HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form 497
November 17, 2014

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Filed Pursuant to Rule 497
Registration No. 333-187447

PROSPECTUS SUPPLEMENT

(To prospectus dated June 6, 2014)

Up to 8,000,000 Shares

Common Stock

We have entered into an equity distribution agreement, dated August 16, 2013, with JMP Securities LLC, or JMP Securities, relating to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol HTGC. The last sale price, as reported on NYSE on November 12, 2014, was $15.97 per share. The net asset value per share of our common stock at September 30, 2014 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $10.22.

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

The equity distribution agreement provides that we may offer and sell up to 8,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent. Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices. As of the date of this prospectus supplement, we have sold 650,000 shares of our common stock under the equity distribution agreement for net proceeds of approximately $9.5 million. As a result, 7,350,000 shares of our common stock remain available for sale pursuant to the equity distribution agreement.

JMP Securities will receive a commission from us to be negotiated from time to time, but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the equity distribution agreement. JMP Securities is not required to sell any specific number or dollar amount of common stock, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-15 of this prospectus supplement. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities commission, will not be less than the net asset value per share of our common stock at the time of such sale.

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

An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See the Supplementary Risk Factors section beginning on page S-12 of this prospectus supplement and the Risk Factors section beginning on page 11 of the accompanying prospectus to read about risks that you should consider before investing in our common stock, including the risk of leverage.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

JMP Securities

The date of this prospectus supplement is November 14, 2014.

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

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

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FEES AND EXPENSES

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

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Sales load (as a percentage of offering price)(1)	2.00%
Offering expenses	0.31%(2)
Dividend reinvestment plan fees	(3)
Total stockholder transaction expenses (as a percentage of the public offering price)	2.31%
Annual Expenses (as a percentage of net assets attributable to common stock):(4)	
Operating expenses	5.14%(5)(6)
Interest and fees paid in connection with borrowed funds	5.03%(7)
Total annual expenses	10.17%(8)

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

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

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

(4) Net assets attributable to common stock equals the weighted average net assets for the nine-month period ended September 30, 2014, which is approximately $654.5 million.

(5) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the nine-months ended September 30, 2014, including all fees and expenses of our consolidated subsidiaries and excluding interest and fees on indebtedness. This percentage for the year ended December 31, 2013 was 5.23%. See Management s Discussion and Analysis and Results of Operations, Management, and Executive Compensation in the accompanying prospectus.

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

(7) Interest and fees paid in connection with borrowed funds represents our estimated interest, fees and credit facility expenses by annualizing our actual interest, fees and credit facility expenses incurred for the nine-months ended September 30, 2014, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the 2024 Notes, the Asset-Backed Notes and the SBA debentures, each of which is defined herein. These expenses do not include the loss on debt extinguishment (Long-term Liabilities Convertible Senior Notes) for the nine-months ended September 30, 2014. If this item were included in the annualized expenses, the percentage would be 5.24%. This percentage for the year ended December 31, 2013 was 5.83%.

(8) Total annual expenses is the sum of operating expenses and interest and fees paid in connection with borrowed funds. This percentage for the year ended December 31, 2013 was 11.06%. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

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Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a $1,000 hypothetical investment in our common stock, assuming (1) a 2.00% sales load (underwriting discounts and commissions) and offering expenses totaling 0.31%, (2) total net annual expenses of 10.17% of net assets attributable to common shares as set forth in the table above and (3) a 5% annual return. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 120	$ 299	$ 461	$ 799

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown. Moreover, while the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or lesser than 5%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below net asset value. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus supplement and the accompanying prospectus, as well as in future oral and written statements by management of Hercules 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, anticipates, could, intends, target, project believes, estimates, predicts, potential or continue or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus include statements as to:

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

the adequacy of our cash resources and working capital;

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

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses; and

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

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For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus supplement and the accompanying prospectus, please see the discussion under Risk Factors in the accompanying prospectus. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made and are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Industry and Market Data

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

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus and the documents that are referenced in this prospectus supplement and the accompanying prospectus, together with any accompanying supplements. In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, the Company, Hercules Technology Growth Capital, we, us and our refer to Hercules Technology Growth Capital, Inc. and our wholly-owned subsidiaries and their affiliated securitization trusts.

Our Company

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries at all stages of development. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally-managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act.

As of September 30, 2014, our total assets were approximately $1.2 billion, of which our investments comprised $998.9 million at fair value and $1.0 billion at cost. Since inception through September 30, 2014, we have made debt and equity commitments of approximately $4.6 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company, or SBIC, subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III. HT II and HT III hold approximately $142.8 million and $305.0 million in assets, respectively, and accounted for approximately 9.2% and 19.7% of our total assets, respectively, prior to consolidation at September 30, 2014. As of September 30, 2014, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. In aggregate, at September 30, 2014, with our net investment of $112.5 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. In March 2014, we repaid $34.8 million of SBA debentures under HT II, priced at approximately 6.38%, including annual fees. At September 30, 2014, 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.

Our portfolio is comprised of, and we anticipate that our portfolio will continue to be comprised of, investments in technology-related companies at various stages of development. Consistent with regulatory requirements, we invest primarily in United States based companies and, to a lesser extent, in foreign companies. See Regulation Qualifying Assets in the accompanying prospectus. As of September 30, 2014, our proprietary structured query language-based (SQL) database system included over 41,500 technology-related companies and approximately 9,000 venture capital, private equity sponsors/investors, as well as various other industry contacts. Our principal executive office is located in Palo Alto, CA, and we have additional offices in Boston, MA, New York, NY and McLean, VA.

Our goal is to be the leading structured debt financing provider of choice for venture capital backed companies in technology-related markets requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of companies in technology-related markets, including, technology, biotechnology, life science, and energy and renewables technology companies and to offer a full

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suite of growth capital products up and down the capital structure. We invest primarily in private companies and, to a lesser extent, public companies. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We use the term structured debt with warrants to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by select or all of the assets of the portfolio company.

We focus our investments in companies active in technology industry sub-sectors characterized by products or services that require advanced technologies, including, but not limited to, computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, internet consumer and business services, telecommunications, telecommunications equipment, renewable or alternative energy, media and life science. Within the life science sub-sector, we generally focus on medical devices, bio-pharmaceutical, drug discovery, drug delivery, health care services and information systems companies. Within the energy technology sub-sector, we focus on sustainable and renewable energy technologies and energy efficiency and monitoring technologies. We refer to all of these companies as technology-related companies and intend, under normal circumstances, to invest at least 80% of the value of our total assets in such businesses.

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. 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 markets with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests. 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 markets is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

We are prohibited from co-investing with our affiliates absent the receipt of exemptive relief from the SEC. However, we and our affiliates have filed an exemptive application with the SEC to permit greater flexibility to negotiate the terms of co-investments with us and our affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. This exemptive application is still pending, and there can be no assurance that we will receive exemptive relief from the SEC to permit us to co-invest with our affiliates. Under the terms of such relief permitting us to co-invest with our affiliates, a required majority (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our shareholders and is consistent with our investment objective and strategies.

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As of September 30, 2014, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 36 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

Our Market Opportunity

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

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

- Unfulfilled demand exists for structured debt financing to technology-related companies as the number of lenders has declined due to the recent financial market turmoil; and

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

Technology-Related Companies are Underserved by Traditional Lenders. We believe many viable technology-related companies backed by financial sponsors have been unable to obtain sufficient growth

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financing from traditional lenders, including financial services companies such as commercial banks and finance

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

The unique cash flow characteristics of many technology-related companies, which typically include significant research and development expenditures and high projected revenue growth thus often making such companies difficult to evaluate from a credit perspective. In addition, the balance sheets of these companies often include a disproportionately large amount of intellectual property assets, which can be difficult to value. Finally, the speed of innovation in technology and rapid shifts in consumer demand and market share add to the difficulty in evaluating technology-related companies.

Due to the difficulties described above, we believe traditional lenders are generally refraining from entering the structured debt financing marketplace, instead preferring the risk-reward profile of asset based lending. Traditional lenders generally do not have flexible product offerings that meet the needs of technology-related companies. The financing products offered by traditional lenders typically impose on borrowers many restrictive covenants and conditions, including limiting cash outflows and requiring a significant depository relationship to facilitate rapid liquidation.

Unfulfilled Demand for Structured Debt Financing to Technology-Related Companies. Private debt capital in the form of structured debt financing from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that the level of demand for structured debt financing is a function of the level of annual venture equity investment activity.

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

Structured Debt with Warrants Products Complement Equity Financing From Venture Capital and Private Equity Funds. We believe that technology-related companies and their financial sponsors will continue to view structured debt securities as an attractive source of capital because it augments the capital provided by venture capital and private equity funds. We believe that our structured debt with warrants product provides access to growth capital that otherwise may only be available through incremental investments by existing equity investors. As such, we provide portfolio companies and their financial sponsors with an opportunity to diversify their capital sources. Generally, we believe technology-related companies at all stages of development target a portion of their capital to be debt in an attempt to achieve a higher valuation through internal growth. In addition, because financial sponsor-backed companies have reached a more mature stage prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period prior to liquidity events.

Our Business Strategy

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

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

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Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities. We expect that our investments have the potential to produce attractive risk adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from equity-related securities. We seek to mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities (generally 12-60 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment.

Provide Customized Financing Complementary to Financial Sponsors Capital. We offer a broad range of investment structures and possess expertise and experience to effectively structure and price investments in technology-related companies.

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

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

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

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, and McLean, VA. We maintain a website on the Internet at www.htgc.com. Information contained in our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

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

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THE OFFERING

Common stock offered by us	Up to 8,000,000 shares of our common stock. As of the date of this prospectus supplement, 650,000 shares of common stock have been issued and sold pursuant to the equity distribution agreement and 7,350,000 shares of common stock remain available for sale.
Common stock outstanding prior to this offering, including shares of common stock sold pursuant to the equity distribution agreement	64,195,918 shares
Manner of offering	At the market offering that may be made from time to time through JMP Securities, as sales agent, using commercially reasonable efforts. See Plan of Distribution in this prospectus supplement.
Use of proceeds	We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objective and for other general corporate purposes.
	Pending such use, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objective. See Use of Proceeds in this prospectus supplement.
Distribution	To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. The amount of our dividends, if any, will be determined by our Board of Directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. See Price Range of Common Stock and Distributions in the accompanying prospectus.
Taxation	We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Price Range of Common Stock and Distributions in the accompanying prospectus and Certain United States Federal Income Tax Considerations in the accompanying prospectus.
New York Stock Exchange symbol	HTGC

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

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SUPPLEMENTARY RISK FACTORS

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at September 30, 2014 that represent greater than 5% of our net assets:

	September 30, 2014	
(in thousands)	**Fair Value**	**Percentage of Net Assets**
Merrimack Pharmaceuticals, Inc.	$ 48,121	7.3%
Alimera Sciences, Inc.	$ 33,895	5.2%

Merrimack Pharmaceuticals, Inc. is a biopharmaceutical company discovering, developing and preparing to commercialize innovative medicines paired with companion diagnostics for the treatment of serious diseases, with an initial focus on cancer.

Alimera Sciences, Inc. is a biopharmaceutical company that specializes in the research, development and commercialization of prescription ophthalmic pharmaceuticals.

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

We face cyber-security risks.

Our business operations rely upon secure information technology systems for data processing, storage and reporting. Despite careful security and controls design, implementation and updating, our information technology systems could become subject to cyber-attacks. Network, system, application and data breaches could result in operational disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and

cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

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USE OF PROCEEDS

Overview

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of the remaining 7,350,000 shares available of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of $15.97 per share for our common stock on the NYSE as of November 12, 2014 we estimate that the net proceeds of this offering will be approximately $115.0 million after deducting the estimated sales commission payable to JMP Securities and our estimated offering expenses.

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

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

Status of the Offering

On August 16, 2013, we established an at-the-market program to which this prospectus supplement relates and through which we may sell, from time to time and at our sole discretion up to 8.0 million shares of our common stock. The gross proceeds raised, the related underwriting fees, the offering expenses, the net proceeds and the average price at which shares were issued from the period of August 16, 2013 through November 12, 2014 relate to transactions occurring during the three months ended June 30, 2014. No shares were issued and sold under the at-the-market program prior to the quarter ended June 30, 2014. During the three-month period ended June 30, 2014, and as of November 12, 2014, 650,000 shares of common stock have been issued and sold pursuant to the equity distribution agreement and 7,350,000 shares of common stock remain available for sale. Gross proceeds raised were approximately $10.0 million, offset by related underwriting fees ($200,000) and offering expenses (approximately $350,000) resulted in net proceeds of approximately $9.5 million or an average price per share of approximately $14.56.

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CAPITALIZATION

The equity distribution agreements provide that we may offer and sell up to 8,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent for the offer and sale of such common stock. The table below assumes that we will sell the remaining 7,350,000 shares available at a price of $15.97 per share (the last reported sale price per share of our common stock on the NYSE on November 12, 2014) but there is no guarantee that there will be any further sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than $15.97, depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of September 30, 2014:

- on an actual basis; and

- on an as adjusted basis giving effect to the transactions noted above and the assumed sale of the 7,350,000 available shares of our common stock at a price of $15.97 per share (the last reported sale price per share of our common stock on the NYSE on November 12, 2014) less commissions and expenses.

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

	As of September 30, 2014	
	Actual	As Adjusted
	(in thousands)	
Investments at Fair Value	$ 998,913	$ 998,913
Cash and cash equivalents	$ 158,627	$ 273,609
Debt:		
Long-term SBA Debentures	$ 190,200	$ 190,200
Long-term Liabilities (Convertible Senior Notes)	40,012	40,012
2019 Notes	170,364	170,364
2024 Notes	103,000	103,000
Asset-Backed Notes	27,951	27,951
Total Debt	$ 531,527	$ 531,527
Stockholders equity:		
Common Stock, par value $0.001 per share; 100,000,000 shares authorized; 64,182,438 shares issued and outstanding, actual 72,182,438 shares issued and outstanding, as adjusted, respectively	$ 65	$ 72
Capital in excess of par value	670,711	785,686
Unrealized appreciation (depreciation) on investments	(14,706)	(14,706)
Accumulated realized gains (losses) on investments	(2,233)	(2,233)
Distributions in excess of investment income	2,361	2,361
Total stockholders equity	$ 656,198	$ 771,180
Total capitalization	$ 1,187,725	$ 1,302,707

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PLAN OF DISTRIBUTION

JMP Securities is acting as our sales agent in connection with the offer and sale of shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Upon written instructions from us, JMP Securities will use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, our common stock under the terms and subject to the conditions set forth in our equity distribution agreement with JMP Securities dated August 16, 2013. We will instruct JMP Securities as to the amount of common stock to be sold by it. We may instruct JMP Securities not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities commission, will not be less than the net asset value per share of our common stock at the time of such sale. We or JMP Securities may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange at prices related to the prevailing market prices or at negotiated prices.

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

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

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

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

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

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

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

Potential Conflicts of Interest

JMP Securities and its affiliates have provided, or may in the future provide, various investment banking, commercial banking, financial advisory, brokerage and other services to us and our affiliates for which services they have received, and may in the future receive, customary fees and expense reimbursement. JMP Securities and its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, JMP Securities and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of our company.

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

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science, and energy and renewables technology industries at all stages of development. 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 and McLean, VA.

Our goal is to be the leading structured debt financing provider of choice for venture capital-backed companies in technology-related markets requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of technology-related markets including technology, biotechnology, life science, and energy and renewables technology industries 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 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 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 markets 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 markets is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

We and our affiliates have filed an exemptive application with the SEC to permit greater flexibility to negotiate the terms of potential co-investments with us and our affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. This exemptive application is still pending, and there can be no assurance that we will receive exemptive relief from the SEC to permit us to co-invest with our affiliates. Under the terms of such relief permitting us to co-invest with our affiliates, a required majority (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to us

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and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our shareholders and is consistent with our investment objective and strategies.

We also make investments in qualifying small businesses through our two wholly-owned SBICs. Our SBIC subsidiaries, HT II and HT III, hold approximately $142.8 million and $305.0 million in assets, respectively, and accounted for approximately 9.2% and 19.7% of our total assets, respectively, prior to consolidation at September 30, 2014. As of September 30, 2014, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. In aggregate, at September 30, 2014, with our net investment of $112.5 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. In March 2014, we repaid $34.8 million of SBA debentures under HT II, priced at approximately 6.38%, including annual fees. At September 30, 2014, we have issued $190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

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

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

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

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

Portfolio and Investment Activity

The total fair value of our investment portfolio was $998.9 million at September 30, 2014, as compared to $910.3 million at December 31, 2013.

The fair value of our debt investment portfolio at September 30, 2014 was approximately $907.9 million, compared to a fair value of approximately $822.0 million at December 31, 2013. The fair value of the equity

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portfolio at September 30, 2014 was approximately $68.6 million, compared to a fair value of approximately $52.7 million at December 31, 2013. The fair value of the warrant portfolio at September 30, 2014 was approximately $22.4 million, compared to a fair value of approximately $35.6 million at December 31, 2013.

Portfolio Activity

Our investments in portfolio companies take a variety of forms, including unfunded contractual commitments and funded investments. From time to time, unfunded contractual commitments depend upon a portfolio company reaching certain milestones before the debt commitment is available to the portfolio company, which is expected to affect our funding levels. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as the on-balance sheet financial instruments that we hold. Debt commitments generally fund over the two succeeding quarters from close. Not all debt commitments represent our future cash requirements. Similarly, unfunded contractual commitments may expire without being drawn and do not represent our future cash requirements.

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, 2014 (unaudited) and the year ended December 31, 2013 was comprised of the following:

(in millions)	September 30, 2014	December 31, 2013
Debt Commitments[1]		
New portfolio company	$ 486.9	$ 535.0
Existing portfolio company	95.9	165.1
Total	$ 582.7	$ 700.1
Funded Debt Investments		
New portfolio company	$ 276.9	$ 373.1
Existing portfolio company	131.4	118.0
Total	$ 408.3	$ 491.1
Funded Equity Investments		
New portfolio company	$3.7	$
Existing portfolio company	1.4	3.9
Total	$ 5.1	$ 3.9
Unfunded Contractual Commitments[2]		
Total	$ 242.5	$ 151.0
Non-Binding Term Sheets		
New portfolio company	$ 223.0	$ 28.0
Existing portfolio company		10.0
Total	$ 223.0	$ 38.0

(1) Includes restructured loans and renewals in addition to new commitments.
(2) The amount for September 30, 2014 includes unfunded contractual commitments in 33 new and existing portfolio companies. Approximately $138.5 million of these unfunded contractual commitments as of September 30, 2014 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available.

We receive payments in our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the nine months ended September 30, 2014, we received approximately $316.5 million in

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aggregate principal repayments. Of the approximately $316.5 million of aggregate principal repayments, approximately $104.9 million were scheduled principal payments, and approximately $211.6 million were early principal repayments related to 25 portfolio companies. Of the approximately $211.6 million early principal repayments, approximately $24.0 million were early repayments due to M&A transactions and initial public offerings related to four portfolio companies.

Total portfolio investment activity (inclusive of unearned income) for the nine months ended September 30, 2014 (unaudited) and for the year ended December 31, 2013 was as follows:

(in millions)	September 30, 2014	December 31, 2013
Beginning Portfolio	$ 910.3	$ 906.3
New fundings	376.5	473.6
Restructure fundings	36.9	23.6
Warrants or OID not related to current period fundings	0.7	3.5
Principal payments received on investments	(104.9)	(176.2)
Early payoffs	(211.6)	(300.6)
Restructure payoffs		(9.8)
Accretion of loan discounts and paid-in-kind principal	18.6	31.9
Acceleration of loan discounts and loan fees due to early payoff or restructure	(1.0)	(0.7)
New loan fees	(6.5)	(14.3)
Warrants converted to equity	2.0	0.2
Proceeds from sale of investments	(3.9)	(22.5)
Net realized (loss) on investments	(0.8)	(16.7)
Net change in unrealized appreciation (depreciation)	(17.4)	12.0
Ending Portfolio	$ 998.9	$ 910.3

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2014 (unaudited) and December 31, 2013.

	September 30, 2014		December 31, 2013	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior secured debt with warrants	$ 648,298	64.9%	$ 634,820	69.7%
Senior secured debt	282,026	28.2%	222,805	24.5%
Preferred stock	50,476	5.1%	35,554	3.9%
Common Stock	18,113	1.8%	17,116	1.9%
	$ 998,913	100.0%	$ 910,295	100.0%

The increase in senior secured debt is consistent with the overall increase in the investment portfolio at September 30, 2014 from December 31, 2013. The decrease in senior secured debt with warrants is primarily due to exercises of the our outstanding warrants to equity in four portfolio companies, with a cumulative fair value of approximately $65.0 million, during the nine months ended September 30, 2014. As a result, the existing debt investments that were included in senior secured debt with warrants at December 31, 2013 are included in senior secured debt at September 30, 2014.

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

(in thousands)	September 30, 2014 Investments at Fair Value	September 30, 2014 Percentage of Total Portfolio	December 31, 2013 Investments at Fair Value	December 31, 2013 Percentage of Total Portfolio
United States	$ 943,918	94.5%	$ 864,003	94.9%
Canada	25,336	2.5%	25,798	2.8%
Netherlands	19,905	2.0%	10,131	1.1%
Israel	9,754	1.0%	9,863	1.1%
England			500	0.1%
	$ 998,913	100.0%	$ 910,295	100.0%

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As of September 30, 2014, the Company held warrants or equity positions in six companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, including Box, Inc., Dance Biopharm, Inc., Good Technology, Inc., Zosano, Inc. and two companies which filed confidentially under the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from $1.0 million to $40.0 million. As of September 30, 2014, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from the prevailing U.S. prime rate, or Prime or the London Interbank Offered Rate, or LIBOR, to approximately 15%. In addition to the cash yields received on our debt investments, in some instances, our debt investments may also include any of the following: end-of- term payments, exit fees, balloon payment fees, commitment fees, success fees, PIK provisions or prepayment fees which may be required to be included in income prior to receipt.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. We had approximately $3.9 million and $4.0 million of unamortized fees at September 30, 2014 and December 31, 2013, respectively, and approximately $21.4 million and $14.4 million in exit fees receivable at September 30, 2014 and December 31, 2013, respectively.

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 added to the principal balance of the loan and recorded as interest income. To maintain our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately $851,000 and $889,000 in PIK income during the three months ended September 30, 2014 and 2013, respectively. We recorded approximately $2.6 million and $2.7 million in PIK income during the nine months ended September 30, 2014 and 2013, respectively.

In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company s assets, which may include its intellectual property. In other cases, we obtain a negative pledge covering a company s intellectual property. At September 30, 2014, approximately 59.4% of our portfolio company debt investments were secured by a first priority security in all of the assets of the portfolio company, including their intellectual property, and 40.6% of the debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property. At September 30, 2014 we had no equipment only liens on any of our portfolio companies.

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

The effective yield on our debt investments during the three months ended September 30, 2014 and 2013 was 16.7% and 17.7%, respectively. This decrease in effective yield between periods is primarily due to the one-

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time fee accelerations during the three months ended September 30, 2013 that did not occur in the three months ended September 30, 2014. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter which exclude non-interest earning assets such as warrants and equity investments.

