portfolio at September 30, 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 September 30, 2016 was approximately \$68.8 million, compared to a fair value of approximately \$67.4 million at December 31, 2015. The fair value of the warrant portfolio at September 30, 2016 was approximately \$27.7 million, compared to a fair value of approximately \$23.0 million at December 31, 2015.

Portfolio Activity

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

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

Our portfolio activity for the nine months ended September 30, 2016 and the year ended December 31, 2015 was comprised of the following:

(in millions)	September 30, 2016	December 31, 2015
Debt Commitments⁽¹⁾		
New portfolio company	\$ 490.0	\$ 544.0
Existing portfolio company	105.8	181.7
Total	\$ 595.8	\$ 725.7
Funded and Restructured Debt Investments⁽³⁾		
New portfolio company	\$ 363.5	\$ 352.5
Existing portfolio company	90.9	341.6
Total	\$ 454.4	\$ 694.1
Funded Equity Investments		
New portfolio company	\$ 5.5	\$ 1.0
Existing portfolio company	1.6	17.6
Total	\$ 7.1	\$ 18.6
Unfunded Contractual Commitments⁽²⁾		
Total	\$ 73.9	\$ 75.4
Non-Binding Term Sheets		
New portfolio company	\$ 85.0	\$ 81.0
Existing portfolio company	15.0	5.0
Total	\$ 100.0	\$ 86.0

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

(2) Amount represents unfunded commitments, including undrawn revolving facilities, which are available at the request of the portfolio company. Amount excludes unfunded commitments which are unavailable due to the borrower having not met certain milestones.

(3) Funded amounts include borrowings on revolving facilities.

We receive principal payments on 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 nine months ended September 30, 2016, we received approximately \$334.7 million in aggregate principal repayments. Of the approximately \$334.7 million of aggregate principal repayments, approximately \$77.9 million were scheduled principal payments and approximately \$256.8 million were early principal repayments related to 33 portfolio companies. Of the approximately \$256.8 million early principal repayments, approximately \$54.9 million were early repayments due to merger and acquisition transactions or initial public offerings (IPOs) for three portfolio companies.

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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 nine months ended September 30, 2016 and the year ended December 31, 2015 was as follows:

(in millions)	September 30, 2016	December 31, 2015
Beginning portfolio	\$ 1,200.6	\$ 1,020.7
New fundings and restructures	461.5	712.3
Warrants not related to current period fundings	0.3	0.1
Principal payments received on investments	(77.8)	(115.1)
Early payoffs	(256.9)	(388.5)
Accretion of loan discounts and paid-in-kind principal	32.1	31.7
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(3.7)	(1.7)
New loan fees	(6.6)	(9.5)
Warrants converted to equity	0.3	0.4
Sale of investments	(3.7)	(5.2)
Loss on investments due to write offs	(9.6)	(7.5)
Net change in unrealized depreciation	(15.9)	(37.1)
Ending portfolio	\$ 1,320.6	\$ 1,200.6

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2016 and December 31, 2015:

(in thousands)	September 30, 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	\$ 983,241	74.5%	\$ 961,464	80.1%
Senior Secured Debt	268,618	20.3%	171,732	14.3%
Preferred Stock	41,828	3.2%	35,245	2.9%
Common Stock	26,923	2.0%	32,197	2.7%
Total	\$ 1,320,610	100.0%	\$ 1,200,638	100.0%

A summary of our investment portfolio as of September 30, 2016 and December 31, 2015 at value by geographic location is as follows:

(in thousands)	September 30, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,259,162	95.4%	\$ 1,167,281	97.2%
Netherlands	20,040	1.5%	20,112	1.7%
England	19,640	1.5%	8,884	0.8%
Switzerland	12,305	0.9%		0.0%
Canada	5,662	0.4%	595	0.0%
Israel	3,801	0.3%	3,764	0.3%
India		0.0%	2	0.0%
Total	\$ 1,320,610	100.0%	\$ 1,200,638	100.0%

As of September 30, 2016, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. All four companies filed

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confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their IPOs will do so in a timely manner or at all.

Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$25.0 million, although we may make investments in amounts above or below that range. As of September 30, 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 12.5%. In addition to the cash yields received on our debt investments, in some instances, our debt investments may also include any of the following: 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, 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 \$37.0 million of unamortized fees at September 30, 2016, of which approximately \$34.5 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 September 30, 2016 we had approximately \$30.8 million in exit fees receivable, of which approximately \$28.0 million was included as a component of the cost basis of our current debt investments and approximately \$2.8 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 dividend distributions even though we have not yet collected the cash. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately \$2.1 million and \$1.5 million in PIK income in the three months ended September 30, 2016 and 2015, respectively. We recorded approximately \$5.7 million and \$3.3 million in PIK income in the nine months ended September 30, 2016 and 2015, respectively.

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The core yield on our debt investments, which excludes any benefits from the fees and income related to early loan repayment acceleration of unamortized fees and income as well as prepayment of fees and includes income from expired commitments, was 13.2% and 12.6% during the three months ended September 30, 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 events, was 14.6% and 16.4% for the three months ended September 30, 2016 and 2015, respectively. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders.

The total return for our investors was approximately 19.5% and -27.3% during the nine months ended September 30, 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 dividend distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors.

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, healthcare services, communications and networking, consumer and business products, surgical devices, semiconductors, biotechnology tools, electronics and computer hardware, diagnostic, and information services 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 September 30, 2016, approximately 73.6% of the fair value of our portfolio was composed of investments in five industries: 27.0% was composed of investments in the drug discovery and development industry, 14.8% was comprised of investments in the sustainable and renewable technology industry, 14.3% was composed of investments in the software industry, 8.8% was composed of investments in the drug delivery industry, and 8.7% was composed of investments in the medical devices and equipment industry.

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The following table shows the fair value of our portfolio by industry sector at September 30, 2016 and December 31, 2015:

(in thousands)	September 30, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 356,190	27.0%	\$ 284,266	23.7%
Sustainable and Renewable Technology	195,861	14.8%	159,487	13.3%
Software	188,986	14.3%	147,237	12.3%
Drug Delivery	116,450	8.8%	164,665	13.7%
Medical Devices & Equipment	114,588	8.7%	90,560	7.5%
Media/Content/Info	109,603	8.3%	95,488	7.9%
Internet Consumer & Business Services	92,915	7.0%	88,377	7.4%
Specialty Pharmaceuticals	39,466	3.0%	52,088	4.3%
Healthcare Services, Other	30,198	2.3%	15,131	1.3%
Communications & Networking	18,985	1.5%	33,213	2.8%
Consumer & Business Products	18,755	1.4%	26,611	2.2%
Surgical Devices	12,816	1.0%	11,185	0.9%
Semiconductors	10,925	0.8%	22,705	1.9%
Biotechnology Tools	7,228	0.5%	719	0.1%
Electronics & Computer Hardware	7,061	0.5%	6,928	0.6%
Diagnostic	581	0.1%	321	0.0%
Information Services	2	0.0%	1,657	0.1%
Total	\$ 1,320,610	100.0%	\$ 1,200,638	100.0%

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 nine months ended September 30, 2016 and the year ended December 31, 2015, our ten largest portfolio companies represented approximately 33.1% and 32.1% of the total fair value of our investments in portfolio companies, respectively. At September 30, 2016 and December 31, 2015, we had three and two investments, respectively, that represented 5% or more of our net assets. At September 30, 2016, we had six equity investments representing approximately 51.9% 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 September 30, 2016 approximately 92.9% 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 September 30, 2016, 91.2% of our debt investments were in a senior secured first lien position with the remaining 8.8% 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 September 30, 2016, of the approximately 91.2% of our debt investments in a senior secured first lien position, 42.3% were secured by a first priority security interest in all of the assets of the portfolio company, including its intellectual property; 45.6% were secured by a first priority security interest in all of the assets of the portfolio company and the portfolio company was

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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 September 30, 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 discount (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 September 30, 2016, we held warrants in 138 portfolio companies, with a fair value of approximately \$27.7 million. The fair value of our warrant portfolio increased by approximately \$4.7 million, as compared to a fair value of \$23.0 million at December 31, 2015 primarily related to the addition of warrants in 18 new and 11 existing portfolio companies during the period.

Our existing warrant holdings would require us to invest approximately \$100.8 million to exercise such warrants as of September 30, 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 29.22x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control, which, in general, includes a company in which we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more, but 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 control and affiliate investments for the three and nine months ended September 30, 2016 and 2015. We did not hold any Control investments at September 30, 2015.

(in thousands)	Portfolio Company Type	For the Three Months Ended September 30, 2016					For the Nine Months Ended September 30, 2016				
		Fair Value at September 30, 2016	Investment Income	Net	Reversal of	Realized Gain/ (Loss)	Investment Income	Net	Reversal of	Realized Gain/ (Loss)	
				Change in Unrealized Appreciation/ (Depreciation)	Unrealized Appreciation/ (Depreciation)			Change in Unrealized Appreciation/ (Depreciation)	Unrealized Appreciation/ (Depreciation)		
Control Investments											
	SkyCross, Inc.	\$	\$	\$	\$	\$	\$	\$ (3,421)	\$	\$	
	Achilles Technology Management Co II, Inc.	4,991	16				16				
	Total Control Investments	\$ 4,991	\$ 16	\$	\$	\$	\$ 16	\$ (3,421)	\$	\$	
Affiliate Investments											
	Optiscan BioMedical, Corp.	\$ 5,102	\$	\$ 553	\$	\$	\$ 12	\$ (2,833)	\$	\$	
	Stion Corporation	821	30				133	539	648		
	Total Affiliate Investments	\$ 5,923	\$ 30	\$ 553	\$	\$	\$ 145	\$ (2,294)	\$ 648	\$	
	Total Control & Affiliate Investments	\$ 10,914	\$ 46	\$ 553	\$	\$	\$ 161	\$ (5,715)	\$ 648	\$	

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(in thousands)		For the Three Months Ended September 30, 2015					For the Nine Months Ended September 30, 2015				
		Fair Value at September 30, 2015	Investment Income	Reversal of Net Change in Unrealized		Realized Gain/ (Loss)	Investment Income	Reversal of Net Change in Unrealized		Realized Gain/ (Loss)	
Appreciation/ (Depreciation)	Appreciation/ (Depreciation)			Appreciation/ (Depreciation)	Appreciation/ (Depreciation)						
Portfolio Company	Type										
Gelesis, Inc.	Affiliate	\$ 1,398	\$	\$ (837)	\$	\$	\$ 1,071	\$	\$	\$	
Optiscan BioMedical, Corp.	Affiliate	6,186		(432)			113				
Stion Corporation	Affiliate	1,600	83	420		279	359				
Total Affiliate Investments		\$ 9,184	\$ 83	\$ (849)	\$	\$ 279	\$ 1,543	\$	\$	\$	

In June 2016 our investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In June 2016 we also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September 2016 we made a \$1.0 million debt investment in Achilles Technology Management II to provide working capital under the terms of a loan servicing agreement. Our investments in Achilles Technology Management Co II, Inc. are carried on the consolidated statement of assets and liabilities at fair value.

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

Portfolio Grading

We use an investment grading system, which grades each debt investment on a scale of 1 to 5 to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of September 30, 2016 and December 31, 2015, respectively:

(in thousands)	September 30, 2016				December 31, 2015			
	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio		Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio	
Investment Grading								
1	14	\$ 269,767	22.0%		18	\$ 215,202	19.4%	
2	35	516,504	42.3%		47	759,274	68.4%	
3	26	371,968	30.4%		6	44,837	4.0%	
4	7	40,788	3.3%		4	34,153	3.1%	
5	7	25,094	2.0%		10	56,743	5.1%	
	89	\$ 1,224,121	100.0%		85	\$ 1,110,209	100.0%	

As of September 30, 2016, our debt investments had a weighted average investment grading of 2.32, 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.

The decline in weighted average investment grading at September 30, 2016 from December 31, 2015 is primarily due to the net increase of rated 3 portfolio companies due to underperformance or near term funding requirements. This decline is partially offset by a net reduction in the number of rated 5 companies due to performance improvements or settlement of positions that were rated 5 at December 31, 2015. During the nine months ended September 30, 2016, a net of twenty existing portfolio companies were downgraded to a 3 rating. During the nine months

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ended September 30, 2016, a net of three portfolio companies were upgraded that were rated 5 at December 31, 2015.

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At September 30, 2016, we had six debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$46.2 million and \$9.3 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 nine months ended September 30, 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 realized losses of \$419,000 and \$430,000 on the liquidation and partial write off, respectively, of two debt investments that were on non-accrual as of December 31, 2015.

Results of Operations**Comparison of the three and nine months ended September 30, 2016 and 2015*****Investment Income***

Total investment income for the three months ended September 30, 2016 was approximately \$45.1 million as compared to approximately \$47.1 million for the three months ended September 30, 2015. Total investment income for the nine months ended September 30, 2016 was approximately \$127.6 million as compared to approximately \$117.8 million for the nine months ended September 30, 2015.

Interest income for the three months ended September 30, 2016 totaled approximately \$40.0 million as compared to approximately \$40.3 million for the three months ended September 30, 2015. Interest income for the nine months ended September 30, 2016 totaled approximately \$116.1 million as compared to approximately \$106.1 million for nine months ended September 30, 2015. The decrease in interest income for the three months ended September 30, 2016 as compared to the same period ended September 30, 2015 is primarily attributable to a decrease in the acceleration of interest income due to early loan repayments, offset by an increase in interest income related to the weighted average balance of principal outstanding on our debt investments. The increase in interest income for the nine months ended September 30, 2016 as compared to the same period ended September 30, 2015 is primarily attributable to debt investment portfolio growth, specifically an increase in the weighted average principal outstanding between the periods.

Of the \$40.0 million in interest income for the three months ended September 30, 2016, approximately \$38.2 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$1.8 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 \$34.5 million and \$5.8 million, respectively, of the \$40.3 million interest income for the three months ended September 30, 2015.

Of the \$116.1 million in interest income for the nine months ended September 30, 2016, approximately \$111.8 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$4.3 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 \$100.0 million and \$6.1 million, respectively, of the \$106.1 million interest income for the nine months ended September 30, 2015.

Income from commitment, facility and loan related fees for the three months ended September 30, 2016 totaled approximately \$5.1 million as compared to approximately \$6.8 million for the three months ended September 30, 2015. Income from commitment, facility and loan related fees for the nine months ended September 30, 2016 totaled approximately \$11.5 million as compared to approximately \$11.6 million for the nine months ended September 30, 2015. The decrease in fee income for the three and nine months ended September 30, 2016 is primarily attributable to a decrease in the acceleration of unamortized fees due to early repayments and one-time fees between periods.

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Of the \$5.1 million in income from commitment, facility and loan related fees for the three months ended September 30, 2016, approximately \$2.5 million represents income from recurring fee amortization and approximately \$2.6 million 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 \$1.9 million and \$4.9 million, respectively, of the \$6.8 million income for the three months ended September 30, 2015.

Of the \$11.5 million in income from commitment, facility and loan related fees for the nine months ended September 30, 2016, approximately \$7.2 million represents income from recurring fee amortization and approximately \$4.3 million 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 \$5.1 million and \$6.5 million, respectively, of the \$11.6 million income for the nine months ended September 30, 2015.

The following table shows the PIK-related activity for the nine months ended September 30, 2016 and 2015, at cost:

(in thousands)	Nine Months Ended September 30,	
	2016	2015
Beginning PIK interest receivable balance	\$ 5,149	\$ 6,250
PIK interest income during the period	5,676	3,336
PIK accrued (capitalized) to principal but not recorded as income during the period	(2,146)	
Payments received from PIK loans	(438)	(3,041)
Realized loss	(266)	(223)
Ending PIK interest receivable balance	\$ 7,975	\$ 6,322

The increase in PIK interest income during the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015 is due to an increase in the weighted average principal outstanding of loans which bear PIK interest. The increase is primarily due to new originations and compounding interest, along with a decrease 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 and nine months ended September 30, 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 \$21.3 million and \$23.5 million during the three months ended September 30, 2016 and 2015, respectively. Our operating expenses totaled approximately \$60.4 million and \$64.4 million during the nine months ended September 30, 2016 and 2015, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$10.1 million and \$8.9 million for the three months ended September 30, 2016 and 2015, respectively and approximately \$27.0 million and \$27.4 million for the nine months ended September 30, 2016 and 2015, respectively. Interest and fee expense for the three months ended September 30, 2016 as compared to September 30, 2015 increased due to higher weighted average principal balances outstanding on our 2024 Notes along with higher debt issuance cost amortization on our Asset

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Backed Notes, offset by a reduction in interest expense on our credit facilities and Convertible Notes. The slight decrease in interest and fee expense for the nine months ended September 30, 2016 as compared to September 30, 2015 was attributable to the payoff of our Convertible Notes, 2017 Asset Backed Notes and a reduction in the weighted average principal balance outstanding on our Credit Facilities between periods.