Portfolio Composition

Our portfolio companies are primarily privately held companies and public companies which are active in the drug discovery and development, medical device and equipment, software, internet consumer and business services, energy technology, drug delivery, specialty pharmaceuticals, communications and networking, media/content/info, consumer and business products, information services, surgical devices, healthcare services, semiconductors, biotechnology tools, diagnostic and electronics and computer hardware 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, 2014, approximately 68.9% of the fair value of our portfolio was composed of investments in five industries: 23.2% was composed of investments in the drug discovery and development industry, 13.9% was composed of investments in the medical devices and equipment industry, 11.3% was composed of investments in the software industry, 10.6% was composed of investments in the internet consumer and business services industry and 9.9% was composed of investments in the energy technology industry.

The following table shows the fair value of our portfolio by industry sector at September 30, 2014 (unaudited) and December 31, 2013:

	September 30, 2014		December 31, 2013	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	$ 232,214	23.2%	$ 219,169	24.1%
Medical Devices & Equipment	139,154	13.9%	103,614	11.4%
Software	112,503	11.3%	65,218	7.2%
Internet Consumer & Business Services	106,128	10.6%	122,073	13.4%
Energy Technology	98,555	9.9%	164,466	18.1%
Drug Delivery	83,247	8.3%	62,022	6.8%
Specialty Pharmaceuticals	73,127	7.3%	20,055	2.2%
Communications & Networking	56,292	5.6%	35,979	4.0%
Media/Content/Info	29,361	2.9%	8,679	1.0%
Consumer & Business Products	25,309	2.5%	2,995	0.3%
Information Services	14,917	1.5%	46,565	5.1%
Surgical Devices	9,822	1.0%	10,307	1.0%
Healthcare Services, Other	7,666	0.8%	4,685	0.5%
Semiconductors	5,354	0.6%	29,080	3.2%
Biotechnology Tools	3,894	0.4%	5,275	0.6%
Diagnostic	775	0.1%	902	0.1%
Electronics & Computer Hardware	595	0.1%	9,211	1.0%
	$ 998,913	100.0%	$ 910,295	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 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, 2014 and the year ended December 31, 2013, our ten largest portfolio companies represented approximately 28.9% and 29.3% of the total fair value of our investments in portfolio companies, respectively. At September 30, 2014 we had two investments that represent 5% or more of our net assets and at December 31, 2013, we had one investment that represented 5% or more of our net assets. At September 30, 2014, we had five equity investments representing approximately 75.1% of the total fair value

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of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2013, we had six equity investments which represented approximately 75.7% 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, 2014, 100.0% of our debt investments were in a senior secured first lien position, and approximately 98.1% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime-or LIBOR-based interest rate floor. As a result, we believe we are well positioned to benefit when market interest rates may rise in the near future.

Our investments in senior secured debt with warrants have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of September 30, 2014, we held warrants in 125 portfolio companies, with a fair value of approximately $22.4 million. The fair value of our warrant portfolio decreased by approximately 37.1%, as compared to a fair value of $35.6 million at December 31, 2013 primarily related to the reversal of unrealized appreciation related to the exercise of our warrant positions in Box, Inc. ($8.3 million) and Neuralstem, Inc. ($751,000) to preferred stock and unrealized depreciation related to collateral based impairments of approximately $2.9 million on nine of our warrant positions due to poor company performance.

Our existing warrant holdings currently would require us to invest approximately $83.2 million to exercise such warrants as of September 30, 2014. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company s performance and overall market conditions. Of the warrants which we have monetized since inception, we have realized warrant gain multiples in the range of approximately 1.01x to 14.91x 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 not be able to realize gains from our warrant portfolio.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control , which, in general, includes a company in which we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more, but less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on affiliate investments for the three and nine months ended September 30, 2014 and 2013 (unaudited). We did not hold any Control investments at either September 30, 2014 or 2013.

(in thousands)			Three Months Ended September 30, 2014				Nine Months Ended September 30, 2014			
Portfolio Company	**Type**	**Fair Value at September 30, 2014**	**Investment Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**	**Investment Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**
Gelesis, Inc.	Affiliate	$ 316	$	$ (36)	$	$	$	$ (156)	$	$
Optiscan BioMedical, Corp.	Affiliate	6,029		(23)				(67)		
Stion Corporation	Affiliate	2,500	138	606			1,777	(2,634)		
		$ 8,845	$ 138	$ 547	$	$	$ 1,777	$ (2,857)	$	$

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(in thousands)			Three Months Ended September 30, 2013				Nine Months Ended September 30, 2013			
Portfolio Company	Type	Fair Value at September 30, 2013	Investment Income	Net Change in Unrealized (Depreciation)/ Appreciation	Reversal of Unrealized (Depreciation)/ Appreciation	Realized Gain/ (Loss)	Investment Income	Net Change in Unrealized (Depreciation)/ Appreciation	Reversal of Unrealized (Depreciation)/ Appreciation	Realized Gain/ (Loss)
Gelesis, Inc.	Affiliate	$ 523	$	$ (487)	$	$	$	$ (1,143)	$	$
Optiscan BioMedical, Corp.	Affiliate	12,374	566	(505)			1,693	(325)		
		$ 12,897	$ 566	$ (992)	$	$	$ 1,693	$ (1,468)	$	$

During the year ended December 31, 2013 Stion Corporation became classified as an affiliate.

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, 2014 (unaudited) and December 31, 2013, respectively:

	September 30, 2014			December 31, 2013		
(in thousands)	**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	22	$ 279,330	30.8%	15	$ 162,586	19.8%
2	42	422,940	46.6%	42	429,804	52.3%
3	18	155,187	17.1%	18	184,692	22.5%
4	5	28,253	3.1%	4	30,687	3.7%
5	6	22,213	2.4%	5	14,219	1.7%
		$ 907,923	100.0%		$ 821,988	100.0%

As of September 30, 2014, our debt investments had a weighted average investment grading of 2.07, as compared to 2.20 at December 31, 2013. 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.

At September 30, 2014, we had three debt investments on non-accrual with a cumulative cost and fair value of approximately $21.7 million and $6.5 million, respectively. At December 31, 2013 we had two debt investments on non-accrual with a cumulative cost and fair value of approximately $23.3 million and $12.6 million, respectively.

Results of Operations

Comparison of the three and nine month periods ended September 30, 2014 and 2013

Investment Income

Total investment income for the three months ended September 30, 2014 was approximately $37.0 million as compared to approximately $41.0 million for the three months ended September 30, 2013. Total investment

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income for the nine months ended September 30, 2014 was approximately $106.8 million as compared to approximately $106.5 million for the nine months ended September 30, 2013.

Interest income for the three months ended September 30, 2014 totaled approximately $33.3 million as compared to approximately $36.2 million for the three months ended September 30, 2013. Interest income for the nine months ended September 30, 2014 totaled approximately $94.7 million as compared to approximately $95.4 million for the nine months ended September 30, 2013. The decrease in interest income for both the three and nine months ended September 30, 2014 as compared to the same periods ended September 30, 2013 is primarily attributable to a lower weighted average yielding loan portfolio balance outstanding and a decrease in default interest income, partially offset by an increase in acceleration of loan exit fees related to early payoffs and loan restructurings.

Income from commitment, facility and loan related fees for the three months ended September 30, 2014 totaled approximately $3.7 million as compared to approximately $4.8 million for the three months ended September 30, 2013. Income from commitment, facility and loan related fees for the nine months ended September 30, 2014 totaled approximately $12.1 million as compared to approximately $11.1 million for the nine months ended September 30, 2013. The decrease in fee income for the three months ended September 30, 2014 is primarily attributable to fewer one-time fees as well as a lower weighted average yielding loan portfolio balance outstanding compared to the three months ended September 30, 2013. The increase in fee income for the nine months ended September 30, 2014 as compared to September 30, 2013 is primarily attributable to an increase in acceleration of commitment and facility fees related to early payoffs and loan restructurings as well as an increase in prepayment penalties collected on early payoffs.

The following table shows the PIK-related activity for the nine months ended September 30, 2014 and 2013, at cost (unaudited):

	Nine Months Ended September 30,	
(in thousands)	**2014**	**2013**
Beginning PIK loan balance	$ 4,982	$ 3,309
PIK interest capitalized during the period	1,990	2,410
Payments received from PIK loans	(1,786)	(824)
Ending PIK loan balance	$ 5,186	$ 4,895

The increase in payments received from PIK loans during the nine months ended September 30, 2014 is due to the addition of seven PIK loans which have incurred PIK capitalizations during the period partially offset by the paydown of four PIK loans during the nine months ended September 30, 2014.

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, 2014 and 2013, respectively.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately $17.0 million and $19.5 million during the three months ended September 30, 2014 and 2013, respectively. Operating expenses totaled approximately $49.9 million and $52.3 million during the nine months ended September 30, 2014 and 2013, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately $7.9 million and $8.7 million for the three months ended September 30, 2014 and 2013, respectively, and approximately $24.7 million and $26.1 million for the

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nine months ended September 30, 2014 and 2013, respectively. The decrease in both the three and nine months was primarily attributable to the lower weighted average balances outstanding on our SBA obligations, Convertible Senior Notes, and Asset Backed Notes due to the payoff of $34.8 million of SBA debentures in the first quarter of 2014, the settlement of $34.1 million of our Convertible Senior Notes during the third quarter of 2014, and the amortization of our Asset Backed Notes from a balance of $89.6 million as of December 31, 2013 to $28.0 million as of September 30, 2014. Interest expense decreased by approximately $950,000 related to Convertible Senior Notes settled prior to the interest payment date, offset by interest and fees on our 6.25% notes due 2024 (the 2024 Notes) issued in the third quarter of 2014.

We had a weighted average cost of debt, comprised of interest and fees and loss on debt extinguishment (long-term liabilities convertible senior notes), of approximately 6.6% and 6.0% for the three months ended September 30, 2014 and 2013, respectively, and a weighted average cost of debt of approximately 6.6% and 6.0% for the nine months ended September 30, 2014 and 2013, respectively. The increase in both periods was primarily driven by the acceleration of fees related to the early payoffs of SBA obligations and our Asset-Backed Notes as described above.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses increased to $2.4 million from $2.2 million for the three months ended September 30, 2014 and 2013, respectively. This increase was primarily due to increased rent expense and outside consulting fees offset by decreased legal fees. Expenses increased to $7.0 million from $6.8 million for the nine months ended September 30, 2014 and 2013, respectively. This increase was primarily due to increased rent expense and marketing expense offset by decreased accounting fees and legal fees.

Employee Compensation

Employee compensation and benefits totaled approximately $3.9 million for the three months ended September 30, 2014 as compared to approximately $7.0 million for the three months ended September 30, 2013 and approximately $11.4 million for the nine months ended September 30, 2014 as compared to approximately $15.0 million for the nine months ended September 30, 2013. The decrease for both comparative periods was primarily due to decreasing our 2014 variable compensation accrued for the three and nine months ended September 30, 2014 as compared to the variable compensation accrued for the three and nine months ended September 30, 2013.

Stock-based compensation totaled approximately $2.8 million for the three months ended September 30, 2014 as compared to approximately $1.6 million for the three months ended September 30, 2013 and approximately $6.8 million for the nine months ended September 30, 2014 as compared to approximately $4.3 million for the nine months ended September 30, 2013. The increase for both comparative periods was primarily due to the increase of restricted stock units granted in April 2014 (981,550 shares) as compared to restricted stock units granted in March 2013 (606,001 shares).

Loss on Extinguishment of Convertible Senior Notes

Upon meeting the stock trading price conversion requirement as set forth in the Indenture, dated April 15, 2011, between us and U.S. Bank National Association, during the three months ended June 30, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible through September 30, 2014. As of September 30, 2014, holders of approximately $34.1 million of our Convertible Senior Notes exercised their conversion rights and these Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 924,000 shares of the Company s common stock.

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We recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt we recorded for the three and nine months ended September 30, 2014 was approximately $1.0 million and was classified as a component of net investment income in our Consolidated Statements of Operations.

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

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

A summary of realized gains and losses for the three and nine months ended September 30, 2014 and 2013 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Realized gains	$ 5,882	$ 7,827	$ 13,755	$ 17,476
Realized losses	(218)	(702)	(748)	(6,167)
Net realized gains	$ 5,664	$ 7,125	$ 13,007	$ 11,309

During the three months ended September 30, 2014 and 2013, we recognized net realized gains of approximately $5.7 million and $7.1 million, respectively. During the three months ended September 30, 2014, we recorded gross realized gains of approximately $5.9 million primarily from the sale of investments in two portfolio companies, including Acceleron Pharma ($3.1 million) and IPA Holdings ($1.5 million). These gains were partially offset by gross realized losses of approximately $218,000 from the liquidation of our investments in two portfolio companies.

During the three months ended September 30, 2013, we recorded gross realized gains of approximately $7.8 million primarily from the sale of investments in three portfolio companies, including iWatt, Inc. ($4.7 million), AcelRx, Inc. ($1.1 million) and Facebook, Inc. ($728,000). These gains were partially offset by gross realized losses of approximately $460,000 from the liquidation of our investments in six portfolio companies.

During the nine months ended September 30, 2014 and 2013, we recognized net realized gains of approximately $13.0 million and $11.3 million, respectively. During the nine months ended September 30, 2014, we recorded gross realized gains of approximately $13.8 million primarily from the sale of investments in six portfolio companies, including Acceleron Pharma ($4.0 million), Neuralstem ($1.7 million), IPA Holdings ($1.5 million), Cell Therapeutics ($1.3 million), Trulia ($1.0 million) and Portola Pharmaceuticals ($700,000). These gains were partially offset by gross realized losses of approximately $748,000 from the liquidation of our investments in eight portfolio companies.

During the nine months ended September 30, 2013, we recorded gross realized gains of approximately $17.5 million primarily from the sale of investments in eight portfolio companies. These gains were partially offset by gross realized losses of approximately $6.2 million from the liquidation of our investments in nineteen 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, 2014 and 2013:

(in thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Gross unrealized appreciation on portfolio investments	$ 12,656	$ 28,760	$ 48,230	$ 58,168
Gross unrealized depreciation on portfolio investments	(17,753)	(15,626)	(59,699)	(44,117)
Reversal of prior period net unrealized appreciation upon a realization event	(4,273)	(6,196)	(6,761)	(13,599)
Reversal of prior period net unrealized depreciation upon a realization event	219	2,335	849	7,977
Net unrealized (depreciation) on taxes payable	(212)		(604)	
Net unrealized appreciation (depreciation) on escrow receivables	(309)	(923)	(465)	564
Citigroup warrant participation	190	(54)	146	45
Net unrealized appreciation (depreciation) on portfolio investments	$ (9,482)	$ 8,296	$ (18,304)	$ 9,038

During the three months ended September 30, 2014, we recorded approximately $9.5 million of net unrealized depreciation, of which $9.1 million is net unrealized depreciation from our debt, equity and warrant investments. Approximately $1.1 million is attributed to net unrealized depreciation on our debt investments which primarily related to $2.1 million unrealized depreciation for collateral based impairments on nine portfolio companies. Approximately $4.2 million is attributed to net unrealized depreciation on our equity investments which primarily related to the $3.6 million reversal of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Acceleron Pharma. Additionally, approximately $3.8 million is attributed to net unrealized depreciation on our warrant investments which primarily related to $2.1 million of unrealized depreciation on our public portfolio company investments and $1.0 million of unrealized depreciation on three private portfolio company investments due to declines in portfolio company performance.

Net unrealized depreciation increased by approximately $212,000 as a result of estimated taxes payable for the three months ended September 30, 2014.

Net unrealized depreciation further increased by approximately $309,000 as a result of reducing escrow receivables for the three months ended September 30, 2014 related to merger and acquisition transactions closed on former portfolio companies.

During the three months ended September 30, 2014, net unrealized depreciation was offset by approximately $190,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement due to the sale of shares of Acceleron Pharma that were subject to the agreement.

During the three months ended September 30, 2013, we recorded approximately $8.3 million of net unrealized appreciation, of which $9.3 million is net unrealized appreciation from our debt, equity and warrant investments. Approximately $7.3 million is attributed to net unrealized appreciation on equity, which primarily resulted from appreciation of our investment in Virident Systems due to the announcement of the portfolio company s acquisition by Western Digital, Inc. Approximately $2.1 million is attributed to net unrealized appreciation on our debt investments, which primarily resulted from fair value adjustments made as a result of a decrease in interest rates reflected in our current quarter effective yield offset by $3.4 million of unrealized depreciation for collateral based impairments. We recorded approximately $99,000 of net unrealized depreciation on our warrant investments.

During the three months ended September 30, 2013, net unrealized appreciation decreased by approximately $54,000 as a result of appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. Additionally during the three months ended September 30, 2013, net unrealized

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appreciation on escrow receivables decreased by approximately $923,000, primarily due to the reversal of prior period net unrealized appreciation upon being realized as a gain.

The following table summarizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the three months ended September 30, 2014 and 2013 (unaudited).

	Three Months Ended September 30, 2014			
(in millions)	**Debt**	**Equity**	**Warrants**	**Total**
Collateral Based Impairments	$ (2.1)	$ (0.1)	$ (0.4)	$ (2.6)
Reversals of Prior Period Collateral based impairments				
Reversals due to Debt Payoffs & Warrant/Equity sales	0.5	(3.9)	(0.3)	(3.7)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		(1.2)	(2.1)	(3.3)
Level 3 Assets	0.5	1.0	(1.0)	0.5
Total Fair Value Market/Yield Adjustments	0.5	(0.2)	(3.1)	(2.8)
Total Unrealized Appreciation/(Depreciation)	$ (1.1)	$ (4.2)	$ (3.8)	$ (9.1)

	Three Months Ended September 30, 2013			
(in millions)	**Debt**	**Equity**	**Warrants**	**Total**
Collateral Based Impairments	$ (3.4)	$	$ (0.1)	$ (3.5)
Reversals due to Debt Payoffs & Warrant/Equity sales	1.4	(0.7)	(3.1)	(2.4)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		2.0	1.9	3.9
Level 3 Assets	4.1	6.0	1.2	11.3
Total Fair Value Market/Yield Adjustments	4.1	8.0	3.1	15.2
Total Unrealized Appreciation/(Depreciation)	$ 2.1	$ 7.3	$ (0.1)	$ 9.3

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

During the nine months ended September 30, 2014, we recorded approximately $18.3 million of net unrealized depreciation, of which $17.4 million is net unrealized depreciation from our debt, equity and warrant investments. Approximately $7.8 million is attributed to net unrealized depreciation on our debt investments which primarily related to $12.6 million of unrealized depreciation for collateral based impairments on nine portfolio companies. Approximately $18.3 million is attributed to net unrealized depreciation on our warrant investments which primarily related to $8.3 million of net unrealized depreciation due to the exercise of our warrants in Box, Inc. to equity and $1.9 million of net unrealized depreciation due to the reversal of prior period net unrealized appreciation upon being realized as a gain. This unrealized depreciation was offset by approximately $8.7 million of net unrealized appreciation on our equity investments, including approximately $8.4 million of net unrealized appreciation due to the exercise of our warrants in Box, Inc. to equity.

Net unrealized depreciation increased by approximately $604,000 as a result of estimated taxes payable for the nine months ended September 30, 2014.

Net unrealized depreciation further increased by approximately $465,000 as a result of reducing escrow receivables for the nine months ended September 30, 2014 related to merger and acquisition transactions closed on former portfolio companies.

During the nine months ended September 30, 2014, net unrealized depreciation was offset by approximately $146,000 as a result of net depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement due to the sale of shares of Acceleron Pharma that were subject to the agreement.

During the nine months ended September 30, 2013, we recorded approximately $9.0 million of net unrealized appreciation of which approximately $8.4 million is net unrealized appreciation from our debt, equity

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and warrant investments. Approximately $14.7 million is attributed to net unrealized appreciation on equity which primarily resulted from appreciation of our investment in Virident Systems due to the announcement of the portfolio company s acquisition by Western Digital, Inc. of approximately $7.2 million and approximately $2.7 million due to the reversal of prior period net unrealized depreciation upon being realized as a loss. Approximately $3.9 million is attributed to net unrealized appreciation on our warrant investments, of which approximately $10.9 million is due to the reversal of prior period net unrealized appreciation upon being realized as a gain and $2.7 million is due to the reversal of prior period net unrealized depreciation upon being realized as a loss. We recorded approximately $10.2 million of net unrealized depreciation on our debt investments, which primarily related to $10.3 million of unrealized depreciation for collateral based impairments on with portfolio companies.

For the nine months ended September 30, 2013, net unrealized appreciation increased by approximately $45,000 as a result of depreciation during the nine months ended September 30, 2013 of fair value on the pool of warrants collateralized under the warrant participation agreement.

The following table summarizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the nine months ended September 30, 2014 and 2013 (unaudited).

	Nine Months Ended September 30, 2014			
(in millions)	**Debt**	**Equity**	**Warrants**	**Total**
Collateral Based Impairments	$ (12.6)	$ (1.2)	$ (2.9)	$ (16.7)
Reversals of Prior Period Collateral based impairments		0.6		0.6
Reversals due to Debt Payoffs & Warrant/Equity sales	0.3	(4.7)	(9.7)	(14.1)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		3.7	(2.4)	1.3
Level 3 Assets	4.5	10.3	(3.3)	11.5
Total Fair Value Market/Yield Adjustments	4.5	14.0	(5.7)	12.8
Total Unrealized Appreciation/(Depreciation)	$ (7.8)	$ 8.7	$ (18.3)	$ (17.4)

	Nine Months Ended September 30, 2013			
(in millions)	**Debt**	**Equity**	**Warrants**	**Total**
Collateral Based Impairments	$ (10.3)	$	$ (0.1)	$ (10.4)
Reversals due to Debt Payoffs & Warrant/Equity sales	1.6	2.7	(8.2)	(3.9)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		2.0	3.2	5.2
Level 3 Assets	(1.5)	10.0	9.0	17.5
Total Fair Value Market/Yield Adjustments	(1.5)	12.0	12.2	22.7
Total Unrealized Appreciation/(Depreciation)	$ (10.2)	$ 14.7	$ 3.9	$ 8.4

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

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC 740, Income Taxes, which requires that deferred income taxes be determined 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 are used to reduce deferred tax assets to the amount likely to be realized. We intend to distribute approximately $3.8 million of spillover earnings from the year ended December 31, 2013 to our shareholders in 2014.

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

For the three months ended September 30, 2014 and 2013, the net increase in net assets resulting from operations totaled approximately $15.2 million and approximately $37.0 million, respectively. For the nine months ended September 30, 2014 and 2013, the net increase in net assets resulting from operations totaled approximately $50.6 million and approximately $74.5 million, respectively. These changes are made up of the items previously described.

The basic and fully diluted net change in net assets per common share were $0.24 and $0.23, respectively, for the three months ended September 30, 2014, whereas the basic and fully diluted net change in net assets per common share for the three months ended September 30, 2013 was $0.61 and $0.59, respectively. The basic and fully diluted net change in net assets per common share was $0.80 and $0.78 for the nine months ended September 30, 2014, whereas the basic and fully diluted net change in net assets per common share for the nine months ended September 30, 2013 was $1.26 and $1.23, respectively.

For the purpose of calculating diluted earnings per share for three and nine months ended September 30, 2014 and 2013, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation as our share price was greater than the conversion price in effect ($11.42 as of September 30, 2014 and $11.69 as of September 30, 2013, respectively) for the Convertible Senior Notes for such periods.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our Wells Facility, Union Bank Facility (together the Credit Facilities), SBA debentures, Convertible Senior Notes, 2019 Notes, 2024 Notes, Asset-Backed Notes (as each is defined herein) 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 with JMP Securities LLC, or JMP. The equity distribution agreement provides that we may offer and sell up to 8.0 million shares of our common stock from time to time through JMP, as our sales agent. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the nine months ended September 30, 2014, we sold 650,000 shares of common stock for total accumulated net proceeds of approximately $9.5 million, all of which is accretive to net asset value. We expect to use the net proceeds from the offering to make investments, to repurchase or pay liabilities and for general corporate purposes. As of September 30, 2014, approximately 7.35 million shares remained available for issuance and sale under the equity distribution agreement.