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 5.6% for the three months ended September 30, 2016 and 2015, respectively, and a weighted average cost of debt of approximately 5.8% and 5.9% for the nine months ended September 30, 2016 and 2015, respectively. The increase in the weighted average cost of debt for the three months ended September 30, 2016 as compared to the same period ended September 30, 2015 is primarily attributable to the acceleration of unamortized fee expense related to pay downs on our Asset Backed Notes, and the incremental issuance of our 2024 Notes in the prior period. The decrease between the nine months ended September 30, 2016 and September 30, 2015 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 and Convertible Notes, offset by the incremental issuance of our 2024 Notes.

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 decreased to \$4.1 million from \$4.5 million for the three months ended September 30, 2016 and 2015. Our general and administrative expenses decreased slightly to \$12.1 million from \$12.2 million for the nine months ended September 30, 2016 and 2015. The decrease for the three and nine months ended September 30, 2016 was primarily attributable to a reduction in costs related to strategic hiring objectives, slightly offset by an increase in corporate legal and other expenses between periods.

Employee Compensation

Employee compensation and benefits totaled \$5.6 million for the three months ended September 30, 2016 as compared to \$8.0 million for the three months ended September 30, 2015, and \$15.6 million for the nine months ended September 30, 2016 as compared to \$17.6 million for the nine months ended September 30, 2015. The decrease for the three and nine-month comparative period was primarily due to changes in variable compensation expenses related to general and originator performance factors.

Employee stock-based compensation totaled \$1.4 million for the three months ended September 30, 2016 as compared to \$2.2 million for the three months ended September 30, 2015 and \$5.6 million for the nine months ended September 30, 2016 as compared to \$7.2 million for the nine months ended September 30, 2015. The decrease between both comparative periods was primarily related to restricted stock award vesting, specifically the final vesting of retention grants issued in 2014.

Loss on Extinguishment of Convertible Senior Notes

Our Convertible Senior Notes were fully settled on or before their contractual maturity date of April 15, 2016. Throughout the life of the Convertible Senior Notes, holders of approximately \$74.8 million of our Convertible Senior Notes exercised their conversion rights. These Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the Convertible Senior Notes and approximately 1.6 million shares of our 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

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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 and nine months ended September 30, 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 and nine months ended September 30, 2016 and 2015 is as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Realized gains	\$ 9,423	\$ 6,790	\$ 13,634	\$ 11,614
Realized losses	(1,553)	(424)	(10,207)	(3,190)
Net realized gains	\$ 7,870	\$ 6,366	\$ 3,427	\$ 8,424

During the three months ended September 30, 2016 and 2015, we recognized net realized gains of \$7.9 and \$6.4 million, respectively. During the three months ended September 30, 2016, we recorded gross realized gains of \$9.4 million primarily from the sale or acquisition of our holdings in three portfolio companies, including Box, Inc. (\$7.8 million), Touchcommerce, Inc. (\$698,000), and ReachLocal (\$610,000). These gains were offset by gross realized losses of \$1.5 million primarily from the write off of our warrant and equity investments in one portfolio company and our debt investment in one portfolio company.

During the three months ended September 30, 2015, we recorded gross realized gains of \$6.8 million primarily from the sale of investments in three portfolio companies, including Box, Inc. (\$2.7 million), Atrenta, Inc. (\$2.6 million), and Egalet Corporation (\$652,000), and approximately \$871,000 from subsequent recoveries received on two previously written-off debt investments. These gains were offset by gross realized losses of \$424,000 from the liquidation of our investments in one portfolio company.

During the nine months ended September 30, 2016 and 2015, we recognized net realized gains of \$3.4 million and \$8.4 million, respectively. During the nine months ended September 30, 2016, we recorded gross realized gains of \$13.6 million primarily from the sale or acquisition of our investments in five portfolio companies, including Box, Inc. (\$8.9 million), Celator Pharmaceuticals, Inc. (\$1.5 million), Ping Identity Corporation (\$1.3 million), Touchcommerce, Inc. (\$698,000) and ReachLocal (\$610,000). These gains were offset by gross realized losses of \$10.2 million primarily from the liquidation or write off of our warrant and equity investments in six portfolio companies and of our debt investments in four portfolio companies, including the settlement of our outstanding debt investment in The Neat Company (\$6.2 million).

During the nine months ended September 30, 2015 we recorded gross realized gains of \$11.6 million primarily from the sale of investments in seven portfolio companies, including Box, Inc. (\$2.7 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). These gains were partially offset by gross realized losses of \$3.2 million from the liquidation of our investments in nine portfolio companies.

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The net unrealized appreciation and depreciation of our investments is based on the fair value of each investment determined in good faith by our Board of Directors. The following table summarizes the change in net unrealized appreciation (depreciation) of investments for the three and nine months ended September 30, 2016 and 2015:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gross unrealized appreciation on portfolio investments	\$ 25,903	\$ 19,515	\$ 55,428	\$ 55,369
Gross unrealized depreciation on portfolio investments	(21,309)	(40,366)	(76,801)	(82,479)
Reversal of prior period net unrealized appreciation upon a realization event	(7,161)	(5,162)	(7,421)	(8,816)
Reversal of prior period net unrealized depreciation upon a realization event	1,550		12,803	2,162
Net unrealized appreciation (depreciation) attributable to taxes payable	217	63	(78)	660
Net unrealized appreciation (depreciation) on escrow receivables				
Citigroup warrant participation	(34)	69	(3)	62
Net unrealized appreciation (depreciation) on portfolio investments	\$ (834)	\$ (25,881)	\$ (16,072)	\$ (33,042)

During the three months ended September 30, 2016, we recorded approximately \$834,000 of net unrealized depreciation, of which \$1.0 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$7.7 million was attributed to net unrealized depreciation on our debt investments related to \$14.1 million of unrealized depreciation for collateral based impairments on eleven portfolio companies offset by the reversal of \$1.3 million of unrealized depreciation for prior period collateral based impairments on one portfolio company and \$4.8 million of unrealized appreciation from our current market yield analysis related to industry performance. This net unrealized depreciation was partially offset by approximately \$4.0 million of net unrealized appreciation on our equity investments, which primarily relates to \$6.5 million of unrealized appreciation on our public equity portfolio and \$2.3 million of unrealized appreciation on our private portfolio companies related to portfolio company performance, offset by the reversal of approximately \$4.7 million of net unrealized appreciation upon being realized as a gain on sales of Box, Inc. An additional \$2.7 million of net unrealized appreciation on our warrant investments was primarily due to \$5.8 million of unrealized appreciation on our private portfolio companies related to portfolio company performance offset by the reversal of approximately \$2.0 million of unrealized appreciation upon being realized as a gain due to the acquisition of our warrant investments in two portfolio companies.

Net unrealized depreciation was further offset by \$217,000 as a result of decreased estimated taxes payable for the three months ended September 30, 2016.

Net unrealized depreciation increased by \$34,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement during the three months ended September 30, 2016.

During the three months ended September 30, 2015, we recorded approximately \$25.9 million of net unrealized depreciation, of which \$26.1 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$18.1 million was attributed to net unrealized depreciation on our equity investments which primarily related to \$9.8 million of unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc., \$3.8 million of unrealized depreciation on our private portfolio companies related to declining industry performance, and the reversal of \$4.5 million of unrealized appreciation upon being realized as a gain on sale of Box, Inc. and the acquisition proceeds received from Atrenta, Inc. Approximately \$9.4 million was attributed to net unrealized depreciation on our warrant

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investments which primarily related to approximately \$2.1 million of unrealized depreciation on our public warrant portfolio related to portfolio company performance and \$6.1 million of unrealized depreciation on our private portfolio companies related to declining industry performance. This net unrealized depreciation was partially offset by approximately \$1.4 million of net unrealized appreciation on our debt investments which primarily related to the reversal of \$3.1 million of unrealized depreciation on a previous collateral based impairment offset by \$1.0 million of unrealized depreciation for collateral based impairments on twelve portfolio companies.

Net unrealized depreciation was offset by \$63,000 as a result of decreased estimated taxes payable for the three months ended September 30, 2015.

Net unrealized depreciation was further offset by \$69,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement and as a result of the acquisition proceeds we received on our Atrenta, Inc. equity, which was exercised from warrants subject to the agreement during the three months ended September 30, 2015.

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 September 30, 2016 and 2015:

(in millions)	Three Months Ended September 30, 2016			
	Debt	Equity	Warrants	Total
Collateral Based Impairments	\$ (14.1)	\$ (0.1)	\$ (0.3)	\$ (14.5)
Reversals of Prior Period Collateral Based Impairments	1.3			1.3
Reversals due to Debt Payoffs & Warrant/Equity Sales	0.3	(4.7)	(2.0)	(6.4)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets	0.3	6.5	(0.8)	6.0
Level 3 Assets	4.5	2.3	5.8	12.6
Total Fair Value Market/Yield Adjustments	4.8	8.8	5.0	18.6
Total Unrealized Appreciation/(Depreciation)	\$ (7.7)	\$ 4.0	\$ 2.7	\$ (1.0)
(in millions)	Three Months Ended September 30, 2015			
	Debt	Equity	Warrants	Total
Collateral Based Impairments	\$ (1.0)	\$	\$ (0.4)	\$ (1.4)
Reversals of Prior Period Collateral Based Impairments	3.1			3.1
Reversals due to Debt Payoffs & Warrant/Equity Sales	0.2	(4.5)	(0.8)	(5.1)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		(9.8)	(2.1)	(11.9)
Level 3 Assets	(0.9)	(3.8)	(6.1)	(10.8)
Total Fair Value Market/Yield Adjustments	(0.9)	(13.6)	(8.2)	(22.7)
Total Unrealized Appreciation/(Depreciation)	\$ 1.4	\$ (18.1)	\$ (9.4)	\$ (26.1)

* 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 Topic 820 (Fair Value Measurements).

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During the nine months ended September 30, 2016, we recorded approximately \$16.1 million of net unrealized depreciation, of which \$15.9 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$9.7 million was attributed to net unrealized depreciation on our debt investments which was primarily related to \$34.7 million of unrealized depreciation for collateral based impairments on eleven portfolio companies offset by the reversal of \$12.5 million of unrealized depreciation upon payoff or settling of our debt investments and the reversal of \$7.0 million of unrealized depreciation for prior period collateral based impairments on five portfolio companies. Approximately \$8.5 million was attributed to net unrealized depreciation on our equity investments which primarily relates to \$3.9 million of unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and the reversal of \$4.6 million of net unrealized appreciation upon being realized as a gain on sales of Box, Inc. and the write off of three portfolio company investments. This unrealized depreciation was partially offset by approximately \$2.3 million of net unrealized appreciation on our warrant investments primarily related to \$5.4 million of net unrealized appreciation on our private portfolio companies related to portfolio company performance offset by the reversal of approximately \$1.2 million of unrealized appreciation upon being realized as a gain due to the acquisition of our warrant investments in two portfolio companies and the write off of five portfolio company investments.

Net unrealized depreciation increased by \$78,000 as a result of increased estimated taxes payable for the nine months ended September 30, 2016.

Net unrealized appreciation was further increased by \$3,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement and a decrease in the liability for the acquisition proceeds received on our Ping Identity Corporation equity investment, which had been exercised from warrants that were included in the collateral pool, during the nine months ended September 30, 2016.

During the nine months ended September 30, 2015, we recorded approximately \$33.0 million of net unrealized depreciation, of which \$33.8 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$3.5 million was attributed to net unrealized depreciation on our debt investments which was primarily related to \$10.2 million of unrealized depreciation for collateral based impairments on twelve portfolio companies offset by the reversal of \$5.6 million of unrealized depreciation for prior period collateral based impairments on three portfolio companies. Approximately \$22.8 million was attributed to net unrealized depreciation on our equity investments which primarily related to approximately \$11.9 million of unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and the reversal of \$8.2 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Box, Inc., Cempra, Inc. Celladon Corporation, Everyday Health, and Identiv, Inc. as discussed above. Finally approximately \$7.5 million is attributed to net unrealized depreciation on our warrant investments which primarily related to \$7.4 million of unrealized depreciation on our private portfolio companies related to declining industry performance.

Net unrealized depreciation was offset by \$660,000 as a result of decreased estimated taxes payable for the nine months ended September 30, 2015.

Net unrealized depreciation was further offset by \$62,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation as a result of the acquisition proceeds we received on our Atrenta, Inc. equity, which was exercised from warrants subject to the agreement during nine months ended September 30, 2015.

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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 nine months ended September 30, 2016 and 2015:

(in millions)	Nine Months Ended September 30, 2016			
	Debt	Equity	Warrants	Total
Collateral Based Impairments	\$ (34.7)	\$ (0.1)	\$ (0.4)	\$ (35.2)
Reversals of Prior Period Collateral Based Impairments	7.0			7.0
Reversals due to Debt Payoffs & Warrant/Equity Sales	12.5	(4.6)	(1.2)	6.7
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets	0.3	(3.9)	(1.5)	(5.1)
Level 3 Assets	5.2	0.1	5.4	10.7
Total Fair Value Market/Yield Adjustments	5.5	(3.8)	3.9	5.6
Total Unrealized Appreciation/(Depreciation)	\$ (9.7)	\$ (8.5)	\$ 2.3	\$ (15.9)

(in millions)	Nine Months Ended September 30, 2015			
	Debt	Equity	Warrants	Total
Collateral Based Impairments	\$ (10.2)	\$	\$ (0.4)	\$ (10.6)
Reversals of Prior Period Collateral Based Impairments	5.6		0.4	6.0
Reversals due to Debt Payoffs & Warrant/Equity Sales	0.4	(8.2)	1.1	(6.7)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		(11.9)	(1.2)	(13.1)
Level 3 Assets	0.7	(2.7)	(7.4)	(9.4)
Total Fair Value Market/Yield Adjustments	0.7	(14.6)	(8.6)	(22.5)
Total Unrealized Appreciation/(Depreciation)	\$ (3.5)	\$ (22.8)	\$ (7.5)	\$ (33.8)

* 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 Topic 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 stockholders in 2016.

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

For the three months ended September 30, 2016 and 2015, the net increase in net assets resulting from operations totaled approximately \$30.8 million and approximately \$4.1 million, respectively. For the nine months ended September 30, 2016 and 2015, the net increase in net assets resulting from operations totaled approximately \$54.6 million and approximately \$28.7 million, respectively.

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Both the basic and fully diluted net change in net assets per common share were \$0.41 per share and \$0.74 per share, respectively, for the three and nine months ended September 30, 2016 and both the basic and fully diluted net change in net assets per common share for the three and nine months ended September 30, 2015 were \$0.05 per share and \$0.40 per share, respectively.

For the purpose of calculating diluted earnings per share for three and nine months ended September 30, 2015, the dilutive effect of the Convertible Senior Notes under the treasury stock method was included in this calculation as our share price was greater than the conversion price in effect (\$11.12 as of September 30, 2015) for the Convertible Senior Notes for such periods. The Convertible Senior Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such there is no potential additional dilutive effect for the three and nine months ended September 30, 2016.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our Credit Facilities, SBA debentures, 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 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 and nine months ended September 30, 2016 we sold 2.1 million and 4.1 million shares of common stock for total accumulated net proceeds of approximately \$26.5 million and \$50.2 million, respectively, including \$986,000 and \$1.8 million of offering expenses, respectively. 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, repurchase or pay down liabilities and for general corporate purposes. As of September 30, 2016, approximately 3.2 million shares remained available for issuance and sale under the ATM. 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, after which the plan expired. During nine months ended September 30, 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. We did not make any repurchases during the three months ended September 30, 2016. 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 NAV per share, which was effective until the 2016 annual meeting of stockholders on July 7, 2016. Such authorization was not sought at the

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2016 annual meeting of stockholders. During the three and nine months ended September 30, 2016 and the year ended December 31, 2015 we did not issue common stock at a discount to NAV.