As of September 30, 2014, approximately $34.1 million of our Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 924,000 of our common stock. Upon meeting the stock trading price conversion requirement during the three months ended September 30, 2014, the Convertible Senior Notes continue to be convertible through December 31, 2014. See Subsequent Events .

At September 30, 2014, we had $40.9 million of Convertible Senior Notes, $170.4 million of 2019 Notes, $103.0 million of 2024 Notes, $28.0 million of Asset-Backed Notes and $190.2 million of SBA debentures payable. We had no borrowings outstanding under either the Wells Facility or the Union Bank Facility.

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At September 30, 2014, we had $308.6 million in available liquidity, including $158.6 million in cash and cash equivalents. We had available borrowing capacity of approximately $75.0 million under the Wells Facility and $75.0 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At September 30, 2014, we had $112.5 million of cash in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of $38.0 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, 2014, we have issued $190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

At September 30, 2014, we had approximately $2.1 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 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations. During the nine months ended September 30, 2014, 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, 2014, our operating activities used $34.1 million of cash and cash equivalents, compared to $4.7 million provided during the nine months ended September 30, 2013. This $38.8 million decrease in cash provided by operating activities resulted primarily from the decrease in net assets resulting from operations of approximately $24.0 million, the decrease of proceeds received from investment payoffs of approximately $19.9 million and the decrease in sale of investments of approximately $11.5 million. These decreases were partially offset by increases in unrealized appreciation on investments of approximately $27.3 million.

During the nine months ended September 30, 2014, our investing activities provided $4.1 million of cash, compared to approximately $3.9 million used during the nine months ended September 30, 2013. This $8.0 million increase in cash provided by investing activities was primarily due to a reduction of approximately $7.8 million in cash, classified as restricted cash, on assets that are securitized.

During the nine months ended September 30, 2014, our financing activities used $79.7 million of cash, compared to $21.2 million provided during the nine months ended September 30, 2013. This $100.9 million increase in cash used by financing activities was primarily due to a decrease in proceeds from issuance of common stock of $86.7 million and an increase in repayments of Asset-Backed Notes and Long-Term SBA Debentures of $34.8 million and $34.8 million, respectively, during the nine months ended September 30, 2014. In addition, during the nine months ended September 30, 2014, we paid $34.1 million in cash to settle our Convertible Senior Notes, of which $31.6 million is included in cash flows from financing activities and $2.5 million is in included in cash flows from operating activities which represents the proportional interest paid of the original issue discount. These increases in cash used by financing activities were partially offset by cash provided by the net issuance of our 2024 Notes for $99.7 million.

As of September 30, 2014, net assets totaled $656.2 million, with a net asset value per share of $10.22. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in other high-quality debt investments that mature in one year or less as well as from future borrowings as required to meet our lending activities. 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, 2014 our asset coverage ratio under our regulatory requirements as a business

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development company was 292.2%, 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. 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 223.4% at September 30, 2014.

Outstanding Borrowings

At September 30, 2014 (unaudited) and December 31, 2013, we had the following available borrowings and outstanding amounts:

	September 30, 2014		December 31, 2013	
(in thousands)	**Total Available**	**Carrying Value[(1)]**	**Total Available**	**Carrying Value[(1)]**
SBA Debentures[(2)]	$ 190,200	$ 190,200	$ 225,000	$ 225,000
2019 Notes	170,364	170,364	170,364	170,364
2024 Notes	103,000	103,000		
Asset-Backed Notes	27,951	27,951	89,557	89,557
Convertible Senior Notes[(3)]	40,923	40,012	75,000	72,519
Wells Facility	75,000		75,000	
Union Bank Facility	75,000		30,000	
	$ 682,438	$ 531,527	$ 664,921	$ 557,440

(1) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding.

(2) In March 2014, we repaid $34.8 million of SBA debentures under HT II, priced at approximately 6.38%, including annual fees. At September 30, 2014, the total available borrowings under the SBA debentures were $190.2 million, of which $41.2 million was available in HT II and $149.0 million was available in HT III. At December 31, 2013, the total available borrowings under the SBA debentures were $225.0 million, of which $76.0 million was available in HT II and $149.0 million was available in HT III.

(3) During the three months ended September 30, 2014, holders of approximately $34.1 million of the Company s Convertible Senior Notes exercised their conversion rights. The balance at September 30, 2014 represents the remaining aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was approximately $911,000 at September 30, 2014 and $2.5 million at December 31, 2013.

Our net asset value may decline as a result of economic conditions in the United States. Our continued compliance with the covenants under our Credit Facilities, Convertible Senior Notes, 2019 Notes, 2024 Notes, Asset-Backed Notes and SBA debentures depend on many factors, some of which are beyond our control. Material net asset devaluation could have a material adverse effect on our operations and could require us to reduce our borrowings in order to comply with certain covenants, including the ratio of total assets to total indebtedness. We believe that our current cash and cash equivalents, cash generated from operations, and funds available from our Credit Facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Debt financing costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized into the consolidated statement of operations as loan fees over the term of the related debt instrument. Prepaid financing costs, net of accumulated amortization, as of September 30, 2014 (unaudited) and December 31, 2013 were as follows:

(in thousands)	**September 30, 2014**	**December 31, 2013**
SBA Debentures	$ 4,202	$ 5,074
2019 Notes	4,595	5,319
2024 Notes	3,288	
Asset-Backed Notes	883	2,686
Convertible Senior Notes	485	1,323
Wells Facility	880	398
Union Bank Facility	171	

	$	14,504	$	14,800

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Commitments

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded contractual commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded contractual commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded contractual commitments may be significant from time to time. As of September 30, 2014, we had unfunded contractual commitments of approximately $242.5 million. Approximately $138.5 million of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the contractual commitment becomes available. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent our future cash requirements. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

In addition, we had approximately $223.0 million of non-binding term sheets outstanding to nine 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.

Contractual Obligations

The following table shows our contractual obligations as of September 30, 2014 (unaudited):

	Payments due by period (in thousands)				
Contractual Obligations[1][2]	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Borrowings[3] [4]	$ 531,527	$ 363	$ 67,600	$ 192,164	$ 271,400
Operating Lease Obligations[5]	6,666	1,586	3,038	1,576	466
	$ 538,193	$ 1,949	$ 70,638	$ 193,740	$ 271,866

(1) Excludes commitments to extend credit to our portfolio companies.
(2) We also have a warrant participation agreement with Citigroup. See Note 4 to our consolidated financial statements.
(3) Includes $190.2 million in borrowings under the SBA debentures, $170.4 million of the 2019 Notes, $103.0 million of the 2024 Notes, $28.0 million in aggregate principal amount of the Asset-Backed Notes and $40.0 million of the Convertible Senior Notes.
(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes is $40.9 million less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was $0.9 million at September 30, 2014.
(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 $397,000 and $1.2 million during the three and nine months ended September 30, 2014, respectively. There was approximately $296,000 and $900,000 recorded in the same periods ended September 30, 2013, respectively.

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

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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 regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With our net investment of $38.0 million in HT II as of September 30, 2014, 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 available at September 30, 2014. As of September 30, 2014, 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, 2014 we held investments in HT II in 42 companies with a fair value of approximately $110.9 million, accounting for approximately 11.1% of our total portfolio at September 30, 2014.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With our net investment of $74.5 million in HT III as of September 30, 2014, 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, 2014. As of September 30, 2014, HT III has paid commitment fees and facility fees of approximately $1.5 million and $3.6 million, respectively. As of September 30, 2014, we held investments in HT III in 42 companies with a fair value of approximately $255.5 million accounting for approximately 25.6% of our total portfolio at September 30, 2014.

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

HT II and HT III are periodically examined and audited by the SBA s staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II s or HT III s use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC s leverage as of September 30, 2014 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%. 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

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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 average amount of debentures outstanding for the three months ended September 30, 2014 for HT II was approximately $41.2 million with an average interest rate of approximately 4.56%. The average amount of debentures outstanding for the three months ended September 30, 2014 for HT III was approximately $149.0 million with an average interest rate of approximately 3.46%. The average amount of debentures outstanding for the nine months ended September 30, 2014 for HT II was approximately $48.6 million with an average interest rate of approximately 4.80%. The average amount of debentures outstanding for the nine months ended September 30, 2014 for HT III was approximately $149.0 million with an average interest rate of approximately 3.42%.

As of September 30, 2014, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. In aggregate, at September 30, 2014, with our net investment of $112.5 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. In March 2014, we repaid $34.8 million of SBA debentures under HT II, priced at approximately 6.38%, including annual fees. At September 30, 2014, we have issued $190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We reported the following SBA debentures outstanding as of September 30, 2014 (unaudited) and December 31, 2013:

(in thousands)

Issuance/Pooling Date	**Maturity Date**	**Interest Rate[(1)]**	**September 30, 2014**	**December 31, 2013**
SBA Debentures:				
March 26, 2008	March 1, 2018	6.38%	$	$ 34,800
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	$ 225,000

(1) Interest rate includes annual charge

2019 Notes

On March 6, 2012, we and U.S. Bank National Association (the Trustee) entered into an indenture (the Base Indenture). On April 17, 2012, we and the Trustee entered into the First Supplemental Indenture to the Base Indenture (the First Supplemental Indenture), dated April 17, 2012, relating to our issuance, offer and sale of $43.0 million aggregate principal amount of 7.00% senior notes due 2019 (the April 2019 Notes). The sale of the April 2019 Notes generated net proceeds, before expenses, of approximately $41.7 million.

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

On September 24, 2012, we and the Trustee, entered into the Second Supplemental Indenture to the Base Indenture (the Second Supplemental Indenture), dated as of September 24, 2012, relating to our issuance, offer

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and sale of $75.0 million aggregate principal amount of 7.00% senior notes due 2019 (the September 2019 Notes and, together with the April 2019 Notes, the 2019 Notes). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately $72.75 million.

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

As of September 30, 2014 (unaudited) and December 31, 2013, the 2019 Notes payable is comprised of:

(in thousands)	**September 30, 2014**	**December 31, 2013**
April 2019 Notes	$ 84,490	$ 84,490
September 2019 Notes	85,874	85,874
Carrying Value of 2019 Notes	$ 170,364	$ 170,364

April 2019 Notes

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

The April 2019 Notes are our direct unsecured obligations and rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the $40.9 million in aggregate principal amount of the Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the April 2019 Notes; (iii) effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our Credit Facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance, LLC.

The Base Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants requiring our compliance with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) 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) 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 Trustee if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. 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 Trustee or the holders of 25% in aggregate principal amount of the outstanding April 2019 Notes in a series may declare such April 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

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September 2019 Notes

The September 2019 Notes will mature on September 30, 2019 and may be redeemed in whole or in part at our 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 New York Stock Exchange under the trading symbol HTGY.

The September 2019 Notes are our direct unsecured obligations and rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the $40.9 million in aggregate principal amount of the Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the September 2019 Notes; (iii) effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance.

The Base Indenture, as supplemented by the Second Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) 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) 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 Trustee if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. 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 Trustee or the holders of 25% in aggregate principal amount of the outstanding September 2019 Notes in a series may declare such September 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

For the three and nine months ended September 30, 2014 and 2013 (unaudited), 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:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Stated interest expense	$ 2,981	$ 2,981	$ 8,944	$ 8,944
Amortization of debt issuance cost	243	243	$ 725	725
Total interest expense and fees	$ 3,224	$ 3,224	$ 9,669	$ 9,669
Cash paid for interest expense and fees	$ 2,981	$ 2,981	$ 8,944	$ 8,944

As of September 30, 2014, we are in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes. See Note 4 to our consolidated financial statements for more detail on the 2019 Notes.

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2024 Notes

On July 14, 2014, we and U.S. Bank, N.A. (the Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between us and the Trustee, dated July 14, 2014, relating to our issuance, offer and sale of $100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional $3.0 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated net proceeds of approximately $99.9 million.

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

The 2024 Notes will be our direct unsecured obligations and will rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the approximately $84.5 million 7.00% Senior Notes due April 30, 2019 (the April 2019 Notes); the approximately $85.9 million 7.00% Senior Notes due September 30, 2019 (the September 2019 Notes and together with the April 2019 Notes, the 2019 Notes), the $40.9 million 6.00% Convertible Senior Notes due 2016 (the Convertible Senior Notes and the approximately $28.0 million fixed-rate asset-backed notes (the Asset-Backed Notes); (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) 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 and any borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) 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) as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that we provide financial information to the holders of the 2024 Notes and the Trustee if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. The Base Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding 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, 2014, we were in compliance with the terms of the Base Indenture, as supplemented by the Third Supplemental Indenture.

At September 30, 2014, the 2024 Notes had an outstanding principal balance of $103.0 million.

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For the three and nine months ended September 30, 2014 (unaudited), the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Stated interest expense	$ 1,068	$	$ 1,068	$
Amortization of debt issuance cost	69		$ 69	
Total interest expense and fees	$ 1,137	$	$ 1,137	$
Cash paid for interest expense and fees	$ 278	$	$ 278	$

Asset-Backed Notes

On December 19, 2012, we completed a $230.7 million term debt securitization in connection with which an affiliate of ours made an offer of $129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the Asset-Backed Notes), which Asset-Backed Notes were rated A2(sf) by Moody s Investors Service, Inc. The Asset-Backed Notes were issued by Hercules Capital Funding Trust 2012-1 pursuant to a note purchase agreement, dated as of December 12, 2012, by and among us, Hercules Capital Funding 2012- 1 LLC, as Trust Depositor (the Trust Depositor), Hercules Capital Funding Trust 2012-1, as Issuer (the Issuer), and Guggenheim Securities, LLC, as Initial Purchaser, and are backed by a pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by us. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.32% per annum. The Asset-Backed Notes have a stated maturity of December 16, 2017.

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

In connection with the issuance and sale of the Asset-Backed Notes, we have made customary representations, warranties and covenants in the note purchase agreement. The Asset-Backed Notes are secured obligations of the Issuer and are non-recourse to us. The Issuer also entered into an indenture governing the Asset-Backed Notes, which includes customary representations, warranties and covenants. The Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended (the Securities Act), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers for purposes of Section 3(c)(7) under the 1940 Act. In addition, the Trust Depositor entered into an amended and restated trust agreement, which includes customary representation, warranties and covenants.

The Loans are serviced by us pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. We perform certain servicing and administrative functions with respect to the Loans. We are entitled to receive a monthly fee from the Issuer for servicing the 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 December 5, 2012 through and including January 15, 2013 over 360) of 2.00% and the aggregate outstanding principal balance of the Loans, excluding all defaulted Loans and all purchased Loans, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including December 5, 2012, to the close of business on January 4, 2013).

We also serve as administrator to the Issuer under an administration agreement, which includes customary representations, warranties and covenants.

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At September 30 2014 and December 31, 2013, the Asset Backed Notes had an outstanding principal balance of $28.0 million and $89.6 million, respectively.

Under the terms of the Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the Asset-Backed Notes. We have segregated these funds and classified them as Restricted Cash. There was approximately $2.1 million and $6.3 million of Restricted Cash as of September 30, 2014 and December 31, 2013, respectively, funded through interest collections.

Convertible Senior Notes

In April 2011, we issued $75.0 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes) due 2016. During the three months ended September 30, 2014, holders of approximately $34.1 million of our Convertible Senior Notes exercised their conversion rights. As of September 30, 2014, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately $40.0 million.

The Convertible Senior Notes mature on April 15, 2016 (the Maturity Date), unless previously converted or repurchased in accordance with their terms. The Convertible Senior Notes bear interest at a rate of 6.00% per year payable semiannually in arrears on April 15 and October 15 of each year, commencing on October 15, 2011. The Convertible Senior Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding October 15, 2015, holders may convert their Convertible Senior Notes only under certain circumstances set forth in the indenture. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the Maturity Date, holders may convert their Convertible Senior Notes at any time. Upon conversion, we will pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The conversion rate will initially be 84.0972 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately $11.89 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the Maturity Date, the conversion rate will be increased for converting holders. As of September 30, 2014, the conversion rate was 87.5583 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately $11.42 per share of common stock).

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

The Convertible Senior Notes are accounted for in accordance with ASC 470-20 (previously FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)). In accounting for the Convertible Senior Notes, we estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior

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Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the consolidated statement of assets and liabilities. As a result, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

Upon meeting the stock trading price conversion requirement during the three months ended June 30, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible through September 30, 2014. As of September 30, 2014, approximately $34.1 million of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 924,000 shares of our common stock. Upon meeting the stock trading price conversion requirement during the three months ended September 30, 2014, the Convertible Senior Notes continue to be convertible through December 30, 2014. See Subsequent Events.

We recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt we recorded for the three and nine months ended September 30, 2014 was approximately $1.0 million and was classified as a component of net investment income in our Consolidated Statements of Operations.

As of September 30, 2014 (unaudited) and December 31, 2013, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	**September 30, 2014**	**December 31, 2013**
Principal amount of debt	$ 40,923	$ 75,000
Original issue discount, net of accretion	(911)	(2,481)
Carrying value of Convertible Senior Notes	$ 40,012	$ 72,519

For the three and nine months ended September 30, 2014 and 2013 (unaudited), the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Stated interest expense	$ 184	$ 1,125	$ 2,434	$ 3,375
Accretion of original issue discount	197	271	738	812
Amortization of debt issuance cost	105	144	394	433
Total interest expense	$ 486	$ 1,540	$ 3,566	$ 4,620
Cash paid for interest expense	$	$	$ 2,250	$ 2,250

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, 2014 and 2013. Interest expense decreased by approximately $950,000 during both the three and nine months ended September 30, 2014 from the comparative periods in 2013, due to Convertible Senior Notes settled prior to the interest payment date. As of September 30, 2014, we are in compliance with the terms of the indentures governing the Convertible Senior Notes.

Wells Facility

In August 2008, we entered into a $50.0 million two-year revolving senior secured credit facility with Wells Fargo Capital Finance (the Wells Facility). On June 20, 2011, we renewed the Wells Facility, and the Wells

Facility was further amended on August 1, 2012, December 17, 2012 and August 8, 2014. Under this senior secured facility, Wells Fargo Capital Finance has made commitments of $75.0 million. The facility contains an accordion feature, in which we can increase the credit line up to an aggregate of $300.0 million, funded by additional lenders and with the agreement of Wells Fargo Capital Finance and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the new facility; however, there can be no assurances that additional lenders will join the Wells Facility.

On August 1, 2012, we entered into an amendment to the Wells Facility that reduced the interest rate floor by 75 basis points to 4.25% and extended the maturity date by one year to August 2015. Additionally, the August 2012 amendment added an amortization period that commences on the day immediately following the end of the revolving credit availability period and ends one year thereafter on the maturity date. The August 2012 amendment also reduced the unused line fee, as further discussed below. On August 8, 2014, the Company entered into a further amendment to the Wells Facility to set the interest rate floor at 4.00% and to extend the revolving credit availability period to August 2017.

As amended, borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 4.00% and an advance rate of 50% against eligible debt investments. The Wells Facility is secured by debt investments in the borrowing base. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% of the average monthly outstanding balance. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.50%. For the three and nine months ended September 30, 2014 and 2013, this non-use fee was approximately $96,000 and $284,000, respectively. On June 20, 2011 we paid an additional $1.1 million in structuring fees in connection with the Wells Facility which are being amortized through the end of the term of the Wells Facility. In connection with the August 2014 amendments, the Company paid an additional $750,000 in structuring fees in connection with the Wells Facility which are being amortized through the end of the term of the Wells Facility.

The Wells Facility includes various financial and operating covenants applicable to us and our subsidiaries, in addition to those applicable to Hercules Funding II, LLC. As amended, these covenants require us to maintain certain financial ratios 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. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at September 30, 2014. See Note 4 to our consolidated financial statements for more detail on the Wells Facility.

Union Bank Facility

We have a $75.0 million revolving senior secured credit facility (the Union Bank Facility) with Union Bank (Union Bank). We originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to $75.0 million from $30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. LIBOR-based borrowings under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously we paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings under the Union Bank Facility, which are based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. We continue to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that we may incur.

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Union Bank has made commitments to lend up to $75.0 million in aggregate principal amount. The Union Bank Facility contains an accordion feature, pursuant to which we may increase the size of the Union Bank Facility to an aggregate principal amount of $300.0 million by bringing in additional lenders, subject to the approval of Union Bank and other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings.

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three and nine months ended September 30, 2014, this non-use fee was approximately $50,000 and $100,000, respectively. For the three and nine months ended September 30, 2013, this non-use fee was approximately $38,000 and $114,000, respectively. The amount that we may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50.0% of eligible debt investments placed in the collateral pool.

We have various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that we maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. The Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at September 30, 2014.

At September 30, 2014 there were no borrowings outstanding on this facility.

Citibank Credit Facility

We, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the Citibank Credit Facility) with Citigroup Global Markets Realty Corp. which expired under normal terms. During the first quarter of 2009, we paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of debt investments and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached.

During the nine months ended September 30, 2014, we reduced our realized gain by approximately $270,000 for Citigroup s participation in the gain on sale of equity securities which were obtained from exercising a portfolio company warrant which was included in the collateral pool. We recorded a decrease on participation liability and an increase on unrealized appreciation by a net amount of approximately $146,000 as a result of year to date depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately $224,000 as of September 30, 2014 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid Citigroup approximately $1.9 million under the warrant participation agreement thereby reducing our realized gains by this amount. We will continue to pay

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Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between February 2016 and March 2017.

Dividends

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

Date Declared	Record Date	Payment Date	Amount Per Share
October 27, 2005	November 1, 2005	November 17, 2005	$ 0.03
December 9, 2005	January 6, 2006	January 27, 2006	0.30
April 3, 2006	April 10, 2006	May 5, 2006	0.30
July 19, 2006	July 31, 2006	August 28, 2006	0.30
October 16, 2006	November 6, 2006	December 1, 2006	0.30
February 7, 2007	February 19, 2007	March 19, 2007	0.30
May 3, 2007	May 16, 2007	June 18, 2007	0.30
August 2, 2007	August 16, 2007	September 17, 2007	0.30
November 1, 2007	November 16, 2007	December 17, 2007	0.30
February 7, 2008	February 15, 2008	March 17, 2008	0.30
May 8, 2008	May 16, 2008	June 16, 2008	0.34
August 7, 2008	August 15, 2008	September 19, 2008	0.34
November 6, 2008	November 14, 2008	December 15, 2008	0.34
February 12, 2009	February 23, 2009	March 30, 2009	0.32*
May 7, 2009	May 15, 2009	June 15, 2009	0.30
August 6, 2009	August 14, 2009	September 14, 2009	0.30
October 15, 2009	October 20, 2009	November 23, 2009	0.30
December 16, 2009	December 24, 2009	December 30, 2009	0.04
February 11, 2010	February 19, 2010	March 19, 2010	0.20
May 3, 2010	May 12, 2010	June 18, 2010	0.20
August 2, 2010	August 12, 2010	September 17, 2010	0.20
November 4, 2010	November 10, 2010	December 17, 2010	0.20
March 1, 2011	March 10, 2011	March 24, 2011	0.22
May 5, 2011	May 11, 2011	June 23, 2011	0.22
August 4, 2011	August 15, 2011	September 15, 2011	0.22
November 3, 2011	November 14, 2011	November 29, 2011	0.22
February 27, 2012	March 12, 2012	March 15, 2012	0.23
April 30, 2012	May 18, 2012	May 25, 2012	0.24
July 30, 2012	August 17, 2012	August 24, 2012	0.24
October 26, 2012	November 14, 2012	November 21, 2012	0.24
February 26, 2013	March 11, 2013	March 19, 2013	0.25
April 29, 2013	May 14, 2013	May 21, 2013	0.27
July 29, 2013	August 13, 2013	August 20, 2013	0.28
November 4, 2013	November 18, 2013	November 25, 2013	0.31
February 24, 2014	March 10, 2014	March 17, 2014	0.31
April 28, 2014	May 12, 2014	May 19, 2014	0.31
July 28, 2014	August 18, 2014	August 25, 2014	0.31
October 29, 2014	November 17, 2014	November 24, 2014	0.31
			$ 9.99

* Dividend paid in cash and stock.