Our Convertible Senior Notes were fully settled on or before their contractual maturity date of April 15, 2016. Throughout the life of the Convertible Senior Notes, holders of approximately \$74.8 million of our Convertible Senior Notes exercised their conversion rights. These Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 1.6 million shares of our common stock, or \$24.3 million.

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 2024 Notes). The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 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 on April 29, 2016.

On May 5, 2016, we, through a special purpose wholly-owned subsidiary, Hercules Funding III, as borrower, entered into the Union Bank Facility with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to thereto from time to time. The Union Bank Facility replaced our credit facility (the Prior Union Bank Facility) entered into on August 14, 2014 (as amended and restated from time to time) with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Prior Union Bank Facility from time to time. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

On June 27, 2016, we closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallocments, resulting in total aggregate principal of \$69.0 million from the offering. The 2024 Notes rank equally in right of payment and form a single series of notes. The 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 these public offerings to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

At September 30, 2016, we had \$110.4 million of 2019 Notes, \$244.9 million of 2024 Notes, \$117.0 million of 2021 Asset-Backed Notes, and \$190.2 million of SBA debentures payable. We had no borrowings outstanding under the Wells Facility or the Union Bank Facility. See Subsequent Events.

At September 30, 2016, we had \$264.0 million in available liquidity, including \$69.0 million in cash and cash equivalents. We had available borrowing capacity of approximately \$120.0 million under the Wells Facility after the March 2016 expansion of the available facility to \$120.0 million and we had available borrowing capacity of \$75.0 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At September 30, 2016, we had \$118.5 million of capital outstanding 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 September 30, 2016, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

At September 30, 2016, we had approximately \$9.0 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

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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 nine months ended September 30, 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 nine months ended September 30, 2016, our operating activities used \$58.5 million of cash and cash equivalents, compared to \$78.5 million used during the nine months ended September 30, 2015. This \$20.0 million decrease in cash used by operating activities is primarily related to a decrease in investment purchases of approximately \$70.3 million offset by a decrease in investment repayments of \$38.7 million.

During the nine months ended September 30, 2016, our investing activities used approximately \$16,000 of cash, compared to approximately \$7.1 million provided during the nine months ended September 30, 2015. This \$7.2 million decrease in cash provided by investing activities was primarily due to a reduction of approximately \$7.1 million in cash, classified as restricted cash, on assets that are securitized.

During the nine months ended September 30, 2016, our financing activities provided \$32.3 million of cash, compared to \$8.4 million used during the nine months ended September 30, 2015. The \$40.7 million increase in cash provided by financing activities was primarily due to the proceeds received from the issuance of \$141.9 million of 2024 Notes during the nine months ended September 30, 2016, partially offset by a decrease in proceeds generated from the issuance of common stock of \$49.9 million and in repayments on our credit facilities.

As of September 30, 2016, net assets totaled \$753.6 million, with a NAV per share of \$9.86. We intend to continue to operate so as to generate 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 September 30, 2016 our asset coverage ratio under our regulatory requirements as a BDC was 259.6% 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 213.7% at September 30, 2016.

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At September 30, 2016 and December 31, 2015, we had the following available borrowings and outstanding amounts:

(in thousands)	September 30, 2016			December 31, 2015		
	Total Available	Principal	Carrying Value ⁽¹⁾	Total Available	Principal	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 187,333	\$ 190,200	\$ 190,200	\$ 186,829
2019 Notes	110,364	110,364	108,659	110,364	110,364	108,179
2024 Notes	244,945	244,945	237,663	103,000	103,000	100,128
2021 Asset-Backed Notes	117,004	117,004	115,531	129,300	129,300	126,995
Convertible Senior Notes ⁽³⁾				17,604	17,604	17,478
Wells Facility ⁽⁴⁾	120,000			75,000	50,000	50,000
Union Bank Facility ⁽⁴⁾	75,000			75,000		
Total	\$ 857,513	\$ 662,513	\$ 649,186	\$ 700,468	\$ 600,468	\$ 589,609

- (1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See below for the amount of debt issuance cost associated with each borrowing.
- (2) At both September 30, 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) The Convertible Senior Notes were fully settled on or before their contractual maturity date of April 15, 2016.
- (4) Availability subject to us meeting the borrowing base requirements. As the Union Bank Facility was replaced on May 5, 2016, amounts included above prior to May 5, 2016 relate to the Prior Union Bank Facility.

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 effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with 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 , 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 September 30, 2016 and December 31, 2015 were as follows:

(in thousands)	September 30, 2016	December 31, 2015
SBA Debentures	\$ 2,867	\$ 3,371
2019 Notes	1,705	2,185
2024 Notes	7,282	2,872
2021 Asset-Backed Notes	1,473	2,305
Convertible Senior Notes		44
Wells Facility ⁽¹⁾	608	669
Union Bank Facility ⁽¹⁾	880	229
Total	\$ 14,815	\$ 11,675

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

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May 5, 2016, amounts included above prior to May 5, 2016 relate to the Prior Union Bank Facility. As of January 1, 2016, we adopted ASU 2015-03 and ASU 2015-15, 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

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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 or Union Bank Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities. Refer to Critical Accounting Policies .

Commitments

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

At September 30, 2016, we had approximately \$73.9 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. 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 \$100.0 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 September 30, 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)	Unfunded Commitments⁽¹⁾
Portfolio Company	
Paratek Pharmaceuticals, Inc.	\$ 20,000
NewVoiceMedia Limited	15,000
Evernote Corporation	14,000
Aquantia Corp.	11,500
Genocea Biosciences, Inc.	5,000
Edge Therapeutics, Inc.	5,000
Druva, Inc.	3,000
RedSeal Inc.	365
Total	\$ 73,865

(1) Amount represents unfunded commitments, including undrawn revolving facilities, which are available at the request of the portfolio company. Amount excludes unfunded commitments which are unavailable due to the borrower having not met certain milestones.

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The following table shows our contractual obligations as of September 30, 2016:

Contractual Obligations ⁽¹⁾⁽²⁾	Total	Payments due by period (in thousands)			After 5 years
		Less than 1 year	1 - 3 years	3 - 5 years	
Borrowings ⁽³⁾⁽⁴⁾	\$ 662,513	\$	\$ 249,168	\$ 83,150	\$ 330,195
Operating Lease Obligations ⁽⁵⁾	3,707	1,658	1,931	118	
Total	\$ 666,220	\$ 1,658	\$ 251,099	\$ 83,268	\$ 330,195

(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, \$244.9 million of the 2024 Notes, and \$117.0 million of the 2021 Asset-Backed Notes as of September 30, 2016.

(4) Amounts represent future principal repayments and not the carrying value of each liability. See Note 4 to our consolidated financial statements.

(5) Long-term facility leases.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$420,000 and \$1.3 million during the three and nine months ended September 30, 2016, respectively. Total rent expense amounted to approximately \$414,000 and \$1.2 million during the same periods ended September 30, 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.

Borrowings*Long-Term SBA Debentures*

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of September 30, 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 September 30, 2016. As of September 30, 2016, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2016 the Company held investments in HT II in 36 companies with a fair value of approximately \$68.7 million, accounting for approximately 5.2% of the Company's total portfolio at September 30, 2016. HT II held approximately \$100.4 million in assets and accounted for approximately 5.5% of the Company's total assets prior to consolidation at September 30, 2016.

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On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of September 30, 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 September 30, 2016. As of September 30, 2016, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2016, the Company held investments in HT III in 51 companies with a fair value of approximately \$230.7 million, accounting for approximately 17.5% of the Company's total portfolio at September 30, 2016. HT III held approximately \$252.7 million in assets and accounted for approximately 14.0% of the Company's total assets prior to consolidation at September 30, 2016.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 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 September 30, 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 September 30, 2016 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%. The average amount of debentures outstanding for the nine months ended September 30, 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 nine months

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ended September 30, 2016 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

For the three and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$ 1,757	\$ 1,757	\$ 5,231	\$ 5,212
Amortization of debt issuance cost (loan fees)	168	168	504	499
Total interest expense and fees	\$ 1,925	\$ 1,925	\$ 5,735	\$ 5,711

Cash paid for interest expense and fees	\$ 3,499	\$ 3,499	\$ 6,961	\$ 6,942
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As of September 30, 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 September 30, 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 September 30, 2016, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

The Company reported the following SBA debentures outstanding principal balances as of September 30, 2016 and December 31, 2015:

(in thousands)			September 30,	December
Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	2016	31, 2015
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge
2019 Notes

On March 6, 2012, the Company and U.S. Bank National Association (the 2019 Trustee) entered into 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).

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.

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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).

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 September 30, 2016 and December 31, 2015, the 2019 Notes payable outstanding principal balance consists of:

(in thousands)	September 30, 2016	December 31, 2015
April 2019 Notes	\$ 64,490	\$ 64,490
September 2019 Notes	45,874	45,874
Total 2019 Notes Principal Outstanding	\$ 110,364	\$ 110,364

April 2019 Notes

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

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

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

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

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

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

For the three and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$ 1,931	\$ 2,631	\$ 5,794	\$ 8,361
Amortization of debt issuance cost (loan fees)	160	211	480	1,163
Total interest expense and fees	\$ 2,091	\$ 2,842	\$ 6,274	\$ 9,524
Cash paid for interest expense and fees	\$ 1,931	\$ 2,631	\$ 5,794	\$ 8,594

As of September 30, 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 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 the 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.

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On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 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 overallotments on April 29, 2016.

On June 27, 2016, the Company closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallotments, resulting in total aggregate principal of \$69.0 million from the offering.

All issuances of 2024 Notes rank equally in right of payment and form a single series of notes.

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

The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of September 30, 2016, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At September 30, 2016 and December 31, 2015, the 2024 Notes had an outstanding principal balance of \$244.9 million and \$103.0 million, respectively.

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For the three and nine months ended September 30, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$ 3,926	\$ 1,609	\$ 7,910	\$ 4,828
Amortization of debt issuance cost (loan fees)	229	83	448	250
Total interest expense and fees	\$ 4,155	\$ 1,692	\$ 8,358	\$ 5,078
Cash paid for interest expense and fees	\$ 3,827	\$ 1,609	\$ 7,046	\$ 4,828

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, the 2014 Trust Depositor, the 2014 Securitization Issuer, and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of 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 the 2014 Loans. The Company has made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2014 Loans as of the date of their transfer to the 2014 Trust Depositor.

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

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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 September 30, 2016 and December 31, 2015, the 2021 Asset-Backed Notes had an outstanding principal balance of \$117.0 million.

For the three and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$ 1,103	\$ 1,139	\$ 3,381	\$ 3,417
Amortization of debt issuance cost (loan fees)	366	227	832	673
Total interest expense and fees	\$ 1,469	\$ 1,366	\$ 4,213	\$ 4,090
Cash paid for interest expense and fees	\$ 1,110	\$ 1,139	\$ 3,388	\$ 3,417

Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$9.0 million and \$9.2 million of restricted cash as of September 30, 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 the Convertible Senior Notes. The Convertible Senior Notes were fully settled on or before their contractual maturity date of April 15, 2016.

Prior to the close of business on October 14, 2015, holders were able to 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 were able to convert their Convertible Senior Notes at any time. Throughout the life of the Convertible Senior Notes, holders of approximately \$74.8 million of the Convertible Senior Notes exercised their conversion rights. These Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the Convertible Senior Notes and approximately 1.6 million shares of the Company's common stock, or \$24.3 million.

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 and nine months ended September 30, 2016. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

The Convertible Senior Notes were 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%

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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 recorded 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%.

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

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

For the three and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$	\$ 264	\$ 352	\$ 743
Accretion of original issue discount		61	82	185
Amortization of debt issuance cost (loan fees)		33	44	98
Total interest expense and fees	\$	\$ 358	\$ 478	\$ 1,026
Cash paid for interest expense and fees	\$	\$	\$ 440	\$ 529

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 and nine months ended September 30, 2016 and 2015.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly owned subsidiary, Hercules Funding II, entered into the Wells Facility with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time.

The Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostark Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 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 and nine months ended September 30, 2016, this non-use fee was approximately \$155,000 and \$336,000, respectively. For the three and nine months ended September 30, 2015, this non-use fee was approximately \$41,000 and \$229,000, respectively.

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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 September 30, 2016, the minimum tangible net worth covenant increased to \$637.2 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 2.1 million shares of common stock issued under the ATM equity distribution agreement with JMP for gross proceeds of \$24.5 million during the nine months ended September 30, 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 \$168.3 million on the available facility during the nine months ended September 30, 2016 offset by repayments of \$218.3 million. At December 31, 2015 there was \$50.0 million, respectively, of borrowings outstanding on this facility. There were no borrowings outstanding on the facility as of September 30, 2016.

For the three and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$	\$ 356	\$ 501	\$ 356
Amortization of debt issuance cost (loan fees)	115	92	341	264
Total interest expense and fees	\$ 115	\$ 448	\$ 842	\$ 620
Cash paid for interest expense and fees	\$	\$ 289	\$ 577	\$ 289
<i>Union Bank Facility</i>				

On May 5, 2016, the Company, through a special purpose wholly owned subsidiary, Hercules Funding III, as borrower, entered into the Union Bank Facility with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Union Bank Facility from time to time. The Union Bank Facility replaced the Prior Union Bank Facility. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a

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LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of HT III.

The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. Although the Company did not incur any non-use fees under the Union Bank Facility prior to May 5, 2016, for the three and nine months ended September 30, 2016, the company incurred non-use fees under the existing and previous Union Bank Facility of approximately \$96,000 and \$277,000, respectively. For the three and nine months ended September 30, 2015, the non-use fee was approximately \$96,000 and \$284,000, respectively.

The Union Bank Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to HT III, including covenants relating to certain changes of control of the Company and HT III. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of September 30, 2016, the minimum tangible net worth covenant increased to \$658.2 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 4.1 million shares of common stock issued under the ATM equity distribution agreement with JMP for net proceeds of \$50.2 million during the nine months ended September 30, 2016. The Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

In connection with the Union Bank Facility, the Company and HT III also entered into the Sale and Servicing Agreement, dated as of May 5, 2016 (the Sale Agreement), by and among HT III, as borrower, the Company, as originator and servicer, and MUFG Union Bank, as agent. Under the Sale Agreement, the Company agrees to (i) sell or transfer certain loans to HT III under the Union Bank Facility and (ii) act as servicer for the loans sold or transferred.

The Company had aggregate draws of \$25.0 million on the available facility during the nine months ended September 30, 2016 offset by repayments of \$25.0 million. At September 30, 2016 there were no borrowings outstanding on the Union Bank Facility.

For the three and nine months ended September 30, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense	\$	\$	\$ 55	\$
Amortization of debt issuance cost (loan fees)	112	15	244	45
Total interest expense and fees	\$ 112	\$ 15	\$ 299	\$ 45
Cash paid for interest expense and fees	\$	\$	\$ 38	\$

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Citibank Credit Facility

The Company, through Hercules Funding Trust I, an affiliated statutory trust, entered into Citibank Credit Facility with Citigroup, which expired under normal terms. During the first quarter of 2009, the Company paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of debt investments and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal to 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 nine months ended September 30, 2016, the Company reduced its realized gain by approximately \$146,000 for Citigroup's participation from the acquisition proceeds received on equity exercised from warrants that were included in the collateral pool. The Company also recorded a decrease in participation liability and an increase in unrealized appreciation by a net amount of approximately \$3,000 primarily due to depreciation of fair value on the pool of warrants collateralized under the warrant participation and the acquisition proceeds received on the Company's Ping Identity Corporation equity investment. The remaining value of Citigroup's participation right on unrealized gains in the related equity investments is approximately \$114,000 as of September 30, 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 \$2.4 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. The remaining warrants subject to the Citigroup participation agreement are set to expire in January 2017.

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

Date Declared	Record Date	Payment Date	Amount Per Share
October 27, 2005	November 1, 2005	November 17, 2005	\$ 0.03
December 9, 2005	January 6, 2006	January 27, 2006	0.30
April 3, 2006	April 10, 2006	May 5, 2006	0.30
July 19, 2006	July 31, 2006	August 28, 2006	0.30
October 16, 2006	November 6, 2006	December 1, 2006	0.30
February 7, 2007	February 19, 2007	March 19, 2007	0.30
May 3, 2007	May 16, 2007	June 18, 2007	0.30
August 2, 2007	August 16, 2007	September 17, 2007	0.30
November 1, 2007	November 16, 2007	December 17, 2007	0.30
February 7, 2008	February 15, 2008	March 17, 2008	0.30
May 8, 2008	May 16, 2008	June 16, 2008	0.34
August 7, 2008	August 15, 2008	September 19, 2008	0.34
November 6, 2008	November 14, 2008	December 15, 2008	0.34
February 12, 2009	February 23, 2009	March 30, 2009	0.32*
May 7, 2009	May 15, 2009	June 15, 2009	0.30
August 6, 2009	August 14, 2009	September 14, 2009	0.30
October 15, 2009	October 20, 2009	November 23, 2009	0.30
December 16, 2009	December 24, 2009	December 30, 2009	0.04
February 11, 2010	February 19, 2010	March 19, 2010	0.20
May 3, 2010	May 12, 2010	June 18, 2010	0.20
August 2, 2010	August 12, 2010	September 17, 2010	0.20
November 4, 2010	November 10, 2010	December 17, 2010	0.20
March 1, 2011	March 10, 2011	March 24, 2011	0.22
May 5, 2011	May 11, 2011	June 23, 2011	0.22
August 4, 2011	August 15, 2011	September 15, 2011	0.22
November 3, 2011	November 14, 2011	November 29, 2011	0.22
February 27, 2012	March 12, 2012	March 15, 2012	0.23
April 30, 2012	May 18, 2012	May 25, 2012	0.24
July 30, 2012	August 17, 2012	August 24, 2012	0.24
October 26, 2012	November 14, 2012	November 21, 2012	0.24
February 26, 2013	March 11, 2013	March 19, 2013	0.25
April 29, 2013	May 14, 2013	May 21, 2013	0.27
July 29, 2013	August 13, 2013	August 20, 2013	0.28
November 4, 2013	November 18, 2013	November 25, 2013	0.31
February 24, 2014	March 10, 2014	March 17, 2014	0.31
April 28, 2014	May 12, 2014	May 19, 2014	0.31
July 28, 2014	August 18, 2014	August 25, 2014	0.31
October 29, 2014	November 17, 2014	November 24, 2014	0.31
February 24, 2015	March 12, 2015	March 19, 2015	0.31
May 4, 2015	May 18, 2015	May 25, 2015	0.31
July 29, 2015	August 17, 2015	August 24, 2015	0.31
October 28, 2015	November 16, 2015	November 23, 2015	0.31
February 17, 2016	March 7, 2016	March 14, 2016	0.31
April 27, 2016	May 16, 2016	May 23, 2016	0.31
July 27, 2016	August 15, 2016	August 22, 2016	0.31
October 26, 2016	November 14, 2016	November 21, 2016	0.31

* Dividend distribution paid in cash and stock.

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On October 26, 2016 the Board of Directors declared a cash dividend distribution of \$0.31 per share to be paid on November 21, 2016 to stockholders of record as of November 14, 2016. This distribution represents our forty-fifth consecutive dividend declaration since our IPO, bringing the total cumulative dividend declared to date \$12.47 per share.

Our Board of Directors maintains a variable dividend distribution 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 distribution, 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 distribution 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 a stockholder's tax basis in our shares, and any distributions paid in excess of a stockholder's tax basis in our shares 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 and is generally based upon our taxable income for the full taxable year and distributions paid for the full taxable year. As a result, any determination of the tax attributes of our distributions 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 dividend distributions 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 September 30, 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 September 30, 2016, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2016 distributions to stockholders will actually be.

Shortly after the close of each calendar year information 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, if any) will be provided 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 continue our qualification to be subject to tax as a RIC under Subchapter M of the Code. In order to be subject to tax as a RIC, we are required to satisfy certain gross income and asset composition tests, as well as distribute dividends to our stockholders each taxable year of an amount at least equal to 90% of the sum of our investment company taxable income, determined without regard to any deduction for dividends paid, and our net tax-exempt income, if any. Upon being eligible to be subject to tax as a RIC, we would be entitled to deduct dividend distributions we pay to our stockholders in determining our taxable income. Included in taxable income are taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities 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. In connection with maintaining our ability to be subject to tax as a RIC, among other things, we have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

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 stockholders

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of an amount generally at least equal to the sum of (1) 98% of our ordinary income (subject to certain deferrals and elections) for each calendar year, (2) 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year. 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 incur a 4% excise tax on such taxable income, as required. The maximum amount of such excess taxable income that may be carried over for distribution as dividend distributions in the next taxable year under the Code is the total amount of dividend distributions 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 our taxable income for that taxable year as such dividend distributions 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 stockholders in 2016.

We maintain an opt-out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend distribution, 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 dividend distributions.

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 and ASU 2015-15, which collectively require debt issuance costs to be presented on the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line-of-credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of our SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance

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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 or Union 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 September 30, 2016, approximately 93.0% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 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 Topic 820 because there is no known or accessible market or market indices 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 Topic 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. 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;

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- (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 Topic 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 Topic 820 also requires disclosure for fair value measurements based on the level within the hierarchy of the information used in the valuation. ASC Topic 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. ASC Topic 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.

We have categorized all investments recorded at fair value in accordance with ASC Topic 820 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC Topic 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 September 30, 2016 and as of December 31, 2015. We transfer investments in and out of Level 1, 2 and 3 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 nine months ended September 30, 2016, there were no transfers between Levels 1 or 2.

(in thousands)	Balance September 30, 2016	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Senior Secured Debt	\$ 1,224,121	\$	\$ 5,981	\$ 1,218,140
Preferred Stock	41,828			41,828
Common Stock	26,923	21,225		5,698
Warrants	27,738		3,572	24,166
Escrow Receivable	1,180			1,180
Total	\$ 1,321,790	\$ 21,225	\$ 9,553	\$ 1,291,012

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

The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2016 and the year ended December 31, 2015.

(in thousands)	Balance January 1, 2016	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Purchases ⁽⁵⁾	Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance September 30, 2016
Senior Debt	\$ 1,102,396	\$ (6,868)	\$ (9,948)	\$ 475,551	\$ (1,367)	\$ (338,430)	\$	\$ (4,561)	\$ 1,218,140
Preferred Stock	35,245	(334)	1,599	6,820	(1,367)		626	(761)	41,828
Common Stock	1,527		(590)				4,761		5,698
Warrants	18,565	(283)	4,270	3,084	(906)			(564)	24,166
Escrow Receivable	2,967			1,729	(3,516)				1,180
Total	\$ 1,160,700	\$ (7,485)	\$ (4,669)	\$ 487,184	\$ (5,789)	\$ (338,430)	\$ 5,387	\$ (5,886)	\$ 1,291,012

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

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

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

(3) Transfers out of Level 3 during the nine months ended September 30, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an IPO and acquisition, respectively; the exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common

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shares in SCIEnergy, Inc. Transfers into Level 3 during the nine months ended September 30, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. 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. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.
- (6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

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For nine months ended September 30, 2016, approximately \$315,000 in net unrealized appreciation and \$590,000 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 \$22.8 million in net unrealized depreciation and \$3.5 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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

The following tables provides quantitative information about our Level 3 fair value measurements as of September 30, 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.

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Investment Type - Level	Fair Value at September 30, 2016 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(b)
Three Debt Investments Pharmaceuticals	\$ 96,647	Originated Within 6 Months	Origination Yield	12.24% - 15.39%	13.70%
	420,472	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	8.96% - 20.56% 0.00% - 0.75%	12.61%
	2,224	Liquidation ^(c)	Probability weighting of alternative outcomes	25.00% - 100.00%	
Technology	87,063	Originated Within 6 Months	Origination Yield	9.75% - 21.90%	14.66%
	247,989	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.49% - 16.60% (0.50%) - 0.25%	12.35%
	36,349	Liquidation ^(c)	Probability weighting of alternative outcomes	15.00% - 100.00%	
Sustainable and Renewable Technology	24,916	Originated Within 6 Months	Origination Yield	15.60%	15.60%
	152,520	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	6.81% - 22.75% (0.25%) - 0.25%	14.44%
Medical Devices	17,082	Originated Within 6 Months	Origination Yield	14.64% - 18.13%	15.58%
	74,506	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.35% - 16.44% (0.25%) - 0.50%	13.75%
	2,255	Liquidation ^(c)	Probability weighting of alternative outcomes	100.00%	
Lower Middle Market	5,436	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	13.33% - 14.58% 0.25% - 0.50%	14.02%
	24,542	Liquidation ^(c)	Probability weighting of alternative outcomes	2.50% - 100.00%	
Debt Investments Where Fair Value Approximates Cost					
Imminent Payoffs ^(d)					
	26,139	Debt Investments Maturing in Less than One Year			
	\$ 1,218,140	Total Level Three Debt Investments			

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

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

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

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

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

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

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

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

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

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Investment Type - Level Three Equity and	Fair Value at September 30, 2016 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ^(a)	Range	Weighted Average ^(e)			
Warrant Investments Equity Investments	\$ 6,114	Market Comparable Companies	EBITDA Multiple ^(b)	5.2x - 21.3x	7.9x			
			Revenue Multiple ^(b)	0.8x - 4.3x	1.9x			
			Discount for Lack of Marketability ^(c)	13.67% - 26.30%	15.03%			
			Average Industry Volatility ^(d)	49.01% - 119.05%	58.35%			
			Risk-Free Interest Rate	0.55% - 0.66%	0.56%			
			Estimated Time to Exit (in months)	10 - 17	11			
Warrant Investments	31,981	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	29.83% - 98.58%	67.74%			
			Risk-Free Interest Rate	0.20% - 1.30%	0.69%			
			Estimated Time to Exit (in months)	1 - 41	14			
			9,431	Other ^(f)				
			Warrant Investments	6,565	Market Comparable Companies	EBITDA Multiple ^(b)	2.0x - 63.1x	12.5x
						Revenue Multiple ^(b)	0.3x - 6.4x	2.7x
Discount for Lack of Marketability ^(c)	13.67% - 28.57%	20.21%						
Average Industry Volatility ^(d)	37.90% - 104.61%	64.62%						
Risk-Free Interest Rate	0.55% - 0.99%	0.71%						
Estimated Time to Exit (in months)	10 - 48	22						
Warrant Investments	17,601	Market Adjusted OPM Backsolve	Average Industry Volatility ^(d)	29.83% - 119.05%	59.99%			
			Risk-Free Interest Rate	0.20% - 1.43%	0.68%			
			Estimated Time to Exit (in months)	1 - 43	16			
Total Level Three Warrant and Equity Investments	\$ 71,692							

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

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

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

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

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

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(f) The fair market value of these investments is derived based on recent private market transaction prices.

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

(a) The significant unobservable inputs used in the fair value measurement of 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.

Debt Investments

We follow the guidance set forth in ASC Topic 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

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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 Topic 820 because there is no known or accessible market or market indices 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 as earned. We then apply the valuation methods as set forth below.

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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 are 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. 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.

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Escrow Receivables

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of September 30, 2016 there were no material past due escrow receivables.

Income Recognition

See [Changes in Portfolio](#) for a discussion of our income recognition policies and results during the three and nine months ended September 30, 2016. See [Results of Operations](#) for a comparison of investment income for the three and nine months ended September 30, 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 Topic 718, [Compensation Stock Compensation](#) formerly known as FASB Statement 123R [Share-Based Payments](#) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Recent Accounting Pronouncements

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

In February 2016, the FASB issued ASU 2016-02, [Leases \(Topic 842\)](#), which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous 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.

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In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues including, among other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted. We are currently evaluating the impact that ASU 2016-15 will have on its consolidated financial statements and disclosures.

Subsequent Events*Dividend Distribution Declaration*

On October 26, 2016 the Board of Directors declared a cash dividend distribution of \$0.31 per share to be paid on November 21, 2016 to stockholders of record as of November 14, 2016. This dividend distribution represents our forty-fifth consecutive dividend declaration since our IPO, bringing the total cumulative dividend declared to date to \$12.47 per share.

2024 Notes ATM Program

Subsequent to September 30, 2016 and as of November 7, 2016, we sold 140,750 Notes for approximately \$3.6 million in aggregate principal amount. As of November 7, 2016 approximately \$146.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

ATM Equity Program Issuances

Subsequent to September 30, 2016 and as of November 7, 2016, we sold 786,000 shares of common stock for total accumulated net proceeds of approximately \$10.6 million, including \$107,000 of offering expenses, under our ATM equity distribution agreement with JMP. As of November 7, 2016 approximately 2.4 million shares remain available for issuance and sale under the equity distribution agreement.

Employee Additions

In September 2016, we hired Paul Gibson as Managing Director in the Technology Group in Hercules Washington DC office. Mr. Gibson is a seasoned executive with more than 20 years of commercial banking experience, including more than 13 years in venture lending, focused on structuring financial transactions for growth technology and life sciences-related companies.

Closed and Pending Commitments

As of November 7, 2016, we have:

Closed debt and equity commitments of approximately \$50.8 million to new and existing portfolio companies and funded approximately \$52.0 million subsequent to September 30, 2016.

Pending commitments (signed non-binding term sheets) of approximately \$150.0 million. The table below summarizes our year-to-date closed and pending commitments as follows:

Closed Commitments and Pending Commitments (in millions)	
January 1 - September 30, 2016 Closed Commitments	\$ 603.0
Q4 2016 Closed Commitments (as of November 7, 2016) ^(a)	\$ 50.8
Pending Commitments (as of November 7, 2016) ^(b)	\$ 150.0
Closed and Pending Commitments as of November 7, 2016	\$ 803.8

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

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

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As of November 7, 2016, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. All four companies filed confidentially under the JOBS Act. There can be no assurance that these companies will complete their IPOs in a timely manner or at all. In addition, subsequent to September 30, 2016, Napo Pharmaceuticals, a company that focuses on the development and commercialization of proprietary pharmaceuticals for the global marketplace in collaboration with local partners, signed a non-binding letter-of-intent to merge with our portfolio company Jaguar Animal Health, Inc. in October of 2016.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle funds investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of September 30, 2016, approximately 92.9% 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 September 30, 2016, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

Basis Point Change	Interest Income	Interest Expense	Net Income
(100)	\$ (963)	\$	\$ (963)
100	\$ 7,391	\$	\$ 7,391
200	\$ 17,693	\$	\$ 17,693
300	\$ 29,107	\$	\$ 29,107
400	\$ 40,654	\$	\$ 40,654
500	\$ 52,337	\$	\$ 52,337

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 nine months ended September 30, 2016 we did not engage in interest rate (or foreign currency) hedging activities.

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including borrowings under our Credit Facilities, SBA debentures, 2019 Notes, 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

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which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by variable rate assets in our investment portfolio.

For additional information regarding the interest rate associated with each of our Credit Facilities, SBA debentures, 2019 Notes, 2024 Notes and 2021 Asset-Backed Notes, please refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Outstanding Borrowings in this prospectus supplement.

Disclosure Controls and Procedures

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) under the Exchange Act. As of the end of the period covered by 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.

Changes in Internal Control over Financial Reporting

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

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MANAGEMENT

On October 21, 2016, the Board of Directors elected Doreen W. Ho to the Board of Directors to fill the directorship vacancy created by the retirement of Rodney A. Ferguson. Ms. Ho was also appointed a member of each of the Company's Compensation Committee and Nominating and Corporate Governance Committee. Ms. Ho, age 69, is an independent director within the meaning of Section 303.A2 of the NYSE Listed Company Manual and Section 2(a)(19) of the 1940 Act. Because Ms. Ho is filling a vacancy on our Board of Directors, Ms. Ho's initial term will expire on the date of the Company's 2019 Annual Meeting of Shareholders.

Ms. Ho is a retired senior executive who has held top management roles at some of the largest commercial banks in America, including Wells Fargo Bank, Citibank and United Commercial Bank. In 2009, she was President, CEO and Board Member of United Commercial Bank, a leading Asian community and commercial bank headquartered in San Francisco, with assets over \$12.7 billion. From 1998 to 2008, Ms. Ho served as President of the Consumer Credit Group at Wells Fargo Bank. Prior to Wells Fargo, she served as Senior Vice President of National Business Banking, US Consumer Bank and other multiple positions in corporate and consumer lending at Citibank from 1974 to 1998. Ms. Ho currently serves as an independent Director for U.S. Bank, the fifth largest commercial bank in the US. She has also been serving as Commissioner of the Port of San Francisco since 2011 and on the Board of Directors of the San Francisco Opera since 1992.

Ms. Ho was selected to serve as an independent director on our Board of Directors due to her strong leadership skills, past service on other public company boards, and her wealth of banking experience.