On October 29, 2014 the Board of Directors declared a cash dividend of $0.31 per share to be paid on November 24, 2014 to shareholders of record as of November 17, 2014. This dividend represents our thirty-seventh consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $9.99 per share.

Our Board of Directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount that approximates 90 100% of our taxable quarterly income or potential annual income for a particular year. In addition, at the end of the year, our Board of Directors may choose to pay an

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additional special dividend, or fifth dividend, so that we may distribute approximately all of our annual taxable income in the year it was earned, or may elect to maintain the option to spill over our excess taxable income into the coming year for future dividend payments.

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year. Of the dividends declared during the years ended December 31, 2013 and 2012, 100% were distributions of ordinary income. There can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2014 distributions to stockholders will actually be.

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

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

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

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

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We intend to distribute approximately $3.8 million of spillover earnings from the year ended December 31, 2013 to our shareholders in 2014.

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

Critical Accounting Policies

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

Valuation of Portfolio 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, 2014, approximately 83.3% of our total assets represented investments in portfolio companies that are valued at fair value 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 Accounting Standards Codification topic 820 Fair Value Measurements and Disclosures (ASC 820). Our debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries. Given the nature of lending to these types of businesses, our investments in these portfolio companies are generally considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy and our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

We may from time to time engage an independent valuation firm to provide us with valuation assistance with respect to certain of our portfolio investments on a quarterly basis. We 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.

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

(1) our quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and business based assumptions are discussed with our investment committee;

(3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio company as provided by the investment committee, which incorporates the results of the independent valuation firm as appropriate.

(4) the Board of Directors, upon the recommendation of the Audit Committee, discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the investment committee.

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

We have categorized all investments recorded at fair value in accordance with ASC 820 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

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

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

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In accordance with ASU 2011-04, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of September 30, 2014. In addition to the techniques and inputs noted in the table below, according to our valuation policy, we may also use other valuation techniques and methodologies when determining our fair value measurements. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements.

Investment Type - Level Three Debt Investments	Fair Value at September 30, 2014 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input[a]	Range	Weighted Average[b]
Pharmaceuticals	$82,606	Originated Within 6 Months	Origination Yield	9.79% - 17.50%	12.58%
	224,002	Market Comparable Companies	Hypothetical Market Yield	7.45% - 16.07%	13.07%
			Premium/(Discount)	(1.00%) - 0.50%	
Medical Devices	46,070	Originated Within 6 Months	Origination Yield	8.20% - 16.56%	13.90%
	74,172	Market Comparable Companies	Hypothetical Market Yield	11.72% - 23.60%	14.88%
			Premium/(Discount)	(1.00%) - 1.50%	
	9,367	Liquidation[c]	Probability weighting of alternative outcomes	25.00% - 75.00%	
Technology	79,778	Originated Within 6 Months	Origination Yield	6.86% - 43.33%	14.39%
	104,927	Market Comparable Companies	Hypothetical Market Yield	3.48% - 19.44%	14.09%
			Premium/(Discount)	(0.50%) - 0.50%	
	161	Liquidation[c]	Probability weighting of alternative outcomes	50.00%	
Energy Technology	30,000	Originated Within 6 Months	Origination Yield	14.16%	14.16%
	58,209	Market Comparable Companies	Hypothetical Market Yield	12.25% - 17.53%	15.39%
			Premium/(Discount)	(0.50%) - 1.00%	
	5,492	Liquidation[c]	Probability weighting of alternative outcomes	20.00% - 80.00%	
Lower Middle Market	61,546	Market Comparable Companies	Hypothetical Market Yield	11.59% - 15.90%	13.80%
			Premium/(Discount)	0.00% - 0.50%	
	17,737	Liquidation[c]	Probability weighting of alternative outcomes	10.00% - 75.00%	
		Debt Investments Where Fair Value Approximates Cost			
	91,917	Imminent Payoffs			
	21,939	Debt Investments Maturing in Less than One Year			
	$907,923	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 would result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Schedule of Investments are included in the industries note above as follows:

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

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

Technology, above, is comprised of debt investments in the Software, Semiconductors, Electronics and Computer Hardware, Internet Consumer and Business Services, Information Services, Media/Content/Info and Communications and Networking industries in the Schedule of Investments.

Lower Middle Market, above, is comprised of debt investments in the Communications and Networking, Software, Electronics and Computer Hardware, Information Services, Internet Consumer and Business Services, Media/Content/Info, and Specialty Pharmaceuticals industries in the Schedule of Investments. Energy Technology, above, aligns with the Energy Technology industry in the Schedule of Investments.

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

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

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Investment Type -Level Three Debt Investments	Fair Value at December 31, 2013 *(in thousands)*	Valuation Techniques/ Methodologies	Unobservable Input[(a)]	Range	Weighted Average[(c)]
Pharmaceuticals	$25,811	Originated Within 6 Months	Origination Yield	12.56% - 14.53%	13.36%
	250,607	Market Comparable Companies	Hypothetical Market Yield	13.83% - 15.47%	14.13%
			Premium/(Discount)	(1.00%) - 0.00%	
Medical Devices	46,900	Originated Within 6 Months	Origination Yield	13.54% - 17.37%	14.87%
	34,723	Market Comparable Companies	Hypothetical Market Yield	14.32% - 17.37%	15.23%
			Premium/(Discount)	(1.00%) - 1.00%	
Technology	18,796	Originated Within 6 Months	Origination Yield	10.62% - 15.97%	14.26%
	98,290	Market Comparable Companies	Hypothetical Market Yield	14.72% - 21.08%	15.48%
			Premium/(Discount)	0.00% - 1.00%	
	1,643	Liquidation	Probability weighting of alternative outcomes	30.00% - 70.00%	
Energy Technology	32,597	Originated Within 6 Months	Origination Yield	14.68% - 15.87%	15.17%
	108,238	Market Comparable Companies	Hypothetical Market Yield	15.37%	15.37%
			Premium/(Discount)	(0.50%) - 1.50%	
Lower Middle Market	121,347	Market Comparable Companies	Hypothetical Market Yield	14.83% - 19.73%	16.12%
			Premium/(Discount)	0.00% - 1.00%	
	31,818	Broker Quote[(b)]	Price Quotes	99.50% - 100.25% of par	
			Par Value	$2.0 - $22.5 million	
	12,576	Liquidation	Probability weighting of alternative outcomes	20.00% - 80.00%	
		Debt Investments Where Fair Value Approximates Amortized Cost			
	15,906	Imminent Payoffs			
	22,236	Debt Investments Maturing in Less than One Year			
	500	Convertible Debt at Par			
	$821,988	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 would result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Schedule of Investments are included in the industries note above as follows:

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

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

Technology, above, is comprised of debt investments in the Software, Semiconductors, Electronics and Computer Hardware, Internet Consumer and Business Services, Information Services, Media/Content/Info and Communications and Networking industries in the Schedule of Investments.

Lower Middle Market, above, is comprised of debt investments in the Communications and Networking, Software, Electronics and Computer Hardware, Information Services, Internet Consumer and Business Services, Media/Content/Info, and Specialty Pharmaceuticals industries in the Schedule of Investments. Energy Technology, above, aligns with the Energy Technology industry in the Schedule of Investments. In our quarterly and annual reports filed with the Commission prior to the 2013 Annual Report on Form 10-K, we referred to the Energy Technology industry as Clean Tech and we referred to these investments as Clean Tech in the Schedule of Investments included in such reports.

(b) A broker quote valuation technique was used to derive the fair value of debt investments which are part of a syndicated facility.

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

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Investment Type-

Level Three

Equity and Warrant Investments	Fair Value at September 30, 2014 *(in thousands)*	Valuation Techniques/ Methodologies	Unobservable Input[(a)]	Range	Weighted Average[(e)]
Equity Investments	$ 9,434	Market Comparable Companies	EBITDA Multiple[(b)]	4.6x - 22.8x	8.9x
			Revenue Multiple[(b)]	0.8x - 3.7x	2.2x
			Discount for Lack of Marketability[(c)]	9.24% - 35.82%	16.55%
			Average Industry Volatility[(d)]	54.11% - 97.91%	61.99%
			Risk-Free Interest Rate	0.10% - 0.89%	0.15%
			Estimated Time to Exit (in months)	10 - 32	11
	42,307	Market Adjusted OPM Backsolve	Average Industry Volatility[(d)]	34.93% - 84.30%	55.96%
			Risk-Free Interest Rate	0.10% - 1.38%	0.21%
			Estimated Time to Exit (in months)	17 - 47	11
Warrant Investments	7,980	Market Comparable Companies	EBITDA Multiple[(b)]	0.0x - 96.6x	17.1x
			Revenue Multiple[(b)]	0.3x - 13.9x	3.7x
			Discount for Lack of Marketability[(c)]	11.76% - 35.82%	21.98%
			Average Industry Volatility[(d)]	38.61% - 90.38%	62.85%
			Risk-Free Interest Rate	0.05% - 1.38%	0.71%
			Estimated Time to Exit (in months)	7 - 47	27
	9,783	Market Adjusted OPM Backsolve	Average Industry Volatility[(d)]	29.91% - 97.91%	67.12%
			Risk-Free Interest Rate	0.05% - 2.66%	0.82%
			Estimated Time to Exit (in months)	7 - 48	28
Total Level Three Warrant and Equity Investments	$ 69,504				

(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 include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would 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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Investment Type- Level Three

Equity and Warrant Investments	**Fair Value at December 31, 2013** *(in thousands)*	**Valuation Techniques/ Methodologies**	**Unobservable Input**[(a)]	**Range**
Equity Investments	$ 10,244	Market Comparable Companies	EBITDA Multiple[(b)]	8.6x - 17.7x
			Revenue Multiple[(b)]	0.7x - 13.8x
			Discount for Lack of Marketability[(c)]	9.1% - 23.6%
			Average Industry Volatility[(d)]	43.4% - 110.7%
			Risk-Free Interest Rate	0.1% - 0.4%
			Estimated Time to Exit (in months)	6 - 30
	9,289	Market Adjusted OPM Backsolve	Average Industry Volatility[(d)]	45.6% - 109.7%
			Risk-Free Interest Rate	0.1% - 0.9%
			Estimated Time to Exit (in months)	6 - 42
	18,127	Other	Average Industry Volatility[(d)]	44.0%
			Risk-Free Interest Rate	0.1%
			Estimated Time to Exit (in months)	12
Warrant Investments	10,200	Market Comparable Companies	EBITDA Multiple[(b)]	5.0x - 51.4x
			Revenue Multiple[(b)]	0.5x - 13.8x
			Discount for Lack of Marketability[(c)]	6.4% - 36.0%
			Average Industry Volatility[(d)]	21.3% - 110.7%
			Risk-Free Interest Rate	0.1% - 1.0%
			Estimated Time to Exit (in months)	6 - 48
	8,913	Market Adjusted OPM Backsolve	Average Industry Volatility[(d)]	35.7% - 109.9%
			Risk-Free Interest Rate	0.1% - 2.7%
			Estimated Time to Exit (in months)	3 - 48
	9,595	Other	Average Industry Volatility[(d)]	44.0% - 56.9%
			Risk-Free Interest Rate	0.1% - 1.0%
			Estimated Time to Exit (in months)	12 - 48
Total Level Three Warrant and Equity Investments	$ 66,368			

(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 include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would 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.

Debt Investments

We follow the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. Our debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries at all stages of development. Given the nature of lending to these types of businesses, our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged.

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

We apply a procedure for debt investments that assumes a sale of 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 are used to benchmark/assess market based movements. Under this process, we also evaluate the collateral for recoverability of the debt investments as well as apply all of its historical fair value analysis.

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.

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 number 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 pricing model. At each reporting date, privately held warrant and equity related securities are valued based on an analysis of various factors including,

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but not limited to, the portfolio company s operating performance and financial condition and general market conditions, price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks. When an external event occurs, such as a purchase transaction, public offering, or subsequent equity sale, the pricing indicated by that external event is utilized to corroborate our valuation of the warrant and equity related securities. We periodically review the valuation of our portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date.

Income Recognition

We record interest income on the accrual basis and we recognize it as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount (OID) initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, we will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal has been paid. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. At September 30, 2014, we had three debt investments on non-accrual with a cumulative cost and approximate fair value of $21.7 million and $6.5 million, respectively, compared to two debt investments on non-accrual at December 31, 2013 a cumulative cost and approximate fair market value of $23.3 million and $12.6 million, respectively.

Paid-In-Kind and End of Term Income

Contractual paid-in-kind (PIK) interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately $851,000 and $889,000 in PIK income during the three months ended September 30, 2014 and 2013, respectively. We recorded approximately $2.6 million and $2.7 million in PIK income during the nine months ended September 30, 2014 and 2013, respectively.

Fee Income

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

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

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Equity Offering Expenses

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

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by us in obtaining debt financing. Debt issuance costs are recognized as prepaid expenses and amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method.

Stock-Based Compensation

We have issued and may, from time to time, issue additional stock options and restricted stock to employees under our 2004 Equity Incentive Plan and Board members under our 2006 Equity Incentive Plan. We follow ASC 718, formally known as FAS 123R *Share-Based Payments* to account for stock options granted. Under ASC 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Income Taxes

We operate to qualify to be taxed as a RIC under the Code. Generally, a RIC is entitled to deduct dividends it pays to its shareholders from its income to determine taxable income. Taxable income includes our taxable interest, dividend and fee income, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income as a result of our election to recognize gains using installment sale treatment, which generally results in the deferment of gains for tax purposes until notes or other amounts, including amounts held in escrow, received as consideration from the sale of investments are collected in cash.

Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual PIK interest arrangements, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest arrangements or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation and amortization expense.

As a RIC, we will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless the we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year (the Excise Tax Avoidance Requirements). We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains).

Depending on the level of taxable income earned in a tax year, we may choose to carry over taxable income in excess of current year distributions from such taxable income into the next tax year and pay a 4% excise tax on such income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next year under the Code is the total amount of dividends paid in the following year, subject to certain declaration and payment guidelines. To the extent we choose to carry over taxable income into the next tax year, dividends declared and paid by us in a year may differ from taxable income for that year as such dividends may include the distribution of current year taxable income, the distribution of prior year taxable income carried over into and distributed in the current year, or returns of capital.

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At December 31, 2013 no excise tax was recorded. We intend to distribute approximately $3.8 million of spillover earnings from the year ended December 31, 2013 to our shareholders in 2014.

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statement to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

Recent Accounting Pronouncements

In June 2013, the FASB issued ASU 2013-08, Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements, which amends the criteria that define an investment company and clarifies the measurement guidance and requires new disclosures for investment companies. Under ASU 2013-08, an entity already regulated under the 1940 Act is automatically an investment company under the new GAAP definition, so we have concluded that there is no impact from adopting this standard on our statement of assets and liabilities or results of operations. We have adopted this standard for our fiscal year ending December 31, 2014.

Subsequent Events

Dividend Declaration

On October 29, 2014 the Board of Directors declared a cash dividend of $0.31 per share to be paid on November 24, 2014 to shareholders of record as of November 17, 2014. This dividend represents our thirty-seventh consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $9.99 per share.

Convertible Senior Notes

In April 2011, we issued $75.0 million in aggregate principal amount of 6.00% convertible senior notes, or the Convertible Senior Notes, due 2016. As of September 30, 2014, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately $40.0 million.

The Convertible Senior Notes are convertible into shares of our common stock beginning October 15, 2015, or, under certain circumstances, earlier. Upon conversion of the Convertible Senior Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The current conversion price of the Convertible Senior Notes is approximately $11.42 per share of common stock, in each case subject to adjustment in certain circumstances. Upon meeting the stock trading price conversion requirement during the three months ended September 30, 2014, the Convertible Senior Notes continue to be convertible through December 31, 2014.

Subsequent to September 30, 2014 and as of November 3, 2014, approximately $23.1 million of the Convertible Senior Notes were converted. Of the $23.1 million, approximately $416,000 of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 7,500 shares of the Company s common stock in October 2014, and approximately $22.7 million of the Convertible Senior Notes converted and will be settled in November 2014. We expect to generate an expense of approximately $1.0 million in the fourth quarter of 2014 related to these conversions.

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2021 Asset Backed Notes

On November 4, 2014, Hercules Capital Funding Trust 2014-1, our newly-formed wholly owned subsidiary, priced a $129.3 million of fixed-rate asset-backed notes (the 2021 Asset Backed Notes). The 2021 Asset Backed Notes are anticipated to be rated A(sf) on the Closing Date by Kroll Bond Rating Agency, Inc. (KBRA). The securitization is expected to close on November 13, 2014 and is subject to customary closing conditions.

The 2021 Asset Backed Notes will be issued by Hercules Capital Funding Trust 2014-1, LLC, as Trust Depositor, Hercules Capital Funding Trust 2014-1, as Issuer, and Guggenheim Securities, LLC, as Initial Purchaser. The 2021 Asset Backed Notes will be backed by a revolving pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies. The underlying loans will continue to be serviced by us. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. The fixed interest rate on the 2021 Asset Backed Notes will be 3.524%. The 2021 Asset Backed Notes will have a stated maturity of April 16, 2021.

Closed and Pending Commitments

As of November 3, 2014, Hercules has:

a. Closed debt and equity commitments of approximately $83.7 million to new and existing portfolio companies.

b. Pending commitments (signed non-binding term sheets) of approximately $211.3 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, 2014 Closed Commitments	$ 587.7
Q4-14 Closed Commitments (as of November 3, 2014)	$ 83.7
Total Year-to-date 2014 Closed Commitments[(a)]	$ 671.4
Pending Commitments (as of November 3, 2014)[(b)]	$ 211.3
Year to date 2014 Closed and Pending Commitments	**$ 882.7**

Notes:

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

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

Portfolio Company Developments

As of September 30, 2014, we held warrants or equity positions in six companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, including Box, Inc., Dance Biopharm, Inc., Good Technology, Inc., Zosano, Inc. and two companies which filed confidentially under the JOBS Act. Subsequent to September 30, 2014, Dance Biopharm, Inc. withdrew their Form S-1 Registration Statement. In October 2014, our portfolio company Neothetics, Inc. filed a Form S-1 Registration Statement and in November 2014, our portfolio company Inotek Pharmaceuticals Corporation filed a Form S-1 Registration Statement. In addition, subsequent to September 30, 2014 the following current and former portfolio companies announced or completed M&A transactions or initial public offerings:

1. In October 2014, InterCloud Systems, Inc. completed its acquisition of our portfolio company VaultLogix, LLC. The transaction consists of $16 million in cash, $12.75 million in restricted common stock, $11.5 million of which was valued at $16.50 per share, with the balance valued at market price, and $15.5 million in three year convertible seller notes, convertible at a fixed price of $6.37 per share.

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2. In October 2014, AVG Technologies completed its acquisition of our portfolio company Location Labs. Under the terms of the agreement, AVG will pay approximately $140 million initially, plus up to an additional approximately $80 million in cash consideration over the next two years based on the achievement of certain performance metrics and milestones.

3. In October 2014, Premiere Global Services, Inc. completed its acquisition of Hercules portfolio company Central Desktop, Inc. Financial terms were not disclosed.

4. In October 2014, Breg, Inc. and our portfolio company United Orthopedic Group, Inc. announced that they had merged. United Orthopedic Group, Inc. will operate as a wholly-owned subsidiary of Breg, Inc. and financial terms were not disclosed.

5. In October 2014, our portfolio company SiTime Corporation reached a definitive agreement to be acquired by MegaChips Corporation in a transaction valued at approximately $200.0 million, subject to customary closing conditions.

6. In October 2014, our portfolio company Transcept Pharmaceuticals, Inc. completed its merger with our portfolio company Paratek Pharmaceuticals, Inc. in an all-stock transaction. Immediately prior to the merger, Paratek received gross proceeds of $93.0 million from a combination of current and new investors.

7. In October 2014, our former portfolio company Zayo Group Holdings, Inc. completed its initial public offering of 24,079,002 shares of its common stock, consisting of 16,008,679 shares sold by the portfolio company and 8,070,323 shares sold by the selling stockholders (including shares sold by the selling stockholders pursuant to the exercise in full of the underwriters option to purchase additional shares), at a price to the public of $19.00 per share.

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, 2014, approximately 98.1% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of September 30, 2014, 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(1)	Interest Income	Interest Expense	Net Income
100	$ 6,819	$	$ 6,819
200	$ 13,198	$	$ 13,198
300	$ 21,489	$	$ 21,489
400	$ 30,260	$	$ 30,260
500	$ 39,070	$	$ 39,070

(1) A decline in interest rates would not have a material impact on our Consolidated Financial Statements.

We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts. While

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hedging activities may insulate us against changes in interest rates, 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, 2014, we did not engage in interest rate hedging activities.

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including borrowings under our Credit Facilities, SBA debentures, Convertible Senior Notes, 2019 Notes, 2024 Notes and Asset-Backed Notes, that could affect the net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

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

For additional information regarding the interest rate associated with each of our Credit Facilities, SBA debentures, Convertible Senior Notes, 2019 Notes, 2024 Notes and Asset-Backed Notes, please refer to Management s Discussion and Analysis of Financial Condition and Results of Operation Financial Condition, Liquidity and Capital Resources Outstanding Borrowings appearing elsewhere herein.

Disclosure Controls and Procedures

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by our September 30, 2013 quarterly report on Form 10-Q, 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 Securities Exchange Act of 1934 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 Securities Exchange Act of 1934 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 other changes in our internal control over financing reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, 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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LEGAL MATTERS

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

EXPERTS

The consolidated financial statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 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, 2013 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 TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	September 30, 2014	December 31, 2013
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of $996,338 and $891,059, respectively)	$ 990,068	$ 899,314
Affiliate investments (cost of $15,959 and $15,238, respectively)	8,845	10,981
Total investments, at value (cost of $1,012,297 and $906,297, respectively)	998,913	910,295
Cash and cash equivalents	158,627	268,368
Restricted cash	2,096	6,271
Interest receivable	9,146	8,962
Other assets	30,556	27,819
Total assets	$ 1,199,338	$ 1,221,715
Liabilities		
Accounts payable and accrued liabilities	$ 11,613	$ 14,268
Long-term Liabilities (Convertible Senior Notes)	40,012	72,519
Asset-Backed Notes	27,951	89,557
2019 Notes	170,364	170,364
2024 Notes	103,000	
Long-term SBA Debentures	190,200	225,000
Total liabilities	$ 543,140	$ 571,708
Commitments and Contingencies (Note 10)		
Net assets consist of:		
Common stock, par value	65	62
Capital in excess of par value	670,711	656,594
Unrealized appreciation (depreciation) on investments	(14,706)	3,598
Accumulated realized losses on investments	(2,233)	(15,240)
Undistributed net investment income	2,361	4,993
Total net assets	$ 656,198	$ 650,007
Total liabilities and net assets	$ 1,199,338	$ 1,221,715
Shares of common stock outstanding ($0.001 par value, 100,000,000 authorized)	64,182	61,837
Net asset value per share	$ 10.22	$ 10.51

See notes to consolidated financial statements.

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The following table presents the assets and liabilities of our consolidated securitization trust for 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 Statements of Assets and Liabilities above.

(Dollars in thousands)	**September 30, 2014**	**December 31, 2013**
ASSETS		
Restricted Cash	$ 2,096	$ 6,271
Total investments, at value (cost of $87,405 and $166,513, respectively)	85,233	165,445
Total assets	$ 87,329	$ 171,716
LIABILITIES		
Asset-Backed Notes	$ 27,951	$ 89,557
Total liabilities	$ 27,951	$ 89,557

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Investment income:				
Interest income				
Non-Control/Non-Affiliate investments	$ 33,210	$ 35,623	$ 92,975	$ 93,722
Affiliate investments	130	561	1,747	1,684
Total interest income	33,340	36,184	94,722	95,406
Fees				
Non-Control/Non-Affiliate investments	3,671	4,832	12,037	11,088
Affiliate investments	8	5	30	9
Total fees	3,679	4,837	12,067	11,097
Total investment income	37,019	41,021	106,789	106,503
Operating expenses:				
Interest	6,495	7,587	20,177	22,788
Loan fees	1,364	1,072	4,531	3,341
General and administrative	2,397	2,176	6,984	6,831
Employee Compensation:				
Compensation and benefits	3,922	7,030	11,375	14,992
Stock-based compensation	2,823	1,596	6,849	4,349
Total employee compensation	6,745	8,626	18,224	19,341
Total operating expenses	17,001	19,461	49,916	52,301
Loss on debt extinguishment (Long-term Liabilities Convertible Senior Notes)	(1,023)		(1,023)	
Net investment income	18,995	21,560	55,850	54,202
Net realized gain on investments				
Non-Control/Non-Affiliate investments	5,664	7,125	13,007	11,309
Total net realized gain on investments	5,664	7,125	13,007	11,309
Net increase in unrealized appreciation (depreciation) on investments				
Non-Control/Non-Affiliate investments	(10,029)	9,288	(15,447)	10,506
Affiliate investments	547	(992)	(2,857)	(1,468)
Total net unrealized appreciation (depreciation) on investments	(9,482)	8,296	(18,304)	9,038
Total net realized and unrealized gain (loss)	(3,818)	15,421	(5,297)	20,347
Net increase in net assets resulting from operations	$ 15,177	$ 36,981	$ 50,553	$ 74,549

Net investment income before investment gains and losses per common share:				
Basic	$ 0.30	$ 0.35	$ 0.89	$ 0.91
Change in net assets per common share:				
Basic	$ 0.24	$ 0.61	$ 0.80	$ 1.26
Diluted	$ 0.23	$ 0.59	$ 0.78	$ 1.23
Weighted average shares outstanding				
Basic	62,356	60,522	61,444	58,206
Diluted	63,779	60,750	63,554	58,396
Dividends declared per common share:				
Basic	$ 0.31	$ 0.31	$ 0.93	$ 0.86

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Stock							
	Shares	Par Value	Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Undistributed net investment income/ (Distributions in excess of investment income)	Provision for Income Taxes on Investment Gains	Net Assets
Balance at December 31, 2012	52,925	$ 53	$ 564,508	$ (7,947)	$ (36,916)	$ (3,388)	$ (342)	$ 515,968
Net increase in net assets resulting from operations				9,038	11,309	54,202		74,549
Issuance of common stock	1,337	1	16,542					16,543
Issuance of common stock under restricted stock plan	472	1	(1)					
Issuance of common stock as stock dividend	142		1,923					1,923
Retired shares from net issuance	(1,170)	(1)	(18,259)					(18,260)
Public offering	8,050	8	95,529					95,537
Dividends declared						(47,292)		(47,292)
Stock-based compensation			4,408					4,408
Balance at September 30, 2013	61,756	$ 62	$ 664,650	$ 1,091	$ (25,607)	$ 3,522	$ (342)	$ 643,376
Balance at December 31, 2013	61,837	$ 62	$ 656,594	$ 3,598	$ (15,240)	$ 5,335	$ (342)	$ 650,007
Net increase (decrease) in net assets resulting from operations				(18,304)	13,007	55,850		50,553
Issuance of common stock	256		2,873					2,873
Issuance of common stock under restricted stock plan	632	1	(1)					
Issuance of common stock as stock dividend	76		1,152					1,152
Retired shares from net issuance	(193)		(5,992)					(5,992)
Public offering	1,574	2	9,180					9,182
Dividends declared						(58,482)		(58,482)
Stock-based compensation			6,905					6,905
Balance at September 30, 2014	64,182	$ 65	$ 670,711	$ (14,706)	$ (2,233)	$ 2,703	$ (342)	$ 656,198

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(dollars in thousands)

	Nine Months Ended September 30,	
	2014	**2013**
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 50,553	$ 74,549
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(415,399)	(411,515)
Principal payments received on investments	316,543	336,438
Proceeds from the sale of investments	17,977	29,459
Net unrealized depreciation (appreciation) on investments	18,304	(9,038)
Net realized gain on investments	(13,007)	(11,309)
Accretion of paid-in-kind principal	(1,990)	(2,269)
Accretion of loan discounts	(7,690)	(4,556)
Accretion of loan discount on Convertible Senior Notes	738	812
Loss on conversion of Convertible Senior Notes	1,023	
Accretion of loan exit fees	(754)	(10,031)
Change in deferred loan origination revenue	(616)	2,540
Unearned fees related to unfunded commitments	(7,789)	(364)
Amortization of debt fees and issuance costs	4,131	2,918
Depreciation	161	162
Stock-based compensation and amortization of restricted stock grants	6,905	4,408
Change in operating assets and liabilities:		
Interest and fees receivable	(184)	(641)
Prepaid expenses and other assets	59	570
Accounts payable	1,126	(63)
Accrued liabilities	(4,203)	2,588
Net cash provided by (used in) operating activities	(34,112)	4,658
Cash flows from investing activities:		
Purchases of capital equipment	(94)	(240)
Reduction of (investment in) restricted cash	4,175	(3,632)
Other long-term assets		(30)
Net cash provided by (used in) investing activities	4,081	(3,902)
Cash flows from financing activities:		
Proceeds from issuance (repurchase of employee shares due to restricted stock vesting) of common stock, net	6,734	93,443
Dividends paid	(57,330)	(45,368)
Issuance of 2024 Notes, net	99,655	
Repayments of Asset-Backed Notes	(61,606)	(26,832)
Repayments of Long-Term SBA Debentures	(34,800)	
Cash paid for redemption of Convertible Senior Notes	(31,577)	
Fees paid for credit facilities and debentures	(786)	
Net cash provided by (used in) financing activities	(79,710)	21,243
Net decrease in cash and cash equivalents	(109,741)	21,999
Cash and cash equivalents at beginning of period	268,368	182,994

Cash and cash equivalents at end of period	$ 158,627	$ 204,993
Supplemental non-cash investing and financing activities:		
Dividends Reinvested	$ 1,152	$ 1,923
Paid-in-Kind Principal	$ 1,990	$ 2,269

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2014

(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							
Labcyte, Inc.[11][13][14]	Biotechnology Tools	Senior Secured	June 2016	Interest rate PRIME + 6.70% or Floor rate of 9.95%	$ 3,104	$ 3,252	$ 3,262
Subtotal: 1-5 Years Maturity						3,252	3,262
Subtotal: Biotechnology Tools (0.50%)*						3,252	3,262
Communications & Networking							
1-5 Years Maturity							
OpenPeak, Inc.[11][13]	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	$ 9,296	9,454	9,331
SkyCross, Inc.[13][14]	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 9.70%	$ 7,500	7,278	7,440
	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	$ 14,500	14,050	14,362
Total SkyCross, Inc.					$ 22,000	21,328	21,802
Spring Mobile Solutions, Inc.[13]	Communications & Networking	Senior Secured	November 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	$ 18,840	18,886	19,075
Subtotal: 1-5 Years Maturity						49,668	50,208
Subtotal: Communications & Networking (7.65%)*						49,668	50,208
Consumer & Business Products							
1-5 Years Maturity							
Fluc, Inc.[9]	Consumer & Business Products	Convertible Senior Note	March 2017	Interest rate FIXED 4.00%	$ 100	100	100
Pong Research Corporation[13][14]	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 5,000	4,872	4,872
The Neat Company[12][13][14]	Consumer & Business Products	Senior Secured	September 2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%, PIK Interest 1.00%	$ 20,010	19,221	19,221

Subtotal: 1-5 Years Maturity						24,193	24,193
Subtotal: Consumer & Business Products (3.69%)*						24,193	24,193
Drug Delivery							
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc(3)(10)(13)(14)	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85% or Floor rate of 9.10%	$ 25,000	24,643	24,791
BIND Therapeutics, Inc.(3)(13)(14)	Drug Delivery	Senior Secured	September 2016	Interest rate PRIME + 7.00% or Floor rate of 10.25%	$ 3,694	3,736	3,638
Celator Pharmaceuticals, Inc.(3)(13)	Drug Delivery	Senior Secured	December 2017	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 10,000	9,865	9,865
Celsion Corporation(3)(13)	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00% or Floor rate of 11.25%	$ 10,000	9,763	9,966
Dance Biopharm, Inc.(13)(14)	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40% or Floor rate of 10.65%	$ 4,000	3,935	3,965
Edge Therapeutics, Inc.(13)	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 5.95% or Floor rate of 10.45%	$ 3,000	2,846	2,846
Neos Therapeutics, Inc.(13)(14)	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 7.25% or Floor rate of 10.50%	$ 5,000	4,881	4,881
	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	$ 10,000	10,000	9,689
Total Neos Therapeutics, Inc.					$ 15,000	14,881	14,570
Zosano Pharma, Inc.(13)	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 6.80% or Floor rate of 12.05%	$ 4,000	3,857	3,857
Subtotal: 1-5 Years Maturity						73,526	73,498

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2014

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor	Principal Amount	Cost(2)	Value(3)
Under 1 Year Maturity							
Revance Therapeutics, Inc.(3)(13)	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	$ 410	445	445
	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	$ 4,096	4,439	4,439
Total Revance Therapeutics, Inc.					$ 4,506	4,884	4,884
Subtotal: Under 1 Year Maturity						4,884	4,884
Subtotal: Drug Delivery (11.94%)*						78,410	78,382
Drug Discovery & Development							
1-5 Years Maturity							
ADMA Biologics, Inc.(3)(12)(13)	Drug Discovery & Development	Senior Secured	June 2017	Interest rate PRIME + 3.00% or Floor rate of 8.75%, PIK Interest of 1.95%	$ 10,103	$ 9,961	$ 10,026
Anacor Pharmaceuticals, Inc.(14)	Drug Discovery & Development	Senior Secured	July 2017	Interest rate PRIME + 6.40% or Floor rate of 11.65%	$ 30,000	29,316	29,916
Aveo Pharmaceuticals, Inc.(3)(10)(11)(13)(14)	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 11.90% or Floor rate of 11.90%	$ 10,000	9,688	9,688
Celladon Corporation(3)(13)(14)	Drug Discovery & Development	Senior Secured	February 2018	Interest rate PRIME + 3.00% or Floor rate of 8.25%	$ 10,000	9,939	9,939
Cempra, Inc.(3)(13)	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 6.30% or Floor rate of 9.55%	$ 18,000	18,010	18,010
Cerecor Inc.(13)	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 4.70% or Floor rate of 7.95%	$ 7,500	7,337	7,337
Cleveland BioLabs, Inc.(3)(13)(14)	Drug Discovery & Development	Senior Secured	January 2017	Interest rate PRIME + 6.20% or Floor rate of 10.45%	$ 2,000	2,000	2,040
Concert Pharmaceuticals, Inc.(3)(4)	Drug Discovery & Development	Senior Secured	October 2015	Interest rate PRIME + 3.25% or Floor rate of 8.50%	$ 9,218	9,162	9,254
CTI BioPharma Corp. (pka Cell Therapeutics, Inc.)(11)(13)	Drug Discovery & Development	Senior Secured	October 2016	Interest rate PRIME + 9.00% or Floor rate 12.25%	$ 15,000	14,962	15,332
Insmed, Incorporated(11)(13)	Drug Discovery & Development	Senior Secured	January 2016	Interest rate PRIME + 4.75% or Floor rate of 9.25%	$ 20,000	19,871	20,071
Neothetics, Inc. (pka Lithera, Inc)(13)(14)	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 5.75% or Floor rate of 9.00%	$ 4,000	3,909	3,909
Merrimack Pharmaceuticals, Inc.(3)(13)	Drug Discovery & Development	Senior Secured	November 2016	Interest rate PRIME + 5.30% or Floor rate of 10.55%	$ 40,000	40,516	40,599
Neuralstem, Inc.(9)(13)(14)	Drug Discovery & Development	Senior Secured	June 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 5,834	5,904	6,138
uniQure B.V.(3)(5)(10)(13)	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.00% or Floor rate of 10.25%	$ 20,000	19,826	19,826

Subtotal: 1-5 Years Maturity						200,401	202,085
Under 1 Year Maturity							
Aveo Pharmaceuticals, Inc.(3)(10)(11)(13)(14)	Drug Discovery & Development	Senior Secured	September 2015	Interest rate PRIME + 7.15% or Floor rate of 11.90%	$ 11,611	11,611	11,611
Subtotal: Under 1 Year Maturity						11,611	11,611
Subtotal: Drug Discovery & Development (32.57%)*						212,012	213,696
Electronics & Computer Hardware							
1-5 Years Maturity							
Plures Technologies, Inc.(8)(12)	Electronics & Computer Hardware	Senior Secured	October 2016	Interest rate LIBOR + 8.75% or Floor rate of 12.00%, PIK Interest of 4.00%	$ 267	180	
Subtotal: 1-5 Years Maturity						180	
Subtotal: Electronics & Computer Hardware (0.00%)*						180	

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2014

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Energy Technology							
1-5 Years Maturity							
Agrivida, Inc.[14]	Energy Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 5,468	$ 5,518	$ 2,992
American Superconductor Corporation[3][11][13]	Energy Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	$ 8,667	8,763	8,741
Amyris, Inc.[10][13]	Energy Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.5%	$ 25,000	25,000	25,000
	Energy Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	$ 5,000	5,000	5,000
Total Amyris, Inc.					$ 30,000	30,000	30,000
BioAmber, Inc.[5][10][13]	Energy Technology	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 22,153	23,573	23,290
Enphase Energy, Inc.[13]	Energy Technology	Senior Secured	August 2016	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 5,861	5,956	6,001
Fluidic, Inc.[13]	Energy Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	$ 4,347	4,386	4,370
Polyera Corporation[13][14]	Energy Technology	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 4,214	4,346	4,369
TAS Energy, Inc.[13]	Energy Technology	Senior Secured	December 2015	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 8,506	8,674	8,608
Subtotal: 1-5 Years Maturity						91,216	88,371
Under 1 Year Maturity							
American Superconductor Corporation[3][11][13]	Energy Technology	Senior Secured	December 2014	Interest rate PRIME + 7.25% or Floor rate of 11.00%	$ 1,154	1,648	1,648
Glori Energy, Inc.[3][11][13]	Energy Technology	Senior Secured	June 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 2,667	2,908	2,908
Scifiniti (pka Integrated Photovoltaics, Inc.)[14]	Energy Technology	Senior Secured	February 2015	Interest rate PRIME + 7.38% or Floor rate of 10.63%	$ 549	546	546

Stion Corporation(4)(6)(13)	Energy Technology	Senior Secured	February 2015	Interest rate PRIME + 8.75% or Floor rate of 12.00%	$ 3,379	3,415	2,501
Subtotal: Under 1 Year Maturity						8,517	7,603
Subtotal: Energy Technology (14.63%)*						99,733	95,974
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation(3)(13)(14)	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10% or Floor rate of 9.35%	$ 2,500	2,387	2,387
InstaMed Communications, LLC(13)(14)	Healthcare Services, Other	Senior Secured	December 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%	$ 2,736	2,805	2,825
MDEverywhere, Inc.(13)	Healthcare Services, Other	Senior Secured	June 2017	Interest rate LIBOR + 9.50% or Floor rate of 10.75%	$ 2,383	2,375	2,266
Subtotal: 1-5 Years Maturity						7,567	7,478
Subtotal: Healthcare Services, Other (1.14%)*						7,567	7,478
Information Services							
1-5 Years Maturity							
InXpo, Inc.(13)(14)	Information Services	Senior Secured	July 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 2,057	2,056	2,064
Womensforum.com(11)(12)	Information Services	Senior Secured	October 2016	Interest rate LIBOR + 6.50% or Floor rate of 9.25%	$ 6,200	6,128	5,739
	Information Services	Senior Secured	October 2016	Interest rate LIBOR + 7.50% or Floor rate of 10.25%, PIK Interest 2.00%	$ 4,678	4,624	4,342
Total Womensforum.com					$ 10,878	10,752	10,081
Subtotal: 1-5 Years Maturity						12,808	12,145

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Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor	Principal Amount	Cost(2)	Value(3)
Under 1 Year Maturity							
Eccentex Corporation(11)(13)	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	$ 322	334	161
Womensforum.com(11)(12)	Information Services	Senior Secured	April 2015	Interest rate LIBOR + 6.50% or Floor rate of 9.00%	$ 1,250	1,241	1,162
Subtotal: Under 1 Year Maturity						1,575	1,323
Subtotal: Information Services (2.05%)*						14,383	13,468
Internet Consumer & Business Services							
1-5 Years Maturity							
CashStar, Inc.(12)(14)	Internet Consumer & Business Services	Senior Secured	June 2016	Interest rate PRIME + 6.25% or Floor rate 10.50%, PIK Interest 1.00%	$ 7,120	$ 7,008	$ 7,074
Education Dynamics, LLC(12)(14)	Internet Consumer & Business Services	Senior Secured	March 2016	Interest rate LIBOR + 12.5% or Floor rate 12.50%, PIK Interest 1.50%	$ 20,513	20,493	20,593
Gazelle, Inc.(12)(14)	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate PRIME + 7.00% or Floor rate of 10.25%, PIK Interest 2.50%	$ 13,625	13,410	13,410
Just Fabulous, Inc.(4)(13)	Internet Consumer & Business Services	Senior Secured	February 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 15,000	14,300	14,600
LightSpeed Retail, Inc.(5)(10)	Internet Consumer & Business Services	Senior Secured	May 2018	Interest rate PRIME + 3.25% or Floor rate of 6.50%	$ 2,000	1,984	1,984
Reply! Inc.(11)(12)(13)	Internet Consumer & Business Services	Senior Secured	February 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 2.00%	$ 2,939	2,825	2,883
Tapjoy, Inc.(13)	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 3,000	2,908	2,908
Vaultlogix, LLC(12)(13)(14)	Internet Consumer & Business Services	Senior Secured	September 2016	Interest rate LIBOR + 8.50% or Floor rate of 10.00%, PIK interest 2.50%	$ 8,102	8,090	8,090
WaveMarket, Inc.(11)(13)		Senior Secured			$ 8,195	8,172	8,253

	Internet Consumer & Business Services		September 2016	Interest rate PRIME + 5.75% or Floor rate of 9.50%			
	Internet Consumer & Business Services	Senior Secured	March 2017	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 331	334	343
Total WaveMarket, Inc.					$ 8,526	8,506	8,596
Subtotal: 1-5 Years Maturity						79,524	80,138

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Under 1 Year Maturity							
NetPlenish[8][9][14]	Internet Consumer & Business Services	Convertible Senior Note	April 2015	Interest rate FIXED 10.00%	$ 92	92	
	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate FIXED 10.00%	$ 381	373	
Total NetPlenish					$ 473	465	
Reply! Inc.[11][12][13]	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 6.88% or Floor rate of 10.13%, PIK Interest 2.00%	$ 8,423	8,496	8,581
	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 7.25% or Floor rate of 11.00%, PIK Interest 2.00%	$ 1,857	1,911	1,931
Total Reply! Inc·					$ 10,280	10,407	10,512
Tectura Corporation[8][12]	Internet Consumer & Business Services	Senior Secured	N/A	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	$ 6,468	6,468	1,990
	Internet Consumer & Business Services	Senior Secured	N/A	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	$ 9,070	9,070	2,791
	Internet Consumer & Business Services	Senior Secured	N/A	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	$ 563	563	173
	Internet Consumer & Business Services	Senior Secured	N/A	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	$ 5,000	5,000	1,539
Total Tectura Corporation					$ 21,101	21,101	6,493
Vaultlogix, LLC[12][13][14]	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate LIBOR + 7.00% or Floor rate of 8.50%	$ 5,740	5,876	5,876
Subtotal: Under 1 Year Maturity						37,849	22,881
Subtotal: Internet Consumer & Business Services (15.70%)*						117,373	103,019
Media/Content/Info							
1-5 Years Maturity							
Rhapsody International, Inc.[12][14]	Media/Content/Info	Senior Secured	April 2018	Interest rate PRIME + 5.25% or Floor rate of 9.00%, PIK interest of 1.50%	$ 20,129	$ 19,618	$ 19,612
Zoom Media Group, Inc.[12]	Media/Content/Info	Senior Secured	December 2015	Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 3.75%	$ 2,979	2,911	2,925

Subtotal: 1-5 Years Maturity						22,529	22,537
Under 1 Year Maturity							
Zoom Media Group, Inc.(12)	Media/Content/Info	Senior Secured	December 2014	Interest rate PRIME + 5.25% or Floor rate of 8.50%	$ 4,500	4,474	4,474
Subtotal: Under 1 Year Maturity						4,474	4,474
Subtotal: Media/Content/Info (4.12%)*						27,003	27,011

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Medical Devices & Equipment							
1-5 Years Maturity							
Amedica Corporation[3][9][13][14]	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	$ 20,000	19,501	19,783
Avedro, Inc.[13][14]	Medical Devices & Equipment	Senior Secured	December 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 7,500	7,183	7,183
Baxano Surgical, Inc.[3][13]	Medical Devices & Equipment	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 12.50%	$ 7,500	7,405	4,925
Gamma Medica, Inc.[13]	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 4,000	3,840	3,840
Home Dialysis Plus, Inc.[4][13]	Medical Devices & Equipment	Senior Secured	October 2017	Interest rate PRIME + 4.35% or Floor rate of 9.60%	$ 15,000	14,732	14,732
InspireMD, Inc.[3][5][10][13]	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00% or Floor rate of 10.50%	$ 9,710	9,694	9,653
Medrobotics Corporation[13][14]	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85% or Floor rate of 11.10%	$ 3,170	3,223	3,217
NetBio, Inc.	Medical Devices & Equipment	Senior Secured	August 2017	Interest rate PRIME + 5.00% or Floor rate of 11.00%	$ 5,000	4,796	4,878
NinePoint Medical, Inc.[13][14]	Medical Devices & Equipment	Senior Secured	January 2016	Interest rate PRIME + 5.85% or Floor rate of 9.10%	$ 3,941	4,026	4,013
Quanterix Corporation[13]	Medical Devices & Equipment	Senior Secured	November 2017	Interest rate PRIME + 2.75% or Floor rate of 8.00%	$ 5,000	4,895	4,895
SonaCare Medical, LLC (pka US HIFU, LLC)[11][13]	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 4,167	4,402	4,315
SynergEyes, Inc.[13][14]	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 5,000	4,982	4,982
United Orthopedic Group, Inc.[13]	Medical Devices & Equipment	Senior Secured	July 2016	Interest rate PRIME + 8.60% or Floor rate of 11.85%	$ 24,288	24,334	24,577
ViewRay, Inc.[12][14]	Medical Devices & Equipment	Senior Secured	June 2017	Interest rate PRIME + 7.00% or Floor rate of 10.25%, PIK Interest 1.50%	$ 15,163	14,807	14,603