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PLAN OF DISTRIBUTION

The Agent is acting as our sales agent in connection with the offer and sale of the Notes pursuant to this prospectus supplement and the accompanying prospectus. Upon written instructions from us, the Agent will use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, the Notes under the terms and subject to the conditions set forth in our Distribution Agreement with the Agent dated October 11, 2016. We will instruct the Agent as to the amount of the Notes to be sold by it. We may instruct the Agent not to sell the Notes if the sales cannot be effected at or above the price designated by us in any instruction. We will instruct the Agent not to sell the Notes if the sales cannot be effected at or above prices that will allow the Notes to be treated as fungible with the Existing Notes for U.S. federal income tax purposes. We or the Agent may suspend the offering of Notes upon proper notice and subject to other conditions.

Sales of the Notes, 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. If any of the Notes are sold at prices above par, the effective yield on such Notes to the purchasers may be less than 6.25%.

The Agent 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 the Notes are sold under the Distribution Agreement. Each confirmation will include the principal amount of Notes sold on the preceding day, the sales price of Notes sold, the aggregate gross sales proceeds of such Notes, the net proceeds to us and the compensation payable by us to the Agent in connection with the sales.

The Agent will receive a commission from us equal to up to 2.0% of the gross sales price of any Notes sold through the Agent under the Distribution Agreement. We estimate that the total expenses for the offering, excluding compensation payable to the Agent under the terms of the Distribution Agreement, will be approximately \$500,000. This estimate includes the reimbursement by the Company of the reasonable fees and expenses of the Agent in connection with the transactions contemplated by the Distribution Agreement.

Settlement for sales of the Notes 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 the Agent 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 principal amount of Notes sold through the Agent under the Distribution Agreement, the net proceeds to us and the compensation paid by us to the Agent, if any.

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

The offering of the Notes pursuant to the Distribution Agreement will terminate upon the earlier of (i) the sale of the dollar amount of Notes subject to the Distribution Agreement or (ii) the termination of the Distribution Agreement as permitted therein.

Other Relationships

The Agent and certain of its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment

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management, investment research, principal investment, hedging, financing and brokerage activities. The Agent and certain of its affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the Company and our affiliates, for which they received or may in the future receive customary fees and expenses.

In the ordinary course of its various business activities, the Agent and certain of 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 the Company or our affiliates. If the Agent or its affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The Agent and its affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Agent and certain of its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of the Agent is 1300 17th Street North, Suite 1400, Arlington, Virginia 22209.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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

This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment purposes) and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a hedge against currency risks or as a position in a straddle, hedge, constructive sale transaction or conversion transaction for tax purposes, entities that are tax-exempt for U.S. federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes) and beneficial owners of pass-through entities, or U.S. holders (as defined below) whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. In addition, this discussion does not deal with any tax consequences other than U.S. federal income tax consequences. If you are considering purchasing the Notes, you should consult your own tax advisor concerning the application of the U.S. federal income tax laws to you in light of your particular situation, as well as any consequences to you of purchasing, owning and disposing of the Notes under the laws of any other taxing jurisdiction.

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) a trust (a) subject to the control of one or more U.S. persons and the primary supervision of a court in the United States, or (b) that existed on August 20, 1996 and has made a valid election (under applicable Treasury Regulations) to be treated as a domestic trust, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The term non-U.S. holder means a beneficial owner of a Note that is neither a U.S. holder nor a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes). An individual may, subject to certain exceptions, be subject to treatment as a resident alien, as opposed to a non-resident alien, for U.S. federal income tax purposes by, among other ways, being physically present in the U.S. (i) on at least 31 days during a calendar year, and (ii) for an aggregate period of at least 183 days during a three-year period ending in the current calendar year, counting for such purposes all of the days present in the current calendar year, one-third of the days present in the immediate preceding year, and one-sixth of the days present in the second preceding year. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the

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partner level. Partnerships holding Notes, and the persons holding interests in such partnerships, should consult their own tax advisors as to the consequences of investing in the Notes in their individual circumstances.

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

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

Except as discussed below, payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder's regular method of tax accounting. In addition, if the issue price of the Notes (*i.e.*, the first price at which a substantial amount of the Notes is sold to investors) is less than their stated redemption price at maturity (*i.e.*, the sum of all payments to be made on the Notes, other than payments of qualified stated interest) by more than a specified *de minimis* amount, the Notes will be considered as having been issued for U.S. federal income tax purposes with original issue discount, or OID. In the case of the notes, the term qualified stated interest generally means that interest that is unconditionally payable at least annually and at a single fixed rate.

If the Notes are issued with OID, a U.S. holder generally will be required to include the OID in gross income as ordinary interest income in advance of the receipt of cash attributable to that income and regardless of such U.S. holder's regular method of tax accounting. Such OID will be included in gross income for each day during each taxable year in which a Note is held by a U.S. holder using a constant yield method that reflects the compounding of interest. This means that a U.S. holder will be required to include increasingly greater amounts of OID over time. Alternatively, if a U.S. holder acquires a Note with *de minimis* OID (*i.e.*, discount that is not OID), the U.S. holder generally will be required to include the *de minimis* OID in income at the time a principal payment on the Note is made in proportion to the amount paid. Any amount of *de minimis* OID on a Note that is recognized by a U.S. holder will be characterized as capital gain. Notice will be given if we determine that any of the Notes will be issued with OID. We are required to provide information returns stating the amount of OID accrued on the Notes held by persons of record, other than certain U.S. tax-exempt holders.

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

If a U.S. holder acquires a Note for an amount that is less than its stated principal amount, the amount of the difference generally will be treated as market discount for U.S. federal income tax purposes, unless that difference is less than a specified *de minimis* amount. Under the market discount rules, a U.S. holder will be required to characterize any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the market discount that the U.S. holder has not previously included in income and are treated as having accrued on the Note at the time of the payment or

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disposition. In addition, the U.S. holder may be required to defer, until the maturity of a Note or its earlier sale or other disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the Note. A U.S. holder may elect, on a Note-by-Note basis, to deduct such deferred interest expense in a taxable year prior to the taxable year of disposition. If a U.S. holder makes this election, it will only apply to the Note with respect to which it is made, and such election is irrevocable without the consent of the IRS. U.S. holders should consult their own tax advisors about this election. Any market discount on a Note will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Note, unless a U.S. holder elects to accrue such market discount on a constant yield method. In addition, a U.S. holder may make a separate election to include market discount in income currently as it accrues, on either a ratable or constant yield method, in which case the rule described above regarding deferral of interest deductions will not apply. If a U.S. holder makes this election, it will apply to all debt instruments with market discount (including, if applicable, the Notes) that the U.S. holder acquires on or after the first day of the first taxable year to which the election applies. A U.S. holder may not revoke this election without the consent of the IRS. U.S. holders should consult their own tax advisors before making either such election.

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

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

Taxation of Non-U.S. Holders. Subject to the discussion of FATCA below, a non-U.S. holder generally will not be subject to U.S. federal income or withholding taxes on payments of principal or interest on a Note provided that (i) income on the Note is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, (ii) the non-U.S. holder is not a controlled foreign corporation related to the Company through stock ownership, (iii) the non-U.S. holder is not a bank receiving interest described in

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Section 881(c)(3)(A) of the Code, (iv) the non-U.S. holder does not own (directly or indirectly, actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (v) (A) the non-U.S. holder provides a valid certification on an IRS Form W-8BEN, Form W-8BEN-E, or other applicable U.S. nonresident withholding tax certification form, certifying its non-U.S. holder status, or (B) a securities clearing organization, bank, or other financial institution that holds customer securities in the ordinary course of its trade or business (a financial institution) and holds the Note certifies to us under penalties of perjury that either it or another financial institution has received the required statement from the Non-U.S. Holder certifying that it is a non-United States person and furnishes us with a copy of the statement.

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

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

Generally, a non-U.S. holder will not be subject to U.S. federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, provided that the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, if required by an applicable income tax treaty, is not attributable to a United States permanent establishment maintained by the non-U.S. holder). Non-U.S. holders should consult their own tax advisors with regard to whether taxes will be imposed on capital gain in their individual circumstances. A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) generally will not be subject to the U.S. federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual's interest in the Notes is effectively connected with the individual's conduct of a U.S. trade or business.

Tax Shelter Reporting Regulations. Under applicable U.S. Treasury Regulations, if a U.S. holder recognizes a loss with respect to the Notes or our common stock of \$2 million or more for a non-corporate U.S. holder or \$10 million or more for a corporate U.S. holder in any single taxable year (or a greater loss over a combination of taxable years), the U.S. holder may be required to file with the IRS a disclosure statement on IRS Form 8886. Direct U.S. holders of portfolio securities are in many cases excepted from this reporting requirement, but, under current guidance, U.S. holders of a RIC are not exempt from such reporting. Future guidance may extend the current exception from this reporting requirement to U.S. holders of securities issued by most or all RICs. The fact that a loss is reportable under these U.S. Treasury Regulations does not affect the legal

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determination of whether a taxpayer's treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. U.S. holders of the Notes or our common stock should consult their own tax advisors to determine the applicability of these U.S. Treasury Regulations in light of their individual circumstances.

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

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

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

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

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

FATCA. Certain provisions of the Code, known as FATCA, generally impose a withholding tax of 30% on certain payments to certain foreign entities (including financial intermediaries) unless various U.S. information reporting and diligence requirements (that are in addition to and significantly more onerous than, the requirement

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to deliver an applicable U.S. nonresident withholding tax certification form (e.g., IRS Form W-8BEN), as discussed above) and certain other requirements have been satisfied. FATCA withholding generally applies to payments of interest and, after December 31, 2018, payments of gross proceeds (including principal payments) from the sale or other disposition of debt securities that can produce U.S. source interest (such as Notes). Persons located in jurisdictions that have entered into an intergovernmental agreement with the U.S. to implement FATCA may be subject to different rules. Non-U.S. holders, and U.S. holders that will hold their Notes through foreign entities, considering purchasing the Notes should consult their own tax advisors regarding the effect, if any, of these withholding and reporting provisions.

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

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LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Dechert LLP, Philadelphia, PA. Certain legal matters in connection with the securities offered hereby will be passed upon for the Agent by Duane Morris LLP, New York, NY.

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 the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

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

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

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	September 30, 2016	December 31, 2015
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,352,633 and \$1,238,539, respectively)	\$ 1,309,696	\$ 1,192,652
Control investments (cost of \$22,285 and \$0, respectively)	4,991	
Affiliate investments (cost of \$13,326 and \$13,742, respectively)	5,923	7,986
Total investments, at value (cost of \$1,388,244 and \$1,252,281, respectively)	1,320,610	1,200,638
Cash and cash equivalents	69,012	95,196
Restricted cash	8,980	9,191
Interest receivable	10,861	9,239
Other assets	9,961	9,720
Total assets	\$ 1,419,424	\$ 1,323,984
Liabilities		
Accounts payable and accrued liabilities	\$ 16,649	\$ 17,241
Long-Term Liabilities (Convertible Senior Notes), net (principal of \$0 and \$17,604) ⁽¹⁾		17,478
Wells Facility		50,000
2021 Asset-Backed Notes, net (principal of \$117,004 and \$129,300, respectively) ⁽¹⁾	115,531	126,995
2019 Notes, net (principal of \$110,364 and \$110,364, respectively) ⁽¹⁾	108,659	108,179
2024 Notes, net (principal of \$244,945 and \$103,000, respectively) ⁽¹⁾	237,663	100,128
Long-Term SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) ⁽¹⁾	187,333	186,829
Total liabilities	\$ 665,835	\$ 606,850
Net assets consist of:		
Common stock, par value	77	73
Capital in excess of par value	802,521	752,244
Unrealized depreciation on investments ⁽²⁾	(68,880)	(52,808)
Accumulated realized gains on investments	31,420	27,993
Distributions in excess of net investment income	(11,549)	(10,368)
Total net assets	\$ 753,589	\$ 717,134
Total liabilities and net assets	\$ 1,419,424	\$ 1,323,984
Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)		
Net asset value per share	\$ 9.86	\$ 9.94

(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 \$1.2 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and Citigroup warrant participation agreement liabilities as of September 30, 2016 and December 31, 2015.

See notes to consolidated financial statements.

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

(Dollars in thousands)	September 30, 2016	December 31, 2015
Assets		
Restricted Cash	\$ 8,980	\$ 9,191
Total investments, at value (cost of \$245,868 and \$258,748, respectively)	243,216	257,657
Total assets	\$ 252,196	\$ 266,848
Liabilities		
2021 Asset-Backed Notes, net (principal of \$117,004 and \$129,300, respectively) ⁽¹⁾	\$ 115,531	\$ 126,995
Total liabilities	\$ 115,531	\$ 126,995

(1) The Company's 2021 Asset-Backed Notes 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Investment income:				
Interest income				
Non-control/Non-affiliate investments	\$ 39,907	\$ 40,256	\$ 115,887	\$ 105,861
Control investments	15		15	
Affiliate investments	30	83	145	278
Total interest income	39,952	40,339	116,047	106,139
Fees				
Non-control/Non-affiliate investments	5,149	6,793	11,531	11,611
Control investments	1		1	
Affiliate investments				1
Total fees	5,150	6,793	11,532	11,612
Total investment income	45,102	47,132	127,579	117,751
Operating expenses:				
Interest	8,717	7,818	23,306	23,243
Loan fees	1,432	1,072	3,698	4,166
General and administrative	4,114	4,504	12,095	12,190
Employee compensation:				
Compensation and benefits	5,621	7,969	15,637	17,621
Stock-based compensation	1,442	2,179	5,616	7,166
Total employee compensation	7,063	10,148	21,253	24,787
Total operating expenses	21,326	23,542	60,352	64,386
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)				(1)
Net investment income	23,776	23,590	67,227	53,364
Net realized gain on investments				
Non-control/Non-affiliate investments	7,870	6,366	3,427	8,424
Total net realized gain on investments	7,870	6,366	3,427	8,424
Net change in unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	(1,387)	(25,032)	(11,005)	(34,585)
Control investments			(3,421)	
Affiliate investments	553	(849)	(1,646)	1,543
Total net unrealized depreciation on investments	(834)	(25,881)	(16,072)	(33,042)
Total net realized and unrealized gain (loss)	7,036	(19,515)	(12,645)	(24,618)

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Net increase in net assets resulting from operations	\$ 30,812	\$ 4,075	\$ 54,582	\$ 28,746
Net investment income before investment gains and losses per common share:				
Basic	\$ 0.32	\$ 0.33	\$ 0.91	\$ 0.76
Change in net assets resulting from operations per common share:				
Basic	\$ 0.41	\$ 0.05	\$ 0.74	\$ 0.40
Diluted	\$ 0.41	\$ 0.05	\$ 0.74	\$ 0.40
Weighted average shares outstanding				
Basic	74,122	71,462	72,685	68,897
Diluted	74,157	71,496	72,702	69,123
Dividend distributions declared per common share:				
Basic	\$ 0.31	\$ 0.31	\$ 0.93	\$ 0.93

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 Shares	Common Stock Par Value	Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Undistributed Net Investment Income/ (Distributions in Excess of Investment Income)	Provision for Income Taxes on Investment Gains	Net Assets
Balance at December 31, 2014	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations				(33,042)	8,424	53,364		28,746
Public offering, net of offering expenses	7,591	8	100,084					100,092
Issuance of common stock due to stock option exercises	51		428					428
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	(595)	(1)	(3,997)					(3,998)
Issuance of common stock as stock dividend	123		1,589					1,589
Dividend distributions						(65,238)		(65,238)
Stock-based compensation ⁽¹⁾			7,231					7,231
Balance at September 30, 2015	72,109	\$ 73	\$ 757,646	\$ (50,118)	\$ 22,503	\$ (6,969)	\$ (342)	\$ 722,793
Balance at December 31, 2015	72,118	\$ 73	\$ 752,244	\$ (52,808)	\$ 27,993	\$ (10,026)	\$ (342)	\$ 717,134
Net increase (decrease) in net assets resulting from operations				(16,072)	3,427	67,227		54,582
Public offering, net of offering expenses	4,273	4	50,173					50,177
Acquisition of common stock under repurchase plan	(450)	(1)	(4,789)					(4,790)
Issuance of common stock due to stock option exercises	42		426					426
Retired shares from net issuance	(6)							
Issuance of common stock under restricted stock plan	552	1	(1)					
Retired shares for restricted stock vesting	(240)		(2,560)					(2,560)
Issuance of common stock as stock dividend	111		1,343					1,343
Dividend distributions						(68,408)		(68,408)
Stock-based compensation ⁽¹⁾			5,685					5,685
Balance at September 30, 2016	76,400	\$ 77	\$ 802,521	\$ (68,880)	\$ 31,420	\$ (11,207)	\$ (342)	\$ 753,589

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- (1) Stock-based compensation includes \$69 and \$65 of restricted stock and option expense related to director compensation for the nine months ended September 30, 2016 and 2015, respectively.