Subtotal: 1-5 Years Maturity							127,820	125,596
Under 1 Year Maturity								
Home Dialysis Plus, Inc.(4)(13)	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate FIXED 8.00%	$	500	500	500
Oraya Therapeutics, Inc.(11)(12)(13)	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate PRIME + 5.50% or Floor rate of 10.25%, PIK Interest of 1.00%	$	6,159	6,120	4,443
Subtotal: Under 1 Year Maturity							6,620	4,943

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Subtotal: Medical Devices & Equipment (19.89%)*						134,440	130,539
Semiconductors							
1-5 Years Maturity							
Avnera Corporation[13]	Semiconductors	Senior Secured	April 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	$ 5,000	4,963	4,991
Subtotal: 1-5 Years Maturity						4,963	4,991
Under 1 Year Maturity							
Achronix Semiconductor Corporation	Semiconductors	Senior Secured	January 2015	Interest rate PRIME + 10.60% or Floor rate of 13.85%	$ 341	341	341
Subtotal: Under 1 Year Maturity						341	341
Subtotal: Semiconductors (0.81%)*						5,304	5,332
Software							
1-5 Years Maturity							
CareCloud Corporation[13][14]	Software	Senior Secured	July 2017	Interest rate PRIME + 5.50% or Floor rate of 8.75%	$ 10,000	$ 9,792	$ 9,792
Clickfox, Inc.[13][14]	Software	Senior Secured	September 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 6,000	5,981	5,981
Knowledge Adventure, Inc.[13][14]	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 11,750	11,712	11,770
Mobile Posse, Inc.[13][14]	Software	Senior Secured	December 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 3,274	3,241	3,274
Neos Geosolutions, Inc.[13][14]	Software	Senior Secured	May 2016	Interest rate PRIME + 5.75% or Floor rate of 10.50%	$ 2,707	2,811	2,829
Poplicus, Inc.[13][14]	Software	Senior Secured	June 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	$ 1,500	1,493	1,493
Soasta, Inc.[13][14]	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75% or Floor rate of 8.00%	$ 15,000	14,289	14,289
	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25% or Floor rate of 5.50%	$ 3,500	3,334	3,334
Total Soasta, Inc·					$ 18,500	17,623	17,623
Sonian, Inc.[13][14]	Software	Senior Secured	July 2017	Interest rate PRIME + 7.00% or Floor rate of 10.25%	$ 5,500	5,421	5,427
StartApp, Inc.[13]	Software	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 2,981	3,046	3,038
Touchcommerce, Inc.[14]	Software	Senior Secured	June 2017		$ 5,000	4,692	4,742

	Interest rate PRIME + 6.00% or Floor rate of 10.25%		
Subtotal: 1-5 Years Maturity		65,812	65,969

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Under 1 Year Maturity							
Clickfox, Inc.[13][14]	Software	Senior Secured	July 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 2,000	2,000	2,000
	Software	Senior Secured	January 2015	Interest rate PRIME + 9.25% or Floor rate of 12.50%	$ 2,500	2,494	2,494
Total Clickfox, Inc·					$ 4,500	4,494	4,494
Hillcrest Laboratories, Inc.[14]	Software	Senior Secured	July 2015	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 1,460	1,452	1,467
Mobile Posse, Inc.[14]	Software	Senior Secured	June 2015	Interest rate PRIME + 2.00% or Floor rate of 5.25%	$ 500	489	489
StartApp, Inc.[13]	Software	Senior Secured	December 2014	Interest rate PRIME + 2.75% or Floor rate of 6.00%	$ 200	200	200
Touchcommerce, Inc.[14]	Software	Senior Secured	December 2014	Interest rate PRIME + 2.25% or Floor rate of 6.50%	$ 3,811	3,804	3,802
Subtotal: Under 1 Year Maturity						10,439	10,452
Subtotal: Software (11.65%)*						76,251	76,421
Specialty Pharmaceuticals							
1-5 Years Maturity							
Alimera Sciences, Inc.[3]	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65% or Floor rate of 10.90%	$ 35,000	34,050	33,225
Cranford Pharmaceuticals, LLC[12][13][14]	Specialty Pharmaceuticals	Senior Secured	February 2017	Interest rate LIBOR + 9.55% or Floor rate of 10.80%, PIK Interest of 1.35%	$ 17,137	17,007	16,922
Rockwell Medical, Inc.[13][14]	Specialty Pharmaceuticals	Senior Secured	March 2017	Interest rate PRIME + 9.25% or Floor rate of 12.50%	$ 19,436	19,840	19,840
Subtotal: 1-5 Years Maturity						70,897	69,987
Under 1 Year Maturity							

Cranford Pharmaceuticals, LLC(12)(13)(14)	Specialty Pharmaceuticals	Senior Secured	August 2015	Interest rate LIBOR + 8.25% or Floor rate of 9.50%	$	2,500	2,467	2,470
Subtotal: Under 1 Year Maturity							2,467	2,470
Subtotal: Specialty Pharmaceuticals (11.04%)*							73,364	72,457
Surgical Devices								
1-5 Years Maturity								
Transmedics, Inc.(11)(13)	Surgical Devices	Senior Secured	November 2015	Interest rate FIXED 12.95%	$	6,583	6,483	6,483
Subtotal: 1-5 Years Maturity							6,483	6,483
Subtotal: Surgical Devices (0.99%)*							6,483	6,483
Total Debt Investments (138.36%)*							929,616	907,923

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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	$ 578
Subtotal: Biotechnology Tools (0.09%)*					500	578
Communications & Networking						
GlowPoint, Inc.[3]	Communications & Networking	Equity	Common Stock	114,192	102	148
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,398
Stoke, Inc.	Communications & Networking	Equity	Preferred Series E	152,905	500	
Subtotal: Communications & Networking (0.69%)*					1,602	4,546
Consumer & Business Products						
Caivis Acquisition Corporation[14]	Consumer & Business Products	Equity	Common Stock	295,861	819	
Market Force Information, Inc.	Consumer & Business Products	Equity	Preferred Series B	187,970	500	224
Subtotal: Consumer & Business Products (0.03%)*					1,319	224
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	750
Subtotal: Diagnostic (0.11%)*					750	750
Drug Delivery						
AcelRx Pharmaceuticals, Inc.[3][10][14]	Drug Delivery	Equity	Common Stock	54,240	108	298
Merrion Pharmaceuticals, Plc[3][5][10]	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc.[14]	Drug Delivery	Equity	Preferred Series C	300,000	1,500	1,523
Transcept Pharmaceuticals, Inc.[3][15]	Drug Delivery	Equity	Common Stock	41,570	500	84
Subtotal: Drug Delivery (0.29%)*					2,117	1,905
Drug Discovery & Development						
Acceleron Pharma, Inc.[3][14]	Drug Discovery & Development	Equity	Common Stock	147,001	1,025	4,401
Aveo Pharmaceuticals, Inc.[3][10][14]	Drug Discovery & Development	Equity	Common Stock	167,864	842	186
Celladon Corporation [3][14]	Drug Discovery & Development	Equity	Common Stock	105,263	1,000	892
Cerecor Inc.	Drug Discovery & Development	Equity	Preferred Series B	3,334,445	1,000	1,008
Dicerna Pharmaceuticals, Inc.[3][14]	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,818
Inotek Pharmaceuticals Corporation	Drug Discovery & Development	Equity	Common Stock	15,334	1,500	
Merrimack Pharmaceuticals, Inc.[3]	Drug Discovery & Development	Equity	Common Stock	848,591	3,213	7,523
Paratek Pharmaceuticals, Inc.[15]	Drug Discovery & Development	Equity	Common Stock	2,881	5	2
	Drug Discovery & Development	Equity	Preferred Series A	167,468	1,126	156

Total Partek Pharmaceuticals, Inc.				170,349	1,131	158
Subtotal: Drug Discovery & Development (2.44%)*					10,711	15,986
Energy Technology						
Glori Energy, Inc.(3)	Energy Technology	Equity	Common Stock	18,208	165	142
SCIEnergy, Inc.	Energy Technology	Equity	Preferred Series 1	385,000	761	25
Subtotal: Energy Technology (0.03%)*					926	167
Information Services						
Good Technologies, Inc. (pka Visto Corporation)(14)	Information Services	Equity	Common Stock	500,000	603	473
Subtotal: Information Services (0.07%)*					603	473
Internet Consumer & Business Services						
Blurb, Inc.(14)	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	377
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	8,121	93	
Progress Financial	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	246
Taptera, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	454,545	150	152
Subtotal: Internet Consumer & Business Services (0.12%)*					668	775

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Media/Content/Info						
Everyday Health, Inc. (pka Waterfront Media, Inc.)[3]	Media/Content/Info	Equity	Common Stock	97,060	1,000	1,356
Subtotal: Media/Content/Info (0.21%)*					1,000	1,356
Medical Devices & Equipment						
Gelesis, Inc.[6][14]	Medical Devices & Equipment	Equity	LLC Interest	2,024,092	$ 925	$ 314
Medrobotics Corporation[14]	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	271
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp.[6][14]	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	421
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	130
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,257
Total Optiscan Biomedical, Corp.				63,216,799	8,912	5,808
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	
Subtotal: Medical Devices & Equipment (0.97%)*					11,587	6,393
Software						
Atrenta, Inc.	Software	Equity	Preferred Series C	1,196,845	986	1,391
Atrenta, Inc.	Software	Equity	Preferred Series D	635,513	508	1,098
Total Atrenta, Inc.				1,832,358	1,494	2,489
Box, Inc.[14]	Software	Equity	Preferred Series B	271,070	251	5,439
	Software	Equity	Preferred Series C	589,844	872	11,834
	Software	Equity	Preferred Series D	158,133	500	3,173
	Software	Equity	Preferred Series D-1	186,766	1,694	3,747
	Software	Equity	Preferred Series D-2	220,751	2,001	4,429
	Software	Equity	Preferred Series E	38,183	500	766
Total Box, Inc.				1,464,747	5,818	29,388
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	90
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	724
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	146
Subtotal: Software (5.00%)*					8,068	32,837
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		

	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				**4,936,420**	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc.(14)	Surgical Devices	Equity	Preferred Series B	219,298	250	83
	Surgical Devices	Equity	Preferred Series C	656,538	282	138
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	1,000
Total Gynesonics, Inc.				2,866,993	1,244	1,221
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	292
	Surgical Devices	Equity	Preferred Series C	119,999	300	158
	Surgical Devices	Equity	Preferred Series D	260,000	650	928
Total Transmedics, Inc.				468,960	2,050	1,378
Subtotal: Surgical Devices (0.40%)*					3,294	2,599
Total Equity Investments (10.45%)*					43,895	68,589

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[2]	Value[3]
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc.[14]	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	$ 323	$ 54
Subtotal: Biotechnology Tools (0.01%)*					323	54
Communications & Networking						
Intelepeer, Inc.[14]	Communications & Networking	Warrant	Preferred Series C	117,958	102	31
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	121
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	42
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	467
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	102
SkyCross, Inc.[14]	Communications & Networking	Warrant	Preferred Series F	9,762,777	393	417
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	358
Stoke, Inc.	Communications & Networking	Warrant	Preferred Series D	118,181	65	
Subtotal: Communications & Networking (0.23%)*					1,335	1,538
Consumer & Business Products						
Intelligent Beauty, Inc.[14]	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	365
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A	99,286	24	2
Pong Research Corporation[14]	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	197
The Neat Company[14]	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	328
Subtotal: Consumer & Business Products (0.14%)*					847	892
Diagnostic						
Navidea Biopharmaceuticals, Inc. (pka Neoprobe)[3][14]	Diagnostic	Warrant	Common Stock	333,333	244	25
Subtotal: Diagnostic (0.00%)*					244	25
Drug Delivery						
AcelRx Pharmaceuticals, Inc.[3][10][14]	Drug Delivery	Warrant	Common Stock	176,730	786	330
Alexza Pharmaceuticals, Inc.[3]	Drug Delivery	Warrant	Common Stock	37,639	645	
BIND Therapeutics, Inc.[3][14]	Drug Delivery	Warrant	Common Stock	71,359	367	43
Celator Pharmaceuticals, Inc.[3]	Drug Delivery	Warrant	Common Stock	158,006	107	92
Celsion Corporation[3]	Drug Delivery	Warrant	Common Stock	194,986	428	341
Dance Biopharm, Inc.[14]	Drug Delivery	Warrant	Preferred Series A	97,701	74	164
Edge Therapeutics, Inc.	Drug Delivery	Warrant	Preferred Series C	129,870	390	392
Intelliject, Inc.	Drug Delivery	Warrant	Preferred Series B	82,500	593	1,119
Neos Therapeutics, Inc.[14]	Drug Delivery	Warrant	Preferred Series C	170,000	285	275
Revance Therapeutics, Inc.[3]	Drug Delivery	Warrant	Common Stock	53,511	558	95

Transcept Pharmaceuticals, Inc.(3)(15)	Drug Delivery	Warrant	Common Stock	61,452	87	
Zosano Pharma, Inc.	Drug Delivery	Warrant	Common Stock	31,674	164	109
Subtotal: Drug Delivery (0.45%)*					4,484	2,960
Drug Discovery & Development						
ADMA Biologics, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	66,550	218	230
Anthera Pharmaceuticals, Inc.(3)(14)	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc.(3)(10)(14)	Drug Discovery & Development	Warrant	Common Stock	608,696	194	184
Cempra, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	138,797	458	538
Cerecor Inc.	Drug Discovery & Development	Warrant	Preferred Series B	625,208	70	68
Chroma Therapeutics, Ltd.(5)(10)	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc.(3)(14)	Drug Discovery & Development	Warrant	Common Stock	156,250	105	24
Concert Pharmaceuticals, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	70,796	368	144
Coronado Biosciences, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	73,009	142	38
Dicerna Pharmaceuticals, Inc.(3)(14)	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	64,194	276	276
Horizon Pharma, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	22,408	231	23
Neothetics, Inc. (pka Lithera, Inc)(14)	Drug Discovery & Development	Warrant	Preferred Series C	114,285	89	89
Nanotherapeutics, Inc.(14)	Drug Discovery & Development	Warrant	Common Stock	50,296	838	839
uniQure B.V.(3)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	37,174	218	79
Subtotal: Drug Discovery & Development (0.39%)*					4,709	2,532

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[2]	Value[3]
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	$ 12	$ 11
Identiv, Inc.[3]	Electronics & Computer Hardware	Warrant	Common Stock	99,208	247	584
Subtotal: Electronics & Computer Hardware (0.09%)*					259	595
Energy Technology						
Agrivida, Inc.[14]	Energy Technology	Warrant	Preferred Series C	77,447	120	
Alphabet Energy, Inc. [14]	Energy Technology	Warrant	Preferred Series A	86,329	81	145
American Superconductor Corporation[3]	Energy Technology	Warrant	Common Stock	512,820	391	86
Brightsource Energy, Inc.[14]	Energy Technology	Warrant	Preferred Series 1	175,000	780	220
Calera, Inc.[14]	Energy Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc.[14]	Energy Technology	Warrant	Preferred Series B	437,500	308	368
Fluidic, Inc.	Energy Technology	Warrant	Preferred Series C	59,665	102	70
Fulcrum Bioenergy, Inc.	Energy Technology	Warrant	Preferred Series C-1	280,897	275	204
GreatPoint Energy, Inc.[14]	Energy Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation[14]	Energy Technology	Warrant	Preferred Series C	161,575	69	161
Propel Fuels[14]	Energy Technology	Warrant	Preferred Series C	3,200,000	211	
SCIEnergy, Inc.	Energy Technology	Warrant	Common Stock	530,811	181	
	Energy Technology	Warrant	Preferred Series 1	145,811	50	
Total SCIEnergy, Inc.				676,622	231	
Scifiniti (pka Integrated Photovoltaics, Inc.)[14]	Energy Technology	Warrant	Preferred Series A-1	390,000	82	67
Solexel, Inc.[14]	Energy Technology	Warrant	Preferred Series C	1,171,625	1,162	614
Stion Corporation[6]	Energy Technology	Warrant	Preferred Series Seed	2,154	1,378	
TAS Energy, Inc.	Energy Technology	Warrant	Preferred Series F	428,571	299	302
TPI Composites, Inc.	Energy Technology	Warrant	Preferred Series B	160	273	136
Trilliant, Inc.[14]	Energy Technology	Warrant	Preferred Series A	320,000	161	41
Subtotal: Energy Technology (0.37%)*					6,984	2,414
Healthcare Services, Other						
Chromadex Corporation[3][14]	Drug Discovery & Development	Warrant	Common Stock	419,020	157	159
MDEverywhere, Inc.	Healthcare Services, Other	Warrant	Common Stock	129	93	29
Subtotal: Healthcare Services, Other (0.03%)*					250	188
Information Services						
Cha Cha Search, Inc.[14]	Information Services	Warrant	Preferred Series G	48,232	58	14
InXpo, Inc.[14]	Information Services	Warrant	Preferred Series C	648,400	98	13
	Information Services	Warrant	Preferred Series C-1	740,832	58	15

Total InXpo, Inc.				1,389,232	156	28
Jab Wireless, Inc.(14)	Information Services	Warrant	Preferred Series A	266,567	265	934
RichRelevance, Inc.(14)	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.15%)*					577	976
Internet Consumer & Business Services						
Blurb, Inc.(14)	Internet Consumer & Business Services	Warrant	Preferred Series B	218,684	299	88
	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	180
Total Blurb, Inc.				452,964	935	268
CashStar, Inc.(14)	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	57
Gazelle, Inc.(14)	Internet Consumer & Business Services	Warrant	Preferred Series A-1	991,288	158	158
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,521
LightSpeed Retail, Inc.(5)(10)	Internet Consumer & Business Services	Warrant	Preferred Series C	24,561	20	63
Prism Education Group, Inc.(14)	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
Progress Financial	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	32
Reply! Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	137,225	320	9
ShareThis, Inc.(14)	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	133
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	430,485	263	93
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
WaveMarket, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B-1	1,083,779	105	
Subtotal: Internet Consumer & Business Services (0.36%)*					3,752	2,334

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CONSOLIDATED SCHEDULE OF INVESTMENTS

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(unaudited)

(dollars in thousands)

Portfolio Company	**Sub-Industry**	**Type of Investment(1)**	**Series**	**Shares**	**Cost(2)**	**Value(3)**
Media/Content/Info						
Everyday Health, Inc. (pka Waterfront Media,Inc.) (3)	Media/Content/Info	Warrant	Common Stock	73,345	$ 60	$ 499
Mode Media Corporation (14)	Media/Content/Info	Warrant	Preferred Series D	407,457	482	
Rhapsody International, Inc. (14)	Media/Content/Info	Warrant	Common Stock	715,755	384	165
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	330
Subtotal: Media/Content/Info (0.15%)*					1,274	994
Medical Devices & Equipment						
Amedica Corporation (3)(14)	Medical Devices & Equipment	Warrant	Common Stock	516,129	459	13
Avedro, Inc. (14)	Medical Devices & Equipment	Warrant	Preferred Series D	1,308,451	400	358
Baxano Surgical, Inc. (3)	Medical Devices & Equipment	Warrant	Common Stock	882,353	439	53
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	171
Gelesis, Inc. (6)(14)	Medical Devices & Equipment	Warrant	LLC Interest	263,688	78	2
Home Dialysis Plus, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	403	438
InspireMD, Inc. (3)(5)(10)	Medical Devices & Equipment	Warrant	Common Stock	168,351	242	102
Medrobotics Corporation (14)	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	259
MELA Sciences, Inc. (3)	Medical Devices & Equipment	Warrant	Common Stock	69,320	400	3
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	62
NinePoint Medical, Inc. (14)	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	169
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. (6)(14)	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	221
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
		Warrant	Preferred Series 1	1,632,084	678	

	Medical Devices & Equipment					
Total Oraya Therapeutics, Inc.				1,633,038	744	
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	69,371	103	91
SonaCare Medical, LLC (pka US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	409,704	188	
United Orthopedic Group, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	423,076	608	
ViewRay, Inc. (14)	Medical Devices & Equipment	Warrant	Preferred Series C	312,500	333	280
Subtotal: Medical Devices & Equipment (0.34%)*					6,900	2,222

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Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(2)	Value(3)
Semiconductors						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	159	1
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	102,958	14	21
SiTime Corporation (14)	Semiconductors	Warrant	Preferred Series G	195,683	24	
Subtotal: Semiconductors (0.00%)*					197	22
Software						
Atrenta, Inc.	Software	Warrant	Preferred Series D	392,670	120	350
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation (14)	Software	Warrant	Preferred Series B	413,433	258	423
Central Desktop, Inc. (14)	Software	Warrant	Preferred Series B	522,769	108	296
Clickfox, Inc. (14)	Software	Warrant	Preferred Series B	1,038,563	330	456
	Software	Warrant	Preferred Series C	592,019	730	354
	Software	Warrant	Preferred Series C-A	46,109	14	20
Total Clickfox, Inc.				1,676,691	1,074	830
Daegis Inc. (pka Unify Corporation) (3)(14)	Software	Warrant	Common Stock	718,860	1,434	4
ForeScout Technologies, Inc.	Software	Warrant	Preferred Series E	80,587	41	57
Hillcrest Laboratories, Inc. (14)	Software	Warrant	Preferred Series E	1,865,650	54	79
Knowledge Holdings, Inc. (14)	Software	Warrant	Preferred Series E	550,781	15	7
Mobile Posse, Inc. (14)	Software	Warrant	Preferred Series C	396,430	130	79
Neos Geosolutions, Inc. (14)	Software	Warrant	Preferred Series 3	221,150	22	
Soasta, Inc. (14)	Software	Warrant	Preferred Series E	410,800	691	772
Sonian, Inc. (14)	Software	Warrant	Preferred Series C	185,949	106	58
SugarSync, Inc. (14)	Software	Warrant	Preferred Series CC	332,726	78	87
	Software	Warrant	Preferred Series DD	107,526	33	31
Total SugarSync, Inc.				440,252	111	118
Touchcommerce, Inc. (14)	Software	Warrant	Preferred Series E	992,595	252	123
White Sky, Inc. (14)	Software	Warrant	Preferred Series B-2	124,295	54	3
WildTangent, Inc. (14)	Software	Warrant	Preferred Series 3	100,000	238	46
Subtotal: Software (0.49%)*					4,896	3,245
Specialty Pharmaceuticals						
Alimera Sciences, Inc. (3)	Specialty Pharmaceuticals	Warrant	Common Stock	285,016	$ 728	$ 670
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	308	
Subtotal: Specialty Pharmaceuticals (0.10%)*					1,036	670

Surgical Devices						
Gynesonics, Inc. (14)	Surgical Devices	Warrant	Preferred Series C	180,480	74	30
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	408
Total Gynesonics, Inc.				1,756,445	394	438
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	2
	Surgical Devices	Warrant	Preferred Series D	175,000	100	300
Total Transmedics, Inc.				215,436	325	302
Subtotal: Surgical Devices (0.11%)*					719	740
Total Warrant Investments (3.41%)*					38,786	22,401
Total Investments (152.23%)*					$ 1,012,297	$ 998,913

* Value as a percent of net assets

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

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(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled $42.7 million, $59.7 million and $17.0 million respectively. The tax cost of investments is $1.0 billion.
(3) Except for warrants in twenty-nine publicly traded companies and common stock in eleven publicly traded companies, all investments are restricted at September 30, 2014 and were valued at fair value as determined in good faith by the Audit Committee of the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.
(5) Non-U.S. company or the company s principal place of business is outside the United States.
(6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 5% but not more than 25% of the voting securities of the company.
(7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 25% of the voting securities of the company or has greater than 50% representation on its board. There were no control investments at September 30, 2014.
(8) Debt is on non-accrual status at September 30, 2014, and is therefore considered non-income producing.
(9) Denotes that all or a portion of the debt investment is convertible senior debt.
(10) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company s total assets at the time of acquisition of any additional non-qualifying assets.
(11) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
(12) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or paid-in-kind, interest and is net of repayments.
(13) Denotes that all or a portion of the debt investment includes an exit fee receivable.
(14) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company s wholly-owned SBIC subsidiaries.
(15) Subsequent to September 30, 2014, this company completed a public merger. Note that the September 30, 2014 fair value does not reflect any potential impact of the conversion of our shares to the new entity.

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor	Principal Amount	Cost(2)	Value(3)
Debt							
Biotechnology Tools							
1-5 Years Maturity							
Labcyte, Inc.(11)	Biotechnology Tools	Senior Secured	June 2016	Interest rate PRIME + 6.70% or Floor rate of 9.95%	$ 4,270	$ 4,323	$ 4,289
Subtotal: 1-5 Years Maturity						4,323	4,289
Subtotal: Biotechnology Tools (0.66%)*						4,323	4,289
Energy Technology							
Under 1 Year Maturity							
American Superconductor Corporation(3)(11)	Energy Technology	Senior Secured	December 2014	Interest rate PRIME + 7.25% or Floor rate of 11.00%	$ 4,615	4,991	4,991
Brightsource Energy, Inc.	Energy Technology	Senior Secured	January 2014	Interest rate Prime + 8.25% or Floor rate of 11.50%	$ 15,000	15,886	15,886
Enphase Energy, Inc.(11)	Energy Technology	Senior Secured	June 2014	Interest rate PRIME + 5.75% or Floor rate of 9.00%	$ 1,315	1,358	1,358
Subtotal: Under 1 Year Maturity						22,236	22,236
1-5 Years Maturity							
Agrivida, Inc.	Energy Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 6,000	5,887	5,770
American Superconductor Corporation(3)(11)	Energy Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	$ 10,000	9,801	9,801
APTwater, Inc	Energy Technology	Senior Secured	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%, PIK Interest 2.75%	$ 18,085	17,874	17,874
BioAmber, Inc.(5)(10)	Energy Technology	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 25,000	25,298	25,798
Enphase Energy, Inc.(11)	Energy Technology	Senior Secured	August 2016	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 7,400	7,422	7,314
Fluidic, Inc.	Energy Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	$ 5,000	4,922	4,922
Fulcrum Bioenergy, Inc.(11)	Energy Technology	Senior Secured	November 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 10,000	9,944	9,694
Glori Energy, Inc.(11)	Energy Technology	Senior Secured	June 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 5,333	5,457	5,414
Polyera Corporation	Energy Technology	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 5,809	5,797	5,686
SCIEnergy, Inc.(4)	Energy Technology	Senior Secured	September 2015	Interest rate PRIME + 8.75% or Floor rate of 12.00%	$ 4,448	4,596	4,685
Scifiniti (pka Integrated Photovoltaics, Inc.)	Energy Technology	Senior Secured	February 2015	Interest rate PRIME + 7.38% or Floor rate of 10.63%	$ 1,463	1,443	1,429
Stion Corporation.(4)(6)		Senior Secured			$ 4,571	4,005	4,096

	Energy Technology		February 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%			
TAS Energy, Inc.	Energy Technology	Senior Secured	February 2015	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 15,000	15,277	15,421
	Energy Technology	Senior Secured	February 2015	Interest rate PRIME + 6.25% or Floor rate of 9.50%	$ 4,503	4,374	4,338
Total TAS Energy, Inc.						19,651	19,760
TPI Composites, Inc.	Energy Technology	Senior Secured	June 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	$ 15,000	14,888	14,889
Subtotal: 1-5 Years Maturity						136,985	137,131
Subtotal: Energy Technology (24.52%)*(13)						159,221	159,367

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor	Principal Amount	Cost(2)	Value(3)
Communications & Networking							
1-5 Years Maturity							
OpenPeak, Inc.(11)	Communications & Networking	Senior Secured	July 2015	Interest rate PRIME + 8.75% or Floor rate of 12.00%	$ 10,029	10,714	10,814
Spring Mobile Solutions, Inc.	Communications & Networking	Senior Secured	November 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	$ 20,000	19,682	19,875
Subtotal: 1-5 Years Maturity						30,396	30,690
Subtotal: Communications & Networking (4.72%)*						30,396	30,690
Drug Delivery							
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc.(3)(10)	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85% or Floor rate of 9.10%	$ 15,000	$ 14,556	$ 15,006
BIND Therapeutics, Inc.(3)	Drug Delivery	Senior Secured	September 2016	Interest rate Prime + 7.00% or Floor rate of 10.25%	$ 4,500	4,407	4,458
Celsion Corporation(3)	Drug Delivery	Senior Secured	June 2017	Interest rate Prime + 8.00% or Floor rate of 11.25%	$ 5,000	4,897	4,897
Dance Biopharm, Inc.	Drug Delivery	Senior Secured	August 2017	Interest rate PRIME + 7.4% or Floor rate of 10.65%	$ 1,000	974	974
Intelliject, Inc.(11)	Drug Delivery	Senior Secured	June 2016	Interest rate PRIME + 5.75% or Floor rate of 11.00%	$ 15,000	15,150	15,450
NuPathe, Inc.(3)	Drug Delivery	Senior Secured	May 2016	Interest rate Prime 3.25% or Floor rate of 9.85%	$ 5,749	5,629	5,744
Revance Therapeutics, Inc.	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	$ 9,798	10,032	9,943
	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	$ 980	1,011	994
Total Revance Therapeutics, Inc.						11,043	10,937
Subtotal: 1-5 Years Maturity						56,655	57,466
Subtotal: Drug Delivery (8.84%)*						56,655	57,466
Drug Discovery & Development							
1-5 Years Maturity							

ADMA Biologics, Inc.[3]	Drug Discovery & Development	Senior Secured	April 2016	Interest rate Prime + 2.75% or Floor rate of 8.50%	$ 5,000	4,956	4,892
Anacor Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Secured	July 2017	Interst rate PRIME + 6.40% or Floor rate of 11.65%	$ 30,000	29,083	29,810
Aveo Pharmaceuticals, Inc.[3][10][11]	Drug Discovery & Development	Senior Secured	September 2015	Interest rate PRIME + 7.15% or Floor rate of 11.90%	$ 19,396	19,396	19,590
Cell Therapeutics, Inc.[3][11]	Drug Discovery & Development	Senior Secured	October 2016	Interest rate Prime + 9.00% or Floor rate of 12.25%	$ 15,000	14,750	15,200
Cempra, Inc.[3][11]	Drug Discovery & Development	Senior Secured	June 2017	Interest rate PRIME + 6.30% or Floor rate of 9.55%	$ 15,000	14,795	14,550
Cleveland BioLabs, Inc.[3]	Drug Discovery & Development	Senior Secured	January 2017	Interest rate PRIME + 6.20% or Floor rate of 10.45%	$ 6,000	5,909	5,909
Concert Pharmaceuticals, Inc.[4]	Drug Discovery & Development	Senior Secured	October 2015	Interest rate PRIME + 3.25% or Floor rate of 8.50%	$ 15,091	14,933	14,649
Coronado Biosciences, Inc.[3][11]	Drug Discovery & Development	Senior Secured	March 2016	Interest rate PRIME + 6.00% or Floor rate of 9.25%	$ 13,654	13,720	13,449
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Secured	January 2015	Interest rate PRIME + 4.40% or Floor rate of 10.15%	$ 5,026	4,991	4,981
Insmed, Incorporated[11]	Drug Discovery & Development	Senior Secured	January 2016	Interest rate PRIME + 4.75% or Floor rate of 9.25%	$ 20,000	19,708	19,535
Merrimack Pharmaceuticals, Inc.[3]	Drug Discovery & Development	Senior Secured	November 2016	Interest rate PRIME + 5.30% or Floor rate of 10.55%	$ 40,000	40,314	39,455
Neuralstem, Inc.[3]	Drug Discovery & Development	Senior Secured	June 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 8,000	7,874	8,035

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Paratek Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Secured	N/A	Interest rate Fixed 10.00%	$ 36	36	
	Drug Discovery & Development	Senior Secured	N/A	Interest rate Fixed 10.00%	$ 45	45	
	Drug Discovery & Development	Senior Secured	N/A	N/A	$ 28	28	
Total Paratek Pharmaceuticals, Inc.					$ 109	109	
uniQure B.V.[5][10][11]	Drug Discovery & Development	Senior Secured	October 2016	Interest rate PRIME + 8.60% or Floor rate of 11.85%	$ 10,000	9,695	9,818
Subtotal: 1-5 Years Maturity						200,232	199,872
Subtotal: Drug Discovery & Development (30.75%)*						200,232	199,872

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Electronics & Computer Hardware							
1-5 Years Maturity							
Clustrix, Inc.	Electronics & Computer Hardware	Senior Secured	December 2015	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 524	$ 526	$ 526
Identive Group, Inc.[3][11]	Electronics & Computer Hardware	Senior Secured	November 2015	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 5,938	5,696	5,755
OCZ Technology Group, Inc.	Electronics & Computer Hardware	Senior Secured	April 2016	Interest rate Prime + 8.75% or Floor rate of 12.50%, PIK Interest 3.00%	$ 1,221	1,221	1,221
Plures Technologies, Inc.[3]	Electronics & Computer Hardware	Senior Secured	October 2016	Interest rate Prime + 12.75% or Floor rate of 16.00%, PIK Interest 4.00%	$ 2,046	1,958	1,458
Subtotal: 1-5 Years Maturity						9,400	8,959
Subtotal: Electronics & Computer Hardware (1.38%)*						9,400	8,959
Healthcare Services, Other							
1-5 Years Maturity							
InstaMed Communications, LLC	Healthcare Services, Other	Senior Secured	December 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%	$ 3,000	2,979	2,979
MDEverywhere, Inc.	Healthcare Services, Other	Senior Secured	June 2016	Interest rate LIBOR + 9.50% or Floor rate of 10.75%	$ 2,000	1,875	1,907
Orion Healthcorp, Inc.	Healthcare Services, Other	Senior Secured	June 2017	Interest rate LIBOR + 10.50% or Floor rate of 12.00%, PIK Interest 3.00%	$ 6,591	6,467	6,413
	Healthcare Services, Other	Senior Secured	June 2017	Interest rate LIBOR + 9.50% or Floor rate of 11.00%	$ 9,000	8,838	8,445
	Healthcare Services, Other	Senior Secured	June 2016	Interest rate LIBOR + 8.25% or Floor rate of 9.50%	$ 500	465	461
Total Orion Healthcorp, Inc.					$ 16,091	15,769	15,318
Pacific Child & Family Associates, LLC	Healthcare Services, Other	Senior Secured	January 2015	Interest rate LIBOR + 9.00% or Floor rate of 11.50%	$ 1,946	2,017	1,988
	Healthcare Services, Other	Senior Secured	January 2015	Interest rate LIBOR + 11.00% or Floor rate of 14.00%, PIK interest 3.75%	$ 6,836	6,867	6,833
Total Pacific Child & Family Associates, LLC					$ 8,782	8,884	8,822
Subtotal: 1-5 Years Maturity						29,508	29,025
Subtotal: Healthcare Services, Other (4.47%)*						29,508	29,025

Information Services

1-5 Years Maturity							
Eccentex Corporation(11)	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	$ 657	658	185
InXpo, Inc.	Information Services	Senior Secured	April 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 2,550	2,489	2,384
Jab Wireless, Inc.	Information Services	Senior Secured	November 2017	Interest rate Libor + 6.75% or Floor rate of 8.00%	$ 30,000	29,822	29,822
	Information Services	Senior Secured	November 2017	Interest rate Prime + 6.75% or Floor rate of 8.00%	$ 2,000	1,996	1,996
Total Jab Wireless, Inc.					$ 32,000	31,818	31,818
Womensforum.com(11)	Information Services	Senior Secured	October 2016	Interest rate LIBOR + 7.50% or Floor rate of 10.25%, PIK Interest 2.00%	$ 4,607	4,536	4,127
	Information Services	Senior Secured	October 2016	Interest rate LIBOR + 6.50% or Floor rate of 9.25%	$ 6,900	6,793	6,470
	Information Services	Senior Secured	April 2015	Interest rate LIBOR + 6.50% or Floor rate of 9.00%	$ 1,250	1,227	1,156
Total Womensforum.com					$ 12,757	12,556	11,754
Subtotal: 1-5 Years Maturity						47,521	46,140
Subtotal: Information Services (7.10%)*						47,521	46,140

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Internet Consumer & Business Services							
Under 1 Year Maturity							
Gazelle, Inc.	Internet Consumer & Business Services	Senior Secured	October 2014	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 2,137	$ 2,115	$ 2,115
Tectura Corporation[8]	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	$ 6,468	6,467	3,566
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	$ 10,777	10,777	5,943
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	$ 563	563	310
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	$ 5,000	5,000	2,757
Total Tectura Corporation					$ 22,807	22,806	12,576
Subtotal: Under 1 Year Maturity						24,921	14,691
1-5 Years Maturity							
Blurb, Inc.	Internet Consumer & Business Services	Senior Secured	December 2015	Interest rate PRIME + 5.25% or Floor rate of 8.50%	$ 6,351	6,216	6,054
CashStar, Inc.	Internet Consumer & Business Services	Senior Secured	June 2016	Interest rate Prime + 6.25% or Floor rate 10.50%, PIK Interest 1.00%	$ 4,018	3,944	3,916
Education Dynamics, LLC	Internet Consumer & Business Services	Senior Secured	March 2016	Interest rate Libor + 12.5% or Floor rate 12.50%, PIK Interest 1.5%	$ 24,685	24,284	23,582
Gazelle, Inc.	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate Prime + 7.00% or Floor rate of 10.25%, PIK Interest 2.50%	$ 12,365	12,283	12,128
Just Fabulous, Inc.	Internet Consumer & Business Services	Senior Secured	February 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 5,000	4,842	4,842
NetPlenish[8]	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate FIXED 10.00%	$ 383	375	
	Internet Consumer & Business Services	Senior Secured	April 2015	Interest rate FIXED 10.00%	$ 97	97	
Total NetPlenish					$ 480	472	
Reply! Inc.[11]	Internet Consumer & Business Services	Senior Secured	February 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 2.00%	$ 3,031	3,051	3,034
	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate Prime + 6.88% or Floor rate of 10.13%, PIK Interest 2.00%	$ 9,169	9,086	9,169
	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate Prime + 7.25% or Floor rate of 11.00%, PIK Interest 2.00%	$ 2,020	2,044	2,070

Total Reply! Inc.					$ 14,220	14,181	14,273
ShareThis, Inc.	Internet Consumer & Business Services	Senior Secured	June 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 14,578	14,160	14,160
VaultLogix, LLC	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate LIBOR + 7.00% or Floor rate of 8.50%	$ 7,897	7,927	7,525
	Internet Consumer & Business Services	Senior Secured	September 2016	Interest rate LIBOR + 8.50% or Floor rate of 10.00%, PIK interest 2.50%	$ 7,949	7,898	7,397
Total VaultLogix, LLC					$ 15,847	15,826	14,923
WaveMarket, Inc.(11)	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate Prime + 5.75% or Floor rate of 9.50%	$ 10,000	9,940	9,665
Subtotal: 1-5 Years Maturity						106,148	103,545
Subtotal: Internet Consumer & Business Services (18.19%)*						131,069	118,236

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Media/Content/Info							
Under 1 Year Maturity							
Zoom Media Group, Inc.	Media/Content/Info	Senior Secured	December 2014	Interest rate PRIME + 5.25% or Floor rate of 8.50%	$ 4,000	$ 3,858	$ 3,858
Subtotal: Under 1 Year Maturity						3,858	3,858
1-5 Years Maturity							
Zoom Media Group, Inc.	Media/Content/Info	Senior Secured	December 2015	Interest rate PRIME + 7.25% and PIK + 3.75% or Floor rate of 10.50%	$ 4,288	4,122	4,071
Subtotal: 1-5 Years Maturity						4,122	4,071
Subtotal: Media/Content/Info (1.22%)*						7,981	7,929
Medical Devices & Equipment							
Under 1 Year Maturity							
Oraya Therapeutics, Inc.[9][11]	Medical Devices & Equipment	Senior Secured	December 2014	Interest rate Fixed 7.00%	$ 500	500	500
Subtotal: Under 1 Year Maturity						500	500
1-5 Years Maturity							
Baxano Surgical, Inc.[3]	Medical Devices & Equipment	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 12.5%	$ 7,500	7,222	7,222
Home Dialysis Plus, Inc.	Medical Devices & Equipment	Senior Secured	April 2017	Interest rate PRIME + 6.35% or Floor rate of 9.60%	$ 10,000	9,732	9,732
InspireMD, Inc.[3][5][10]	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00% or Floor rate of 10.50%	$ 10,000	9,696	9,696
Medrobotics Corporation	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85% or Floor rate of 11.10%	$ 4,561	4,489	4,454
NetBio, Inc.	Medical Devices & Equipment	Senior Secured	August 2017	Interest rate PRIME + 5.00% or Floor rate of 11.00%	$ 5,000	4,788	4,788
NinePoint Medical, Inc.	Medical Devices & Equipment	Senior Secured	January 2016	Interest rate PRIME + 5.85% or Floor rate of 9.10%	$ 5,946	5,911	5,794
Oraya Therapeutics, Inc.[9][11]	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate PRIME + 5.50% or Floor rate of 10.25%	$ 7,064	6,980	7,162

SonaCare Medical, LLC (pka US HIFU, LLC)(11)	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 5,667	5,754	5,818
United Orthopedic Group, Inc.	Medical Devices & Equipment	Senior Secured	July 2016	Interest rate PRIME + 8.60% or Floor rate of 11.85%	$ 25,000	24,647	25,166
ViewRay, Inc.	Medical Devices & Equipment	Senior Secured	June 2017	Interest rate PRIME + 7.00% or Floor rate of 10.25%, PIK Interest 1.50%	$ 15,000	14,489	14,489
Subtotal: 1-5 Years Maturity						93,707	94,320
Subtotal: Medical Devices & Equipment (14.59%)*						94,206	94,819
Semiconductors							
1-5 Years Maturity							
Achronix Semiconductor Corporation	Semiconductors	Senior Secured	January 2015	Interest rate PRIME + 10.60% or Floor rate of 13.85%	$ 1,032	1,023	1,006
SiTime Corporation	Semiconductors	Senior Secured	September 2016	Interest rate PRIME + 6.50% or Floor rate of 9.75%	$ 3,500	3,473	3,473
Subtotal: 1-5 Years Maturity						4,495	4,479
Subtotal: Semiconductors (0.69%)*						4,495	4,479

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor	Principal Amount	Cost[2]	Value[3]
Software							
Under 1 Year Maturity							
Clickfox, Inc.	Software	Senior Secured	September 2014	Interest rate PRIME + 6.75% or Floor rate of 10.00%	$ 2,000	$ 1,979	$ 1,979
StartApp, Inc.	Software	Senior Secured	December 2014	Interest rate PRIME + 2.75% or Floor rate of 6.00%	$ 200	191	191
Touchcommerce, Inc.	Software	Senior Secured	December 2014	Interest rate Prime + 2.25% or Floor rate of 6.50%	$ 3,111	3,071	2,970
Subtotal: Under 1 Year Maturity						5,241	5,140
1-5 Years Maturity							
Clickfox, Inc.	Software	Senior Secured	November 2015	Interest rate PRIME + 8.25% or Floor rate of 11.50%	$ 5,842	5,530	5,530
Hillcrest Laboratories, Inc.	Software	Senior Secured	July 2015	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 2,660	2,630	2,604
Mobile Posse, Inc.	Software	Senior Secured	December 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	$ 4,000	3,876	3,879
Neos Geosolutions, Inc.	Software	Senior Secured	May 2016	Interest rate Prime + 5.75% or Floor rate of 10.50%	$ 3,771	3,808	3,705
Sonian, Inc.	Software	Senior Secured	July 2017	Interest rate PRIME + 7.00% or Floor rate of 10.25%	$ 5,500	5,332	5,332
StartApp, Inc.	Software	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%	$ 2,500	2,507	2,498
Touchcommerce, Inc.	Software	Senior Secured	June 2017	Interest rate Prime + 6.00% or Floor rate of 10.25%	$ 5,000	4,688	4,767
Subtotal: 1-5 Years Maturity						28,372	28,315
Subtotal: Software (5.15%)*						33,613	33,455
Specialty Pharmaceuticals							
1-5 Years Maturity							
Rockwell Medical, Inc.	Specialty Pharmaceuticals	Senior Secured	March 2017	Interest rate PRIME + 9.25% or Floor rate of 12.50%	$ 20,000	20,055	20,055

Subtotal: 1-5 Years Maturity						20,055	20,055
Subtotal: Specialty Pharmaceuticals (3.09%)*						20,055	20,055
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc.(11)	Surgical Devices	Senior Secured	November 2015	Interest rate FIXED 12.95%	$ 7,250	7,207	7,207
Subtotal: 1-5 Years Maturity						7,207	7,207
Subtotal: Surgical Devices (1.11%)*						7,207	7,207
Total Debt (126.46%)*						835,882	821,988

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Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[2]	Value[3]
Equity						
Biotechnology Tools						
NuGEN Technologies, Inc.	Biotechnology Tools	Equity	Preferred Series C	189,394	$ 500	$ 687
Subtotal: Biotechnology Tools (0.11%)*					500	687
Communications & Networking						
GlowPoint, Inc.[3]	Communications & Networking	Equity	Common Stock	114,192	102	157
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	3,621
Stoke, Inc.	Communications & Networking	Equity	Preferred Series E	152,905	500	224
Subtotal: Communications & Networking (0.62%)*					1,602	4,002
Consumer & Business Products						
Caivis Acquisition Corporation	Consumer & Business Products	Equity	Common Stock	295,861	819	598
IPA Holdings, LLC	Consumer & Business Products	Equity	LLC Interest	500,000	500	676
Market Force Information, Inc.	Consumer & Business Products	Equity	Preferred Series B	187,970	500	285
Subtotal: Consumer & Business Products (0.24%)*					1,819	1,559
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	750
Subtotal: Diagnostic (0.12%)*					750	750
Drug Delivery						
AcelRx Pharmaceuticals, Inc.[3][10]	Drug Delivery	Equity	Common Stock	89,243	178	1,009
Merrion Pharmaceuticals, Plc[3][5][10]	Drug Delivery	Equity	Common Stock	20,000	9	
NuPathe, Inc.[3]	Drug Delivery	Equity	Common Stock	50,000	146	164
Transcept Pharmaceuticals, Inc.[3]	Drug Delivery	Equity	Common Stock	41,570	500	140
Subtotal: Drug Delivery (0.20%)*					833	1,313
Drug Discovery & Development						
Acceleron Pharma, Inc.[3]	Drug Discovery & Development	Equity	Common Stock	256,410	1,505	9,286
Aveo Pharmaceuticals, Inc.[3][10]	Drug Discovery & Development	Equity	Common Stock	167,864	842	307
Dicerna Pharmaceuticals, Inc.[12]		Equity	Preferred Series B	20,107	503	228