See notes to consolidated financial statements.

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED STATEMENT OF CASH FLOWS****(unaudited)****(dollars in thousands)**

	For the Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 54,582	\$ 28,746
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(461,772)	(532,048)
Principal and fee payments received on investments	340,584	379,247
Proceeds from the sale of investments	16,701	16,523
Net unrealized depreciation on investments	16,072	33,042
Net realized loss (gain) on investments	(3,427)	(8,424)
Accretion of paid-in-kind principal	(5,317)	(2,796)
Accretion of loan discounts	(5,524)	(6,369)
Accretion of loan discount on Convertible Senior Notes	82	185
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)		1
Payment of loan discount on Convertible Senior Notes		(5)
Accretion of loan exit fees	(16,679)	(10,493)
Change in deferred loan origination revenue	(253)	1,275
Unearned fees related to unfunded commitments	(308)	(271)
Amortization of debt fees and issuance costs	2,987	3,498
Depreciation	152	152
Stock-based compensation and amortization of restricted stock grants ⁽¹⁾	5,685	7,231
Change in operating assets and liabilities:		
Interest and fees receivable	(1,622)	925
Prepaid expenses and other assets	228	4,833
Accounts payable	56	171
Accrued liabilities	(729)	6,065
Net cash used in operating activities	(58,502)	(78,512)
Cash flows from investing activities:		
Purchases of capital equipment	(227)	(158)
Reduction of restricted cash	211	7,302
Net cash (used in) provided by investing activities	(16)	7,144
Cash flows from financing activities:		
Issuance of common stock, net	50,177	100,092
Repurchase of common stock, net	(4,790)	(4,498)
Retirement of employee shares	(2,134)	(3,993)
Dividend distributions paid	(67,065)	(63,649)
Issuance of 2024 Notes Payable	141,945	
Repayments of 2019 Notes Payable		(20,000)
Repayments of 2017 Asset-Backed Notes		(16,049)
Repayments of 2021 Asset-Backed Notes	(12,296)	
Borrowings of credit facilities	193,276	53,365
Repayments of credit facilities	(243,276)	(53,365)
Cash paid for debt issuance costs	(4,858)	
Cash paid for redemption of Convertible Senior Notes	(17,604)	(65)
Fees paid for credit facilities and debentures	(1,041)	(282)

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Net cash provided by (used in) financing activities	32,334	(8,444)
Net decrease in cash and cash equivalents	(26,184)	(79,812)
Cash and cash equivalents at beginning of period	95,196	227,116
Cash and cash equivalents at end of period	\$ 69,012	\$ 147,304
Supplemental non-cash investing and financing activities:		
Dividend distributions reinvested	\$ 1,343	\$ 1,589

- (1) Stock-based compensation includes \$69 and \$65 of restricted stock and option expense related to director compensation for the nine months ended September 30, 2016 and 2015, respectively.

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Debt Investments							
Biotechnology Tools							
1-5 Years Maturity							
Exicure, Inc. ^{(11)(14A)}	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 6,000	\$5,935	\$5,996
Subtotal: 1-5 Years Maturity						5,935	5,996
Subtotal: Biotechnology Tools (0.80%)*						5,935	5,996
Communications & Networking							
Under 1 Year Maturity							
Avanti Communications Group ⁽⁴⁾⁽⁹⁾	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 7,500	6,787	5,981
Achilles Technology Management Co II, Inc. ^{(6)(13)(14B)}	Communications & Networking	Senior Secured	August 2017	PIK Interest 10.50%	\$ 1,001	991	991
OpenPeak, Inc. ⁽⁷⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,211	8,975	
Subtotal: Under 1 Year Maturity						16,753	6,972
1-5 Years Maturity							
SkyCross, Inc. ^{(6)(7)(13)(14B)(15)}	Communications & Networking	Senior Secured	January 2018	Interest rate FIXED 10.95%, PIK Interest 5.00%	\$ 16,758	16,900	
Spring Mobile Solutions, Inc. ^{(12)(14B)}	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	3,010	3,002
Subtotal: 1-5 Years Maturity						19,910	3,002
Subtotal: Communications & Networking (1.32%)*						36,663	9,974
Consumer & Business Products							
Under 1 Year Maturity							

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Antenna79 (p.k.a. Pong Research Corporation) ^{(13)(14B)(14D)(15)}	Consumer & Business Products	Senior Secured	November 2016	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%,			
				PIK Interest 2.50%	\$ 4,302	4,628	4,071
	Consumer & Business Products	Senior Secured	November 2016	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 156	156	137
Total Antenna79 (p.k.a. Pong Research Corporation)					\$ 4,458	4,784	4,208
Miles, Inc. (p.k.a. Fluc, Inc.) ⁽⁸⁾	Consumer & Business Products	Convertible Debt	March 2017	Interest rate FIXED 4.00%	\$ 100	100	
Subtotal: Under 1 Year Maturity						4,884	4,208
1-5 Years Maturity							
Nasty Gal ^{(14B)(15)}	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 15,000	15,249	5,000
Second Time Around (Simplify Holdings, LLC) ^{(14A)(15)}	Consumer & Business Products	Senior Secured	February 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.75%	\$ 2,428	2,430	2,434
Subtotal: 1-5 Years Maturity						17,679	7,434
Subtotal: Consumer & Business Products (1.54%)*						22,563	11,642
Drug Delivery							
Under 1 Year Maturity							
Celsion Corporation ^{(10)(14A)}	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 3,316	\$3,617	\$3,617
Subtotal: Under 1 Year Maturity						3,617	3,617
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. ^{(9)(10)(14A)(15)}	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				or Floor rate of 9.10%	\$ 20,466	21,005	20,949
Agile Therapeutics, Inc. ^{(10)(14A)}	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%	\$ 16,500	16,413	16,390
Apreece Pharmaceuticals Company ^(14A)	Drug Delivery	Senior Secured	January 2020	Interest rate PRIME + 5.75%			
				or Floor rate of 9.25%	\$ 20,000	19,555	19,555

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity		Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
			Date					
BioQ Pharma Incorporated ^{(10)(14A)(14B)}	Drug Delivery	Senior Secured	May 2018		Interest rate PRIME + 8.00%			
					or Floor rate of 11.25%	\$ 9,130	9,484	9,403
	Drug Delivery	Senior Secured	May 2018		Interest rate PRIME + 7.00%			
					or Floor rate of 10.25%	\$ 2,736	2,763	2,759
Total BioQ Pharma Incorporated						\$ 11,866	12,247	12,162
Dance Biopharm, Inc. ^{(7)(14A)(15)}	Drug Delivery	Senior Secured	November 2017		Interest rate PRIME + 7.40%			
					or Floor rate of 10.65%	\$ 2,145	2,255	2,255
Edge Therapeutics, Inc. ^{(14A)(17)}	Drug Delivery	Senior Secured	February 2020		Interest rate PRIME + 4.65%			
					or Floor rate of 9.15%	\$ 15,000	14,927	15,008
Pulmatrix Inc. ^{(8)(10)(14A)}	Drug Delivery	Senior Secured	July 2018		Interest rate PRIME + 6.25%			
					or Floor rate of 9.50%	\$ 6,588	6,611	6,625
ZP Opco, Inc (p.k.a. Zosano Pharma) ^{(10)(14A)}	Drug Delivery	Senior Secured	December 2018		Interest rate PRIME + 2.70%			
					or Floor rate of 7.95%	\$ 13,636	13,774	13,718
Subtotal: 1-5 Years Maturity							106,787	106,662
Subtotal: Drug Delivery (14.63%)*							110,404	110,279
Drug Discovery & Development								
Under 1 Year Maturity								
Cerecor, Inc. ^{(11)(14A)}	Drug Discovery & Development	Senior Secured	August 2017		Interest rate PRIME + 4.70%			
					or Floor rate of 7.95%	\$ 3,229	\$ 3,324	\$ 3,324
Neuralstem, Inc. ^{(14A)(15)}	Drug Discovery & Development	Senior Secured	April 2017		Interest rate PRIME + 6.75%			
					or Floor rate of 10.00%	\$ 4,953	5,156	5,156
Subtotal: Under 1 Year Maturity							8,480	8,480
1-5 Years Maturity								
Auris Medical Holding, AG ^{(4)(9)(14B)}	Drug Discovery & Development	Senior Secured	January 2020		Interest rate PRIME + 6.05%	\$ 12,500	12,206	12,206

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Aveo Pharmaceuticals, Inc. ^{(9)(14A)(14B)}	Drug Discovery & Development	Senior Secured	December 2019	or Floor rate of 9.55%	\$ 10,000	10,235	10,205
				Interest rate PRIME + 6.90%			
				or Floor rate of 11.90%			
Bellicum Pharmaceuticals, Inc. ^{(14A)(14B)(15)}	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85%	\$ 15,000	15,101	15,197
				or Floor rate of 9.35%			
				Interest rate PRIME + 5.85%			
Total Aveo Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Secured	March 2020	or Floor rate of 9.35%	\$ 5,000	4,960	4,999
				Interest rate PRIME + 5.85%			
				or Floor rate of 9.35%			
Total Bellicum Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70%	\$ 20,000	20,061	20,196
				or Floor rate of 9.20%			
				Interest rate PRIME + 1.55%			
Brickell Biotech, Inc. ^{(11)(14A)}	Drug Discovery & Development	Senior Secured	July 2018	or Floor rate of 7.30%	\$ 15,115	15,858	15,768
				Interest rate PRIME + 7.70%			
				or Floor rate of 10.95%			
Cerulean Pharma, Inc. ^{(12)(14B)}	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 6.00%	\$ 21,421	22,218	22,444
				or Floor rate of 9.50%			
				Interest rate PRIME + 4.70%			
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ^{(10)(14A)}	Drug Discovery & Development	Senior Secured	February 2020	or Floor rate of 7.95%	\$ 3,111	3,394	
				Interest rate PRIME + 2.25%			
				or Floor rate of 7.25%			
CytRx Corporation ^{(10)(14B)(15)}	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 4.75%	\$ 17,000	17,234	17,340
				or Floor rate of 10.00%			
				Interest rate PRIME + 4.75%			
Epirus Biopharmaceuticals, Inc. ^{(7)(14A)}	Drug Discovery & Development	Senior Secured	October 2020	or Floor rate of 9.25%	\$ 35,000	34,681	34,681
				Interest rate PRIME + 5.70%			
				or Floor rate of 8.95%			
Genocea Biosciences, Inc. ^{(10)(14A)(17)}	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 3.75%	\$ 13,706	13,766	13,818
				or Floor rate of 8.25%			
				Interest rate PRIME + 3.75%			
Immune Pharmaceuticals ^{(10)(14B)}	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 3.75%	\$ 27,283	27,630	27,539
				or Floor rate of 8.25%			
				Interest rate PRIME + 3.75%			
Insmed, Incorporated ^{(10)(14A)}	Drug Discovery & Development	Senior Secured	December 2022	Interest rate PRIME + 3.75%	\$ 25,000	25,000	25,250
				or Floor rate of 8.25%			
				Interest rate PRIME + 3.75%			
Mast Therapeutics, Inc. ^{(14A)(15)}	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 5.70%	\$ 13,706	13,766	13,818
				or Floor rate of 8.95%			
				Interest rate PRIME + 3.75%			
Melinta Therapeutics ^{(12)(14A)}	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 3.75%	\$ 27,283	27,630	27,539
				or Floor rate of 8.25%			
				Interest rate PRIME + 3.75%			
Merrimack Pharmaceuticals, Inc. ⁽⁹⁾	Drug Discovery & Development	Senior Secured	December 2022	Interest rate PRIME + 3.75%	\$ 25,000	25,000	25,250
				or Floor rate of 8.25%			
				Interest rate PRIME + 3.75%			

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity		Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
			Date					
Metuchen Pharmaceuticals LLC ^{(13)(14A)}	Drug Discovery & Development	Senior Secured	October 2020		Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%	\$ 35,000	34,339	34,339
Paratek Pharmaceuticals, Inc. ^{(14A)(15)(17)}	Drug Discovery & Development	Senior Secured	September 2020		Interest rate PRIME + 2.75% or Floor rate of 8.50%	\$ 20,000	20,028	20,113
PhaseRx, Inc. ^{(14B)(15)}	Drug Discovery & Development	Senior Secured	December 2019		Interest rate PRIME + 5.75% or Floor rate of 9.25%	\$ 6,000	5,866	5,866
uniQure B.V. ^{(4)(9)(10)(14B)}	Drug Discovery & Development	Senior Secured	May 2020		Interest rate PRIME + 3.00% or Floor rate of 8.25%	\$ 20,000	20,024	20,016
XOMA Corporation ^{(9)(14B)(15)}	Drug Discovery & Development	Senior Secured	September 2018		Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$ 18,214	18,660	18,531
Subtotal: 1-5 Years Maturity							342,135	337,820
Subtotal: Drug Discovery & Development (45.95%)*							350,615	346,300
Electronics & Computer Hardware								
1-5 Years Maturity								
Persimmon Technologies ^{(11)(14B)}	Electronics & Computer Hardware	Senior Secured	June 2019		Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 7,000	\$7,047	\$7,047
Subtotal: 1-5 Years Maturity							7,047	7,047
Subtotal: Electronics & Computer Hardware (0.94%)*							7,047	7,047
Healthcare Services, Other								
1-5 Years Maturity								
InstaMed Communications, LLC ^{(14B)(15)}	Healthcare Services, Other	Senior Secured	February 2019		Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,276	10,300
PH Group Holdings	Healthcare Services, Other	Senior Secured	September 2020		Interest rate PRIME + 7.45%	\$ 20,000	19,783	19,783

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or Floor rate of 10.95%

Subtotal: 1-5 Years Maturity					30,059	30,083	
Subtotal: Healthcare Services, Other (3.99%)*					30,059	30,083	
Internet Consumer & Business Services							
1-5 Years Maturity							
Aria Systems, Inc. ⁽¹⁰⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20%			
				or Floor rate of 6.95%,			
				PIK Interest 1.95%	\$ 2,051	2,033	1,717
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20%			
				or Floor rate of 8.95%,			
				PIK Interest 1.95%	\$ 18,373	18,191	15,363
Total Aria Systems, Inc.					\$ 20,424	20,224	17,080
CloudOne, Inc. ^{(10)(14B)}	Internet Consumer & Business Services	Senior Secured	April 2019	Interest rate PRIME + 6.35%			
				or Floor rate of 9.85%	\$ 5,000	5,034	5,060
LogicSource ^{(14B)(15)}	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25%			
				or Floor rate of 9.75%	\$ 8,500	8,477	8,538
One Planet Ops Inc. (p.k.a. Reply! Inc.)	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25%			
				or Floor rate of 7.50%	\$ 4,895	4,599	4,599
Snagajob.com, Inc. ^{(12)(13)(14A)}	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.15%			
				or Floor rate of 9.15%,			
				PIK Interest 1.95%	\$ 35,120	34,219	34,218
Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%,			
				PIK Interest 3.00%	\$ 19,542	19,542	19,542
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	\$ 11,015	240	
Total Tectura Corporation					\$ 30,557	19,782	19,542
Subtotal: 1-5 Years Maturity					92,335	89,037	
Subtotal: Internet Consumer & Business Services (11.82%)*					92,335	89,037	

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CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity		Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
				Date				
Media/Content/Info								
1-5 Years Maturity								
Machine Zone, Inc. ⁽¹³⁾⁽¹⁶⁾	Media/Content/Info	Senior Secured		May 2018	Interest rate PRIME + 2.50%			
					or Floor rate of 6.75%,			
					PIK Interest 3.00%	\$ 103,002	101,422	101,654
WP Technology, Inc. (Wattpad, Inc.) ^{(4)(9)(11)(14B)}	Media/Content/Info	Senior Secured		April 2020	Interest rate PRIME + 4.75%			
					or Floor rate of 8.25%	\$ 5,000	5,000	5,043
Subtotal: 1-5 Years Maturity							106,422	106,697
Subtotal: Media/Content/Info (14.16%)*							106,422	106,697
Medical Devices & Equipment								
Under 1 Year Maturity								
InspireMD, Inc. ^{(4)(9)(14B)}	Medical Devices & Equipment	Senior Secured		June 2017	Interest rate PRIME + 5.00%			
					or Floor rate of 10.50%	\$ 3,301	\$3,786	\$3,786
Subtotal: Under 1 Year Maturity							3,786	3,786
1-5 Years Maturity								
Amedica Corporation ^{(8)(14B)(15)}	Medical Devices & Equipment	Senior Secured		January 2018	Interest rate PRIME + 9.20%			
					or Floor rate of 12.45%	\$ 8,981	10,257	10,214
Aspire Bariatrics, Inc. ^{(14B)(15)}	Medical Devices & Equipment	Senior Secured		October 2018	Interest rate PRIME + 4.00%			
					or Floor rate of 9.25%	\$ 5,947	5,978	5,957
Avedro, Inc. ^{(14A)(15)}	Medical Devices & Equipment	Senior Secured		June 2018	Interest rate PRIME + 6.00%			
					or Floor rate of 9.25%	\$ 11,272	11,386	11,377
Flowonix Medical Incorporated ^{(12)(14B)}	Medical Devices & Equipment	Senior Secured		May 2018	Interest rate PRIME + 4.75%			
					or Floor rate of 10.00%	\$ 12,307	12,651	12,644
	Medical Devices & Equipment	Senior Secured		March 2019	Interest rate PRIME + 6.50%			
					or Floor rate of 10.00%	\$ 4,707	4,617	4,617

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Total Flowonix Medical Incorporated					\$ 17,014	17,268	17,261
Gamma Medica, Inc. ^{(10)(14B)}	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 2,500	2,621	2,609
IntegenX, Inc. ^{(14B)(15)}	Medical Devices & Equipment	Senior Secured	June 2019	Interest rate PRIME + 6.05%			
				or Floor rate of 10.05%	\$ 12,500	12,464	12,464
Micell Technologies, Inc. ^{(11)(14B)}	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$ 8,500	8,400	8,449
Quanta Fluid Solutions ^{(4)(9)(10)(14B)}	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05%			
				or Floor rate of 11.55%	\$ 12,500	12,479	12,456
Quanterix Corporation ^{(10)(14A)}	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 11,327	11,566	11,618
SynergEyes, Inc. ^{(14B)(15)}	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 2,847	3,228	3,178
Subtotal: 1-5 Years Maturity						95,647	95,583
Subtotal: Medical Devices & Equipment (13.19%)*						99,433	99,369
Semiconductors							
1-5 Years Maturity							
Achronix Semiconductor Corporation ^{(14B)(15)}	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 3,812	3,978	3,949
Avnera Corporation ^{(10)(14A)}	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 6,550	6,637	6,745
Subtotal: 1-5 Years Maturity						10,615	10,694
Subtotal: Semiconductors (1.42%)*						10,615	10,694
Software							
Under 1 Year Maturity							
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ^{(7)(13)(14C)(15)}	Software	Senior Secured	November 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,566	\$1,698	\$826
RedSeal Inc. ⁽¹⁵⁾⁽¹⁷⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25%			
				or Floor rate of 6.50%	\$ 2,635	2,635	2,635
Subtotal: Under 1 Year Maturity						4,333	3,461

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(unaudited)

(dollars in thousands)

Portfolio Company 1-5 Years Maturity	Sub-Industry	Type of Investment ⁽¹⁾	Maturity		Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
			Date					
Actifio, Inc. ^{(13)(14A)}	Software	Senior Secured	January 2019		Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,786	30,625	30,598
	Software	Senior Secured	January 2019		Interest rate PRIME + 4.75% or Floor rate of 8.75%, PIK Interest 2.50%	\$ 10,107	9,787	9,870
Total Actifio, Inc. Clickfox, Inc. ^(14C)	Software	Senior Secured	May 2018		Interest rate PRIME + 8.00% or Floor rate of 11.50%	\$ 12,000	11,979	11,979
Druva, Inc. ^{(10)(12)(14B)(17)}	Software	Senior Secured	March 2018		Interest rate PRIME + 4.60% or Floor rate of 7.85%	\$ 10,877	11,241	11,228
	Software	Senior Secured	May 2018		Interest rate PRIME + 4.60% or Floor rate of 7.85%	\$ 5,000	5,029	5,029
Total Druva, Inc. Evernote Corporation ⁽¹⁵⁾⁽¹⁷⁾	Software	Senior Secured	October 2020		Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 6,000	5,958	5,958
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ^{(7)(13)(14A)(15)}	Software	Senior Secured	March 2018		Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 13,000	12,747	6,198
Mattersight Corporation ⁽¹³⁾	Software	Senior Secured	February 2020		Interest rate PRIME + 6.25% or Floor rate of 9.75%, PIK Interest 2.15%	\$ 22,542	21,835	21,835
Message Systems, Inc. ^{(14A)(15)}	Software	Senior Secured	February 2019		Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 17,500	17,101	17,129
OneLogin, Inc. ⁽¹³⁾⁽¹⁵⁾	Software		August 2019		Interest rate PRIME + 6.45%	\$ 13,251	13,119	13,257

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		Senior Secured		or Floor rate of 9.95%, PIK Interest 3.25%			
Quid, Inc. ^{(13)(14A)(15)}	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.25%, PIK Interest 2.25%	\$ 8,070	8,044	8,044
RedSeal Inc. ^{(14A)(15)(17)}	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 5,000	5,095	5,058
Signpost, Inc. ^{(13)(14A)(15)}	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15%			
				or Floor rate of 8.15%, PIK Interest 1.75%	\$ 15,170	14,882	14,961
Subtotal: 1-5 Years Maturity						167,442	161,144
Subtotal: Software (21.84%)*						171,775	164,605
Specialty Pharmaceuticals							
1-5 Years Maturity							
Alimera Sciences, Inc. ^{(10)(14A)}	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%			
				or Floor rate of 10.90%	\$ 35,000	34,667	34,714
Jaguar Animal Health, Inc. ^{(10)(14B)}	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%			
				or Floor rate of 9.90%	\$ 3,989	4,242	4,166
Subtotal: 1-5 Years Maturity						38,909	38,880
Subtotal: Specialty Pharmaceuticals (5.16%)*						38,909	38,880
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. ^{(12)(14B)}	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 5.30%			
				or Floor rate of 9.55%	\$ 8,500	8,437	8,461
Subtotal: 1-5 Years Maturity						8,437	8,461
Subtotal: Surgical Devices (1.12%)*						8,437	8,461

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity		Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾	
			Date						
Sustainable and Renewable Technology									
Under 1 Year Maturity									
Agrivida, Inc. ^{(14B)(15)}	Sustainable and Renewable Technology	Senior Secured	December 2016		Interest rate PRIME + 6.75%				
					or Floor rate of 10.00%	\$ 2,592	\$2,881	\$2,881	
American Superconductor Corporation ^{(10)(14B)}	Sustainable and Renewable Technology	Senior Secured	November 2016		Interest rate PRIME + 7.25%				
					or Floor rate of 11.00%	\$ 667	1,166	1,166	
	Sustainable and Renewable Technology	Senior Secured	June 2017		Interest rate PRIME + 7.25%				
					or Floor rate of 11.00%	\$ 1,500	1,536	1,536	
Total American Superconductor Corporation						\$ 2,167	2,702	2,702	
Modumetal, Inc. ^{(11)(14D)}	Sustainable and Renewable Technology	Senior Secured	March 2017		Interest rate PRIME + 8.70%				
					or Floor rate of 11.95%	\$ 738	1,217	1,217	
Stion Corporation ^{(5)(14A)}	Sustainable and Renewable Technology	Senior Secured	February 2017		Interest rate PRIME + 8.75%				
					or Floor rate of 12.00%	\$ 821	821	821	
Subtotal: Under 1 Year Maturity							7,621	7,621	
1-5 Years Maturity									
FuelCell Energy, Inc. ^{(11)(14B)}	Sustainable and Renewable Technology	Senior Secured	October 2018		Interest rate PRIME + 5.50%				
					or Floor rate of 9.50%	\$ 20,000	20,278	20,434	
Modumetal, Inc. ^{(11)(14C)}	Sustainable and Renewable Technology	Senior Secured	October 2017		Interest rate PRIME + 6.00%				
					or Floor rate of 9.25%	\$ 4,326	4,933	4,870	
Plug Power, Inc. ^{(9)(12)(14B)}	Sustainable and Renewable Technology	Senior Secured	June 2019		Interest rate PRIME + 6.45%				
					or Floor rate of 10.45%	\$ 25,000	24,916	24,916	
Proterra, Inc. ^{(10)(14B)}	Sustainable and Renewable Technology	Senior Secured	December 2018		Interest rate PRIME + 6.95%				
					or Floor rate of 10.20%	\$ 30,000	30,470	30,714	
Rive Technology, Inc. ^{(14A)(15)}	Sustainable and Renewable Technology	Senior Secured	January 2019		Interest rate PRIME + 6.20%				
					or Floor rate of 9.45%	\$ 7,500	7,539	7,562	
Sungevity, Inc. ^{(12)(14D)}	Sustainable and Renewable Technology	Senior Secured	October 2017		Interest rate PRIME + 3.70%	\$ 35,000	38,743	38,811	

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	Sustainable and Renewable Technology	Senior Secured	October 2017	or Floor rate of 6.95% Interest rate PRIME + 3.70%			
				or Floor rate of 6.95%	\$ 20,000	20,000	20,118
Total Sungevity, Inc.					\$ 55,000	58,743	58,929
Tendril Networks ^{(11)(14B)}	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	15,241	15,134
Verdezyn, Inc. ^{(14B)(15)}	Sustainable and Renewable Technology	Senior Secured	April 2019	Interest rate PRIME + 8.25%			
				or Floor rate of 11.75%	\$ 15,000	14,928	14,877
Subtotal: 1-5 Years Maturity						177,048	177,436
Subtotal: Sustainable and Renewable Technology (24.56%)*						184,669	185,057
Total Debt Investments (162.44%)*						1,275,881	1,224,121

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. ⁽¹⁵⁾	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 606
Subtotal: Biotechnology Tools (0.08%)*					500	606
Communications & Networking						
Achilles Technology Management Co II, Inc. ⁽⁶⁾⁽¹⁵⁾	Communications & Networking	Equity	Common Stock	10,000	4,000	4,000
GlowPoint, Inc. ⁽³⁾	Communications & Networking	Equity	Common Stock	114,192	102	32
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,584
Subtotal: Communications & Networking (1.14%)*					5,102	8,616
Consumer & Business Products						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		252
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	263
Total Market Force Information, Inc.				668,231	500	515
Subtotal: Consumer & Business Products (0.07%)*					500	515
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	551
Subtotal: Diagnostic (0.07%)*					750	551
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	54,240	108	211
BioQ Pharma Incorporated ⁽¹⁵⁾	Drug Delivery	Equity	Preferred Series D	165,000	500	740
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	161,856	1,000	1,685
Merrion Pharmaceuticals, Plc ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Delivery	Equity	Common Stock	125,000	1,500	823
Revanche Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	22,765	557	369
Subtotal: Drug Delivery (0.51%)*					3,674	3,828

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Drug Discovery & Development

Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Drug Discovery & Development	Equity	Common Stock	426,931	1,060	367
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	504
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	142
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	840
Dynavax Technologies ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	210
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,144
Inotek Pharmaceuticals Corporation ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	36
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	1,028
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,164
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	993
Subtotal: Drug Discovery & Development (0.99%)*					14,853	7,428

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	14
Subtotal: Electronics & Computer Hardware (0.00%)*					34	14
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	199
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	278
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	264
Total Lightspeed POS, Inc.				428,707	500	542
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	373
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	244
Total Oportun (p.k.a. Progress Financial)				306,153	500	617
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	41
Tectura Corporation	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000		
Subtotal: Internet Consumer & Business Services (0.19%)*					1,283	1,399
Medical Devices & Equipment						
AtriCure, Inc. ⁽³⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	\$ 266	\$ 119
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,618
Gelesis, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Common Stock	198,202		894
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	954
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	909
Total Gelesis, Inc.				581,038	925	2,757

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Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	245
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	198
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	536
Total Medrobotics Corporation				374,703	905	979
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	320
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	93
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	3,465
	Medical Devices & Equipment	Equity	Preferred Series E	11,508,204	963	1,056
Total Optiscan Biomedical, Corp.				74,725,003	9,875	4,934
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	610
Quanterix Corporation	Medical Devices & Equipment	Equity	Preferred Series D	272,479	1,000	1,106
Subtotal: Medical Devices & Equipment (1.61%)*					14,998	12,123

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Software						
Box, Inc. ⁽³⁾⁽¹⁵⁾	Software	Equity	Common Stock	647,200	4,775	9,980
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	87
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,001	1,338
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,590
	Software	Equity	Preferred Series E	80,587	131	405
Total ForeScout Technologies, Inc.				399,686	529	1,995
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Equity	Preferred Series E	669,173	963	1,124
Nuance Communications, Inc. ⁽³⁾⁽¹⁵⁾	Software	Equity	Common Stock	91,027	546	1,068
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	5,431
WildTangent, Inc. ⁽¹⁵⁾	Software	Equity	Preferred Series 3	100,000	402	169
Subtotal: Software (2.81%)*					14,005	21,192
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc. ⁽¹⁵⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	45
	Surgical Devices	Equity	Preferred Series C	656,538	282	66
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	694
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	483
Total Gynesonics, Inc.				5,653,360	1,673	1,288
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	405
	Surgical Devices	Equity	Preferred Series C	119,999	300	309
	Surgical Devices	Equity	Preferred Series D	260,000	650	1,018
	Surgical Devices	Equity	Preferred Series F	100,200	500	550
Total Transmedics, Inc.				569,160	2,550	2,282

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Subtotal: Surgical Devices (0.47%)*				4,223		3,570
Sustainable and Renewable Technology						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	2
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	498
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Equity	Common Stock	19,250	761	
Sungevity, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,750
TPI Composites, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	78,018	273	1,659
Subtotal: Sustainable and Renewable Technology (1.18%)*				8,449		8,909
Subtotal: Equity				69,121		68,751
Warrant Investments						
Biotechnology Tools						
Excicure, Inc.	Biotechnology Tools	Warrant	Preferred Series C	104,348	\$ 107	\$ 176
Labcyte, Inc. ⁽¹⁵⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	450
Subtotal: Biotechnology Tools (0.08%)*				430		626

See notes to consolidated financial statements.

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2016****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Communications & Networking						
Intelepeer, Inc. ⁽¹⁵⁾	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	13
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	367
SkyCross, Inc. ⁽⁶⁾⁽¹⁵⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	15
Subtotal: Communications & Networking (0.05%)*					1,219	395
Consumer & Business Products						
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	
Intelligent Beauty, Inc. ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	378
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	6,220
Nasty Gal ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	
The Neat Company ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.88%)*					1,922	6,598
Diagnostic						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) ⁽³⁾⁽¹⁵⁾	Diagnostic	Warrant	Common Stock	333,333	244	30
Subtotal: Diagnostic (0.00%)*					244	30
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	176,730	785	219
Agile Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	180,274	730	419
Aprecia Pharmaceuticals Company	Drug Delivery	Warrant	Preferred Series A-1	735,981	366	301
BIND Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	152,586	488	
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	668
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	2

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Dance Biopharm, Inc. ⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	110,882	74	
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	78,595	390	292
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	413
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	70,833	285	27
Pulmatrix Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	25,150	116	2
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽³⁾	Drug Delivery	Warrant	Common Stock	72,379	266	

Subtotal: Drug Delivery (0.31%)* 4,523 2,343

Drug Discovery & Development						
ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	\$ 295	\$ 107
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Auris Medical Holding, AG ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	156,726	249	99
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	2,069,880	396	418
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	72
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	12

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2016****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	171,901	369	33
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	48
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	292,398	165	6
CytRx Corporation ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	634,146	416	149
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	13
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	108
Immune Pharmaceuticals ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	214,853	164	
Mast Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	2,272,724	203	114
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	211
Nanotherapeutics, Inc. ⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	949
Neothetics, Inc. (p.k.a. Lithera, Inc.) ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	22
Neuralstem, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	2
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	16,346	42	14
PhaseRx, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	63,000	125	39
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	24
XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	181,268	279	22
Subtotal: Drug Discovery & Development (0.33%)					7,575	2,462
Electronics & Computer Hardware						
Clustrix, Inc.		Warrant	Common Stock	50,000	12	

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	Electronics & Computer Hardware					
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	
Subtotal: Electronics & Computer Hardware (0.00%)*					52	
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Healthcare Services, Other	Warrant	Common Stock	139,673	157	115
Subtotal: Healthcare Services, Other (0.02%)*					157	115
Information Services						
Cha Cha Search, Inc. ⁽¹⁵⁾	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	46,874	82	
InXpo, Inc. ⁽¹⁵⁾	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,165,183	74	
Total InXpo, Inc.				1,813,583	172	2
RichRelevance, Inc. ⁽¹⁵⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.00%)*					410	2

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2016****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	\$ 73	\$
Blurb, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	95
CashStar, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	19
CloudOne, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	30
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,166
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	75
LogicSource ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	65
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	135
Prism Education Group, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ShareThis, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	1
Snagajob.com, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A	1,575,000	640	716
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	177
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.33%)*					3,685	2,479
Media/Content/Info						
Machine Zone, Inc. ⁽¹⁶⁾	Media/Content/Info	Warrant	Common Stock	1,552,710	1,958	2,793
Rhapsody International, Inc. ⁽¹⁵⁾	Media/Content/Info	Warrant	Common Stock	715,755	385	101
WP Technology, Inc. (Wattpad, Inc.) ⁽⁴⁾⁽⁹⁾	Media/Content/Info	Warrant	Common Stock	127,909	1	1
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	11
Subtotal: Media/Content/Info (0.39%)*					2,692	2,906
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	103,225	459	32
Aspire Bariatrics, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	262
Avedro, Inc. ⁽¹⁵⁾		Warrant	Preferred Series AA	300,000	401	241

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	Medical Devices & Equipment					
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	155,325	362	430
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	450,956	170	239
Gelesis, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	219
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	984,111	242	14
IntegenX, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series C	547,752	15	29
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	375
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	371
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	39
NinePoint Medical, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	82

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2016****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	168
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	429
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	173,428	180	135
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. ⁽³⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	31
Subtotal: Medical Devices & Equipment (0.41%)*					6,149	3,096
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁵⁾	Semiconductors	Warrant	Preferred Series C	360,000	160	62
	Semiconductors	Warrant	Preferred Series D-1	500,000	7	17
Total Achronix Semiconductor Corporation				860,000	167	79
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	70
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	46	82
Subtotal: Semiconductors (0.03%)*					217	231
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	\$ 249	\$ 137
	Software	Warrant	Preferred Series F	31,673	343	76
Total Actifio, Inc.				105,257	592	213
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁵⁾	Software	Warrant	Preferred Series B	413,433	258	524
Clickfox, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series B	1,038,563	330	67
	Software	Warrant	Preferred Series C	592,019	730	81
	Software	Warrant	Preferred Series C-A	2,218,214	230	144
Total Clickfox, Inc.				3,848,796	1,290	292
Evernote Corporation ⁽¹⁵⁾	Software	Warrant	Common Stock	62,500	106	106
Hillcrest Laboratories, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series E	1,865,650	55	136
JumpStart Games, Inc. (p.k.a. Knowledge Holdings, Inc.) ⁽¹⁵⁾	Software	Warrant	Preferred Series E	614,333	16	
Mattersight Corporation ⁽³⁾	Software	Warrant	Common Stock	357,143	538	490
Message Systems, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	503,718	334	245

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Mobile Posse, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	396,430	130	91
Neos, Inc. ⁽¹⁵⁾	Software	Warrant	Common Stock	221,150	22	100
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	79
OneLogin, Inc. ⁽¹⁵⁾	Software	Warrant	Common Stock	228,972	150	241
Poplicus, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	2,595,230		81
Quid, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series D	71,576	1	4
Signpost, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	324,005	314	276
Soasta, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series E	410,800	691	250
Sonian, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	185,949	106	61
Subtotal: Software (0.42%)*					4,824	3,189
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	1,258,993	728	586
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	308	
Subtotal: Specialty Pharmaceuticals (0.08%)*					1,036	586
Surgical Devices						
Gynesonics, Inc. ⁽¹⁵⁾	Surgical Devices	Warrant	Preferred Series C	180,480	75	16
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	268
Total Gynesonics, Inc.				1,756,445	395	284

See notes to consolidated financial statements.

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2016****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	10
	Surgical Devices	Warrant	Preferred Series D	175,000	100	439
	Surgical Devices	Warrant	Preferred Series F	50,544	38	52
Total Transmedics, Inc.				265,980	363	501
Subtotal: Surgical Devices (0.10%)*					758	785
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	\$ 120	\$ 124
Alphabet Energy, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	85
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	
Calera, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	74
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	47
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	213
GreatPoint Energy, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	477,517	41	307
Rive Technology, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	4
		Warrant	Common Stock	530,811	181	

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Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology					
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	6,229	50	
Total SCIEnergy, Inc.				537,040	231	
Beamreach Solar (p.k.a. Solexel, Inc.) ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	704
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	5
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	
Total Sungevity, Inc.				52,472,222	1,445	5

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	230
Trilliant, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	102
Subtotal: Sustainable and Renewable Technology (0.25%)*					7,348	1,895
Total: Warrant Investments (3.68%)*					43,241	27,738
Total Investments (175.24%)*					\$ 1,388,244	\$ 1,320,610

* 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 \$28.1 million, \$96.1 million and \$68.0 million respectively. The tax cost of investments is \$1.4 billion.
- (3) Except for warrants in 39 publicly traded companies and common stock in 22 publicly traded companies, all investments are restricted at September 30, 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.
- (7) Debt is on non-accrual status at September 30, 2016, and is therefore considered non-income producing. Note that at September 30, 2016, only the \$11.0 million PIK loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (8) Denotes that all or a portion of the debt investment is convertible debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or payment-in-kind, interest and is net of repayments.
- (14) Denotes that all or a portion of the debt investment includes an exit fee receivable.
 - A. This fee ranges from 1.0% to 5.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
 - B. This fee ranges from 5.0% to 10.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.

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C. This fee ranges from 10.0% to 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.

D. This fee is greater than 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.

(15) 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.

(16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at September 30, 2016.

(17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at September 30, 2016. Refer to Note 10.

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

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

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Nasty Gal ⁽¹³⁾⁽¹⁴⁾	Products	Senior Secured	May	Interest rate PRIME + 5.45%						
	Consumer & Business			or Floor rate of 8.95%						
The Neat Company ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Products	Senior Secured	September 2017	Interest rate PRIME + 7.75%	\$ 15,000	14,876	14,876			
	Consumer & Business			or Floor rate of 11.00%,						
	Products			PIK Interest 1.00%				\$ 15,936	15,545	5,527
Subtotal: 1-5 Years Maturity						35,306	25,186			
Subtotal: Consumer & Business Products (3.55%)*						35,614	25,494			
Drug Delivery										
1-5 Years Maturity										
AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	October	Interest rate PRIME + 3.85%						
				2017				or Floor rate of 9.10%	\$ 20,466	\$ 20,772
Agile Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%						
				or Floor rate of 9.00%				\$ 16,500	16,231	16,107
BIND Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 5.10%						
				or Floor rate of 8.35%				\$ 15,000	15,119	15,044
BioQ Pharma Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%						
				or Floor rate of 11.25%				\$ 10,000	10,180	10,066
				Interest rate PRIME + 7.00%				or Floor rate of 10.50%	\$ 3,000	2,962
Total BioQ Pharma Incorporated					\$ 13,000	13,142	13,028			
Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June	Interest rate PRIME + 6.50%						
				2018				or Floor rate of 9.75%	\$ 14,573	14,594
Celsion Corporation ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior Secured	June	Interest rate PRIME + 8.00%						
				2017				or Floor rate of 11.25%	\$ 6,346	6,501
Dance Biopharm, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior Secured	November	Interest rate PRIME + 7.40%						
				2017				or Floor rate of 10.65%	\$ 2,705	2,776

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

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

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

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

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	and Renewable Technology		2017	or Floor rate of 11.00%			
Amyris, Inc. ⁽⁹⁾⁽¹¹⁾⁽¹³⁾	Sustainable	Senior Secured	February 2017	Interest rate PRIME + 6.25%			
	and Renewable Technology			or Floor rate of 9.50%	\$ 17,543	17,543	17,499
	Sustainable	Senior Secured	February 2017	Interest rate PRIME + 5.25%			
	and Renewable Technology			or Floor rate of 8.50%	\$ 3,497	3,497	3,488
	Sustainable	Senior Secured	February 2017	Interest rate PRIME + 6.25%			
	and Renewable Technology			or Floor rate of 9.50%	\$ 10,960	11,045	11,045
Total Amyris, Inc. Modumetal, Inc. ⁽¹³⁾	Sustainable	Senior Secured	March 2017	Interest rate PRIME + 8.70%	\$ 32,000	32,085	32,032
	and Renewable Technology			or Floor rate of 11.95%	\$ 1,759	2,062	2,032
	Sustainable	Senior Secured	October 2017	Interest rate PRIME + 6.00%			
	and Renewable Technology			or Floor rate of 9.25%	\$ 7,061	7,101	7,080
Total Modumetal, Inc. Polyera Corporation ⁽¹³⁾	Sustainable	Senior Secured	January 2017	Interest rate PRIME + 6.70%	\$ 8,820	9,163	9,112
	and Renewable Technology			or Floor rate of 9.95%	\$ 1,254	1,455	1,455
Proterra, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable	Senior Secured	December 2018	Interest rate PRIME + 6.95%			
	and Renewable Technology			or Floor rate of 10.20%	\$ 25,000	24,995	24,550

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

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Under 1 Year Maturity

NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹⁴⁾	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%	\$ 381	373	
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%	\$ 45	45	
Total NetPlenish					\$ 426	418	

Subtotal: Under 1 Year Maturity

418

1-5 Years Maturity

Aria Systems, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%	\$ 18,101	17,850	17,673
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%	\$ 2,021	1,995	1,972
Total Aria Systems, Inc.					\$ 20,122	19,845	19,645
One Planet Ops Inc. (p.k.a. Reply! Inc.) ⁽⁷⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25% or Floor rate of 7.50%	\$ 6,321	5,811	5,811
	Internet Consumer & Business Services	Senior Secured	March 2019	PIK Interest 2.00%	\$ 2,129	2,129	55
Total One Planet Ops Inc. (p.k.a. Reply! Inc.)					\$ 8,450	7,940	5,866
ReachLocal ⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50% or Floor rate of 11.75%	\$ 25,000	24,868	24,769

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

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PIK Interest 3.00%

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

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

Medical Devices & Equipment

Under 1 Year Maturity

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

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

1-5 Years Maturity

Amedica Corporation ⁽⁸⁾⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20%			
				or Floor rate of 12.45%	\$ 17,051	17,642	17,350
Aspire Bariatrics, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00%			
				or Floor rate of 9.25%	\$ 7,000	6,771	6,739
Avedro, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 12,500	12,391	12,201
Flowonix Medical Incorporated ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 10.00%	\$ 15,000	15,071	14,974
Gamma Medica, Inc. ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 4,000	4,009	3,989
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00%			
				or Floor rate of 10.50%	\$ 5,009	5,380	3,764
Quanterix Corporation ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 9,661	9,718	9,659
SynergEyes, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 4,263	4,516	4,464

Subtotal: 1-5 Years Maturity 75,498 73,140

Subtotal: Medical Devices & Equipment (10.40%)* 76,933 74,575

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CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Senior Secured	July	Interest rate PRIME + 4.75%			
			2016	or Floor rate of 8.00%	\$ 5,000	5,000	5,000
Subtotal: Under 1 Year Maturity						5,000	5,000
1-5 Years Maturity							
Achronix Semiconductor Corporation ⁽¹³⁾⁽¹⁴⁾	Semiconductors	Senior Secured	July	Interest rate PRIME + 8.25%			
			2018	or Floor rate of 11.50%	\$ 5,000	5,027	4,999
Aquantia Corp.	Semiconductors	Senior Secured	February 2017	Interest rate PRIME + 2.95%			
				or Floor rate of 6.20%	\$ 5,001	5,001	5,001
Avnera Corporation ⁽¹⁰⁾⁽¹³⁾	Semiconductors	Senior Secured	April	Interest rate PRIME + 5.25%			
			2018	or Floor rate of 8.50%	\$ 7,500	7,498	7,568
Subtotal: 1-5 Years Maturity						17,526	17,568
Subtotal: Semiconductors (3.15%)*						22,526	22,568
Software							
Under 1 Year Maturity							
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁶⁾	Software	Senior Secured	December	Interest rate PRIME + 8.75%			
			2015	or Floor rate of 12.00%	\$ 3,300	\$ 3,465	\$ 3,465
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,335	1,350	875
Neos, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	May	Interest rate PRIME + 6.75%			
			2016	or Floor rate of 10.50%	\$ 729	895	895
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Senior Secured	August	Interest rate PRIME + 2.25%			
			2016	or Floor rate of 6.50%	\$ 5,511	5,511	5,511
Subtotal: Under 1 Year Maturity						11,221	10,746

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1-5 Years Maturity

Actifio, Inc. ⁽¹²⁾	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,263	30,019	29,712
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 5,475	5,490	5,490
Druva, Inc. ⁽¹⁰⁾⁽¹³⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60% or Floor rate of 7.85%	\$ 12,000	12,080	12,034
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 11,082	11,174	7,245
Message Systems, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 17,500	17,103	17,013
	Software	Senior Secured	February 2017	Interest rate PRIME + 2.75% or Floor rate of 6.00%	\$ 1,618	1,618	1,616
Total Message Systems, Inc. RedSeal Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25% or Floor rate of 6.50%	\$ 3,000	3,000	2,987
	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 5,000	5,006	4,979
Total RedSeal Inc. Soasta, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25% or Floor rate of 5.50%	\$ 3,500	3,432	3,419
	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75% or Floor rate of 8.00%	\$ 15,000	14,699	14,646
Total Soasta, Inc.					\$ 18,500	18,131	18,065

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Touchcommerce, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 10.25%	\$ 12,000	11,853	11,721
Subtotal: 1-5 Years Maturity						115,474	110,862
Subtotal: Software (16.96%)*						126,695	121,608
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾	Specialty Pharmaceuticals	Senior Secured	August 2016	Interest rate LIBOR + 8.25%	\$ 1,100	\$ 1,100	\$ 1,100
Subtotal: Under 1 Year Maturity						1,100	1,100
1-5 Years Maturity							
Alimera Sciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%			
				or Floor rate of 10.90%	\$ 35,000	34,296	34,309
Cranford Pharmaceuticals, LLC ⁽¹⁰⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Specialty Pharmaceuticals	Senior Secured	August 2017	Interest rate LIBOR + 9.55%			
				or Floor rate of 10.80%,			
				PIK Interest 1.35%	\$ 10,041	10,164	10,235
Jaguar Animal Health, Inc. ⁽¹⁰⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%			
				or Floor rate of 9.90%	\$ 6,000	6,009	6,009
Subtotal: 1-5 Years Maturity						50,469	50,553
Subtotal: Specialty Pharmaceuticals (7.20%)*						51,569	51,653
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. ⁽¹³⁾	Surgical	Senior Secured	March	Interest rate PRIME + 5.30%	\$ 8,500	8,471	8,396

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

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

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	13
Subtotal: Electronics & Computer Hardware (0.00%)*					34	13
Sustainable and Renewable Technology						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	6
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	455
SCIenergy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	
Sungevity, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,912
Subtotal: Sustainable and Renewable Technology (1.03%)*					8,176	7,373
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	\$ 175	\$ 244
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	264
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	249
Total Lightspeed POS, Inc.				428,707	500	513
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	349
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	248
Total Oportun (p.k.a. Progress Financial)				306,153	500	597
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	28
Taptera, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	454,545	150	99
Subtotal: Internet Consumer & Business Services (0.21%)*					1,433	1,481
Medical Devices & Equipment						
AtriCure, Inc. ⁽³⁾⁽¹⁴⁾		Equity	Common Stock	7,536	266	155

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	Medical Devices & Equipment					
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,953
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	198,202		1,005
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	1,051
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	1,012
Total Gelesis, Inc.				581,038	925	3,068

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	208
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	189
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	500
Total Medrobotics Corporation				374,703	905	897
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	565
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	169
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,927
Total Optiscan Biomedical, Corp.				63,216,799	8,912	6,661
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	266
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	543
Subtotal: Medical Devices & Equipment (1.89%)*					14,535	13,543
Software						
Box, Inc. ⁽³⁾⁽¹⁴⁾	Software	Equity	Common Stock	1,287,347	5,653	17,957
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79