	Drug Discovery & Development					
	Drug Discovery & Development	Equity	Preferred Series C	142,858	1,000	1,055
Total Dicerna Pharmaceuticals, Inc.				162,965	1,503	1,283
Inotek Pharmaceuticals Corporation	Drug Discovery & Development	Equity	Common Stock	15,334	1,500	
Merrimack Pharmaceuticals, Inc.(3)	Drug Discovery & Development	Equity	Common Stock	546,448	2,000	2,912
Paratek Pharmaceuticals, Inc.	Drug Discovery & Development	Equity	Common Stock	85,450	5	
	Drug Discovery & Development	Equity	Preferred Series H	244,158	1,000	
Total Paratek Pharmaceuticals, Inc.				329,608	1,005	
Subtotal: Drug Discovery & Development (2.12%)*					8,355	13,788

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Information Services						
Buzznet, Inc.	Information Services	Equity	Preferred Series C	263,158	$ 250	$
Good Technologies, Inc. (pka Visto Corporation)	Information Services	Equity	Common Stock	500,000	603	
Subtotal: Information Services (0.00%)*					853	
Internet Consumer & Business Services						
Blurb, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	444
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	8,121	92	
Progress Financial	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	280
Trulia, Inc.[3]	Internet Consumer & Business Services	Equity	Common Stock	29,340	141	1,035
Subtotal: Internet Consumer & Business Services (0.27%)*					658	1,759
Media/Content/Info						
Everyday Health, Inc. (pka Waterfront Media, Inc.)	Media/Content/Info	Equity	Preferred Series D	145,590	1,000	425
Subtotal: Media/Content/Info (0.07%)*					1,000	425
Medical Devices & Equipment						
Gelesis, Inc.[6]	Medical Devices & Equipment	Equity	LLC Interest	2,024,092	925	466
Medrobotics Corporation	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	269
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp.[6]	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	411
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	135
	Medical Devices & Equipment	Equity	Preferred Series D	41,352,489	3,945	4,006
Total Optiscan Biomedical, Corp.				49,465,365	7,600	4,552
Subtotal: Medical Devices & Equipment (0.81%)*					9,775	5,287
Software						
Atrenta, Inc.	Software	Equity	Preferred Series C	1,196,845	986	1,607
	Software	Equity	Preferred Series D	635,513	508	1,088

Total Atrenta, Inc.				1,832,358	1,494	2,695
Box, Inc.	Software	Equity	Preferred Series C	390,625	500	7,031
	Software	Equity	Preferred Series D	158,133	500	2,846
	Software	Equity	Preferred Series D-1	124,511	1,000	2,241
	Software	Equity	Preferred Series D-2	220,751	2,001	3,974
	Software	Equity	Preferred Series E	38,183	500	687
Total Box, Inc.				932,203	4,501	16,779
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	94
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	849
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	337
Subtotal: Software (3.19%)*					6,751	20,754

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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.	Surgical Devices	Equity	Preferred Series B	219,298	250	73
	Surgical Devices	Equity	Preferred Series C	656,538	282	123
	Surgical Devices	Equity	Preferred Series D	1,621,553	580	749
Total Gynesonics, Inc.				2,497,389	1,112	945
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	303
	Surgical Devices	Equity	Preferred Series C	119,999	300	212
	Surgical Devices	Equity	Preferred Series D	260,000	650	886
Total Transmedics, Inc.				468,960	2,050	1,401
Subtotal: Surgical Devices (0.36%)*					3,162	2,346
Total Equity (8.10%)*					36,808	52,670

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[2]	Value[3]
Warrant						
Biotechnology Tools						
Labcyte, Inc.	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	$ 323	$ 65
NuGEN Technologies, Inc.	Biotechnology Tools	Warrant	Preferred Series B	234,659	78	234
Subtotal: Biotechnology Tools (0.05%)*					401	299
Energy Technology						
Agrivida, Inc.	Energy Technology	Warrant	Preferred Series C	77,447	120	243
Alphabet Energy, Inc.	Energy Technology	Warrant	Preferred Series A	86,329	82	176
American Superconductor Corporation[3]	Energy Technology	Warrant	Common Stock	512,820	391	175
Brightsource Energy, Inc.	Energy Technology	Warrant	Preferred Series 1	175,000	780	214
Calera, Inc.	Energy Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc.	Energy Technology	Warrant	Preferred Series B	437,500	308	475
Fluidic, Inc.	Energy Technology	Warrant	Preferred Series C	59,665	102	138
Fulcrum Bioenergy, Inc.	Energy Technology	Warrant	Preferred Series C-1	280,897	275	210
Glori Energy, Inc.	Energy Technology	Warrant	Preferred Series C	145,932	165	50
GreatPoint Energy, Inc.	Energy Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation	Energy Technology	Warrant	Preferred Series C	161,575	69	44
Propel Fuels	Energy Technology	Warrant	Preferred Series C	3,200,000	211	233
SCIEnergy, Inc.	Energy Technology	Warrant	Preferred Series D	1,061,623	360	2
Scifiniti (pka Integrated Photovoltaics, Inc.)	Energy Technology	Warrant	Preferred Series B	390,000	82	68
Solexel, Inc.	Energy Technology	Warrant	Preferred Series C	1,171,625	1,162	278
Stion Corporation[6]	Energy Technology	Warrant	Preferred Series Seed	2,154	1,378	1,627
TAS Energy, Inc.	Energy Technology	Warrant	Preferred Series F	428,571	299	756
TPI Composites, Inc.	Energy Technology	Warrant	Preferred Series B	120	172	376
Trilliant, Inc.	Energy Technology	Warrant	Preferred Series A	320,000	162	34
Subtotal: Energy Technology (0.78%)*[13]					7,179	5,099
Communications & Networking						
Intelepeer, Inc.	Communications & Networking	Warrant	Preferred Series C	117,958	102	112
OpenPeak, Inc.	Communications & Networking	Warrant	Preferred Series 2	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	41
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	368
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	98
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	417	661
Stoke, Inc.	Communications & Networking	Warrant	Preferred Series C	158,536	53	5
	Communications & Networking	Warrant	Preferred Series D	72,727	65	2

Total Stoke, Inc.				231,263	118	7
Subtotal: Communications & Networking (0.20%)*					994	1,287
Consumer & Business Products						
Intelligent Beauty, Inc.	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	1,027
IPA Holdings, LLC	Consumer & Business Products	Warrant	Common Stock	650,000	275	408
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A	99,286	24	1
Subtotal: Consumer & Business Products (0.22%)*					529	1,436

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(2)	Value(3)
Diagnostic						
Navidea Biopharmaceuticals, Inc. (pka Neoprode)(3)	Diagnostic	Warrant	Common Stock	333,333	244	152
Subtotal: Diagnostic (0.02%)*					244	152
Drug Delivery						
AcelRx Pharmaceuticals, Inc.(3)(10)	Drug Delivery	Warrant	Common Stock	176,730	$ 786	$ 961
Alexza Pharmaceuticals, Inc.(3)	Drug Delivery	Warrant	Common Stock	37,639	645	1
BIND Therapeutics, Inc.(3)	Drug Delivery	Warrant	Common Stock	71,359	367	294
Celsion Corporation(3)	Drug Delivery	Warrant	Common Stock	97,493	227	249
Dance Biopharm, Inc.	Drug Delivery	Warrant	Preferred Series A	97,701	74	154
Intelliject, Inc.	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,115
NuPathe, Inc.(3)	Drug Delivery	Warrant	Common Stock	106,631	139	136
Revance Therapeutics, Inc.(12)	Drug Delivery	Warrant	Preferred Series E-5	802,675	557	330
Transcept Pharmaceuticals, Inc.(3)	Drug Delivery	Warrant	Common Stock	61,452	87	3
Subtotal: Drug Delivery (0.50%)*					3,476	3,243
Drug Discovery & Development						
Acceleron Pharma, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	11,611	39	294
ADMA Biologics, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	31,750	129	73
Anthera Pharmaceuticals, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	40,178	984	9
Cell Therapeutics, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	679,040	405	601
Cempra, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	138,797	458	728
Chroma Therapeutics, Ltd.(5)(10)	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	500
Cleveland BioLabs, Inc(3)	Drug Discovery & Development	Warrant	Common Stock	156,250	105	66
Concert Pharmaceuticals, Inc.(12)	Drug Discovery & Development	Warrant	Preferred Series C	400,000	367	577
Coronado Biosciences, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	73,009	142	41
Dicerna Pharmaceuticals, Inc.(12)		Warrant	Common Stock	200	28	

	Drug Discovery & Development					
	Drug Discovery & Development	Warrant	Preferred Series A	21,000	237	38
	Drug Discovery & Development	Warrant	Preferred Series B	26,400	310	48
Total Dicerna Pharmaceuticals, Inc.				47,600	575	86
Horizon Pharma, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	22,408	231	5
Merrimack Pharmaceuticals, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	302,143	155	488
Neuralstem, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	648,798	295	1,045
Portola Pharmaceuticals, Inc.(3)	Drug Discovery & Development	Warrant	Common Stock	68,702	153	683
uniQure B.V.(5)(10)(12)	Drug Discovery & Development	Warrant	Preferred Series A	185,873	218	313
Subtotal: Drug Discovery & Development (0.85%)*					4,746	5,509

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(2)	Value(3)
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	16
Identive Group, Inc.(3)	Electronics & Computer Hardware	Warrant	Common Stock	992,084	247	136
Plures Technologies, Inc.(3)	Electronics & Computer Hardware	Warrant	Preferred Series A	552,467	124	100
Subtotal: Electronics & Computer Hardware (0.04%)*					383	252
Healthcare Services, Other						
MDEverywhere, Inc.	Healthcare Services, Other	Warrant	Common Stock	129	94	55
Subtotal: Healthcare Services, Other (0.01%)*					94	55
Information Services						
Buzznet, Inc.	Information Services	Warrant	Preferred Series B	19,962	9	
Cha Cha Search, Inc.	Information Services	Warrant	Preferred Series G	48,232	57	10
InXpo, Inc.	Information Services	Warrant	Preferred Series C	648,400	98	45
	Information Services	Warrant	Preferred Series C-1	582,015	49	40
Total InXpo, Inc.				1,230,415	147	85
Jab Wireless, Inc.	Information Services	Warrant	Preferred Series A	266,567	265	330
RichRelevance, Inc.	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.07%)*					576	425

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(2)	Value(3)
Internet Consumer & Business Services						
Blurb, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	218,684	$ 299	$ 169
	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	248
Total Blurb, Inc.				452,964	935	417
CashStar, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series C-2	454,545	102	47
Gazelle, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	151,827	165	62
Invoke Solutions, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	53,084	39	
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	137,456	589	1,057
Prism Education Group, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
Progress Financial	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	76
Reply! Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	137,225	320	93
ShareThis, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	546	241
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
WaveMarket, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B-1	1,083,779	105	85
Subtotal: Internet Consumer & Business Services (0.32%)*					2,973	2,078
Media/Content/Info						
Everyday Health, Inc. (pka Waterfront Media, Inc.)	Media/Content/Info	Warrant	Preferred Series C	110,018	60	50
Glam Media, Inc.	Media/Content/Info	Warrant	Preferred Series D	407,457	482	
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	275
Subtotal: Media/Content/Info (0.05%)*					890	325
Medical Devices & Equipment						
Baxano Surgical, Inc.(3)	Medical Devices & Equipment	Warrant	Common Stock	882,353	439	344
Gelesis, Inc.(6)	Medical Devices & Equipment	Warrant	LLC Interest	263,688	78	7
Home Dialysis Plus, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	300,000	245	297
InspireMD, Inc.(3)(5)(10)	Medical Devices & Equipment	Warrant	Common Stock	168,351	242	167

Medrobotics Corporation	Medical Devices & Equipment	Warrant	Preferred Series D	424,008	343	184
	Medical Devices & Equipment	Warrant	Preferred Series E	34,199	27	23
Total Medrobotics Corporation				458,207	370	207
MELA Sciences, Inc.(3)	Medical Devices & Equipment	Warrant	Common Stock	693,202	401	94
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	398
NinePoint Medical, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	288
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	

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CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[2]	Value[3]
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp.[6]	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	232
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	95,498	66	23
	Medical Devices & Equipment	Warrant	Preferred Series C	716,948	677	134
Total Oraya Therapeutics, Inc.				812,446	743	157
SonaCare Medical, LLC (pka US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	409,704	188	201
United Orthopedic Group, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	423,076	608	785
ViewRay, Inc.	Medical Devices & Equipment	Warrant	Preferred Series C	312,500	333	331
Subtotal: Medical Devices & Equipment (0.54%)*					5,610	3,508
Semiconductors						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	160	194
SiTime Corporation	Semiconductors	Warrant	Preferred Series G	195,683	24	12
Subtotal: Semiconductors (0.03%)*					184	206
Software						
Atrenta, Inc.	Software	Warrant	Preferred Series D	392,670	$ 121	$ 330
Box, Inc.	Software	Warrant	Preferred Series B	271,070	72	4,701
	Software	Warrant	Preferred Series C	199,219	117	3,331
	Software	Warrant	Preferred Series D-1	62,255	194	625
Total Box, Inc.				532,544	383	8,657
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	187	
Central Desktop, Inc.	Software	Warrant	Preferred Series B	522,769	108	187
Clickfox, Inc.	Software	Warrant	Preferred Series B	1,038,563	330	495
	Software	Warrant	Preferred Series C	592,019	730	363
Total Clickfox, Inc.				1,630,582	1,060	858
Daegis Inc. (pka Unify Corporation)[3]	Software	Warrant	Common Stock	718,860	1,433	83
ForeScout Technologies, Inc.	Software	Warrant	Preferred Series E	80,587	41	82
Hillcrest Laboratories, Inc.	Software	Warrant	Preferred Series E	1,865,650	55	139
Mobile Posse, Inc.	Software	Warrant	Preferred Series C	396,430	130	129

Neos Geosolutions, Inc.	Software	Warrant	Preferred Series 3	221,150	22	
Sonian, Inc.	Software	Warrant	Preferred Series C	185,949	106	105
SugarSync, Inc.	Software	Warrant	Preferred Series CC	332,726	78	48
	Software	Warrant	Preferred Series DD	107,526	34	16
Total Sugarsync, Inc.				440,252	112	64
Touchcommerce, Inc.	Software	Warrant	Preferred Series E	992,595	251	248
White Sky, Inc.	Software	Warrant	Preferred Series B-2	124,295	54	4
WildTangent, Inc.	Software	Warrant	Preferred Series 3	100,000	238	123
Subtotal: Software (1.69%)*					4,301	11,009
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
Subtotal: Specialty Pharmaceuticals (0.00%)*					307	

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[2]	Value[3]
Surgical Devices						
Gynesonics, Inc.	Surgical Devices	Warrant	Preferred Series C	180,480	74	27
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	383
Total Gynesonics, Inc.				1,756,445	394	410
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	9
	Surgical Devices	Warrant	Preferred Series D	175,000	100	335
Total Transmedics, Inc.				215,436	325	344
Subtotal: Surgical Devices (0.12%)*					719	754
Total Warrants (5.48%)*					33,606	35,637
Total Investments (140.04%)*					$ 906,297	$ 910,295

* 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 $48.8 million, $44.5 million and $4.3 million respectively. The tax cost of investments is $906.2 million

(3) Except for warrants in twenty-five publicly traded companies and common stock in nine publicly traded companies, all investments are restricted at December 31, 2013 and were valued at fair value as determined in good faith by the Valuation Committee of the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.

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

(6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 5% but not more than 25% of the voting securities of the company.

(7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 25% of the voting securities of the company or has greater than 50% representation on its board.

(8) Debt is on non-accrual status at December 31, 2013, and is therefore considered non-income producing.

(9) Convertible Senior Debt

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

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

(12) Subsequent to December 31, 2013, this company completed an initial public offering. Note that the December 31, 2013 fair value does not reflect any potential impact of the conversion of our preferred shares to common shares which may include reverse split associated with the offering.

(13) In our quarterly and annual reports filed with the Commission prior to the Annual Report on Form 10-K for the year ended December 31, 2013, we referred to this industry sector as Clean Tech.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Description of Business and Basis of Presentation

Hercules Technology Growth Capital, Inc. (the Company) is a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science, and energy and renewables technology industries at all stages of development. The Company sources its investments through its principal office located in Palo Alto, CA, as well as through its additional offices in Boston, MA, New York, NY and McLean, VA. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

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

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

HT II and HT III hold approximately $142.8 million and $305.0 million in assets, respectively, and they accounted for approximately 9.2% and 19.7% of our total assets, respectively, prior to consolidation at September 30, 2014.

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

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X under the Securities Act of 1933 and the Securities and Exchange Act of 1934, the Company does not consolidate portfolio company investments. The accompanying consolidated interim financial statements are presented in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair statement of consolidated financial statements for the interim periods have been included. The current period s results of

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operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2013. The year-end consolidated statement of assets and liabilities data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

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

Valuation of Investments

At September 30, 2014, 83.3% of the Company s total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company s investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification topic 820 Fair Value Measurements and Disclosures (ASC 820). The Company s debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology,

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biotechnology, life science and energy and renewables technology industries. Given the nature of lending to these types of businesses, substantially all of the Company s investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and the Company s Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company s investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

(1) the Company s quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and business based assumptions are discussed with the Company s investment committee;

(3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio as provided by the investment committee, which incorporates the results of the independent valuation firm as appropriate;

(4) the Board of Directors, upon the recommendation of the Audit Committee, discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the investment committee.

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

The Company has categorized all investments recorded at fair value in accordance with ASC 820 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

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

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

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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.

In accordance with ASU 2011-04, the following tables provide quantitative information about the Company s Level 3 fair value measurements of the Company s investments as of September 30, 2014 (unaudited) and December 31, 2013. In addition to the techniques and inputs noted in the tables below, according to the Company s valuation policy, the Company may also use other valuation techniques and methodologies when determining the Company s fair value measurements. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to the Company s fair value measurements.

Investment Type Level Three Debt Investments	Fair Value at September 30, 2014 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input[(a)]	Range	Weighted Average[(b)]
Pharmaceuticals	$ 82,606	Originated Within 6 Months	Origination Yield	9.79% - 17.50%	12.58%
	224,002	Market Comparable Companies	Hypothetical Market Yield	7.45% - 16.07%	13.07%
			Premium/(Discount)	(1.00%) - 0.50%	
Medical Devices	46,070	Originated Within 6 Months	Origination Yield	8.20% - 16.56%	13.90%
	74,172	Market Comparable Companies	Hypothetical Market Yield	11.72% - 23.60%	14.88%
			Premium/(Discount)	(1.00%) - 1.50%	
	9,367	Liquidation[(c)]	Probability weighting of alternative outcomes	25.00% - 75.00%	
Technology	79,778	Originated Within 6 Months	Origination Yield	6.86% - 43.33%	14.39%
	104,927	Market Comparable Companies	Hypothetical Market Yield	3.48% - 19.44%	14.09%
			Premium/(Discount)	(0.50%) - 0.50%	
	161	Liquidation[(c)]	Probability weighting of alternative outcomes	50.00%	
Energy Technology	30,000	Originated Within 6 Months	Origination Yield	14.16%	14.16%
	58,209	Market Comparable Companies	Hypothetical Market Yield	12.25% - 17.53%	15.39%
			Premium/(Discount)	(0.50%) - 1.00%	
	5,492	Liquidation[(c)]	Probability weighting of alternative outcomes	20.00% - 80.00%	
Lower Middle Market	61,546	Market Comparable Companies	Hypothetical Market Yield	11.59% - 15.90%	13.80%
			Premium/(Discount)	0.00% - 0.50%	
	17,737	Liquidation[(c)]	Probability weighting of alternative outcomes	10.00% - 75.00%	
		Debt Investments Where Fair Value Approximates Cost			
	91,917	Imminent Payoffs			
	21,939	Debt Investments Maturing in Less than One Year			
	$ 907,923	Total Level Three Debt Investments			

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

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

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

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

Energy Technology, above, aligns with the Energy Technology Industry in the Schedule of Investments.

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(b) Weighted averages are calculated based on the fair market value of each investment.
(c) The significant unobservable inputs used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.

Investment Type Level Three Debt Investments	Fair Value at December 31, 2013 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input[a]	Range	Weighted Average[c]
Pharmaceuticals	$ 25,811	Originated Within 6 Months	Origination Yield	12.56% - 14.53%	13.36%
	250,607	Market Comparable Companies	Hypothetical Market Yield	13.83% - 15.47%	14.13%
			Premium/(Discount)	(1.00%) - 0.00%	
Medical Devices	46,900	Originated Within 6 Months	Origination Yield	13.54% - 17.37%	14.87%
	34,723	Market Comparable Companies	Hypothetical Market Yield	14.32% - 17.37%	15.23%
			Premium/(Discount)	(1.00%) - 1.00%	
Technology	18,796	Originated Within 6 Months	Origination Yield	10.62% - 15.97%	14.26%
	98,290	Market Comparable Companies	Hypothetical Market Yield	14.72% - 21.08%	15.48%
			Premium/(Discount)	0.00% - 1.00%	
	1,643	Liquidation	Probability weighting of alternative outcomes	30.00% - 70.00%	
Energy Technology	32,597	Originated Within 6 Months	Origination Yield	14.68% - 15.87%	15.17%
	108,238	Market Comparable Companies	Hypothetical Market Yield	15.37%	15.37%
			Premium/(Discount)	(0.50%) - 1.50%	
Lower Middle Market	121,347	Market Comparable Companies	Hypothetical Market Yield	14.83% - 19.73%	16.12%
			Premium/(Discount)	0.00% - 1.00%	
	31,818	Broker Quote[b]	Price Quotes	99.50% - 100.25% of par	
			Par Value	$2.0 - $22.5 million	
	12,576	Liquidation	Probability weighting of alternative outcomes	20.00% - 80.00%	
		Debt Investments Where Fair Value Approximates Amortized Cost			
	15,906	Imminent Payoffs			
	22,236	Debt Investments Maturing in Less than One Year			
	500	Convertible Debt at Par			
	$ 821,988	Total Level Three Debt Investments			

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

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

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

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

Energy Technology, above, aligns with the Energy Technology Industry in the Schedule of Investments. In our quarterly and annual reports filed with the Commission prior to the 2013 Annual Report on Form 10-K, we referred to the Energy Technology Industry as Clean Tech and we referred to these investments as Clean Tech in the Schedule of Investments included in such reports.

(b) A broker quote valuation technique was used to derive the fair value of debt investments which are part of a syndicated facility.
(c) Weighted averages are calculated based on the fair market value of each investment.

Investment Type **Level Three Equity and Warrant Investments**	**Fair Value at September 30, 2014** *(in thousands)*	**Valuation Techniques/ Methodologies**	**Unobservable Input[(a)]**	**Range**	**Weighted Average[(e)]**
Equity Investments	$ 9,434	Market Comparable Companies	EBITDA Multiple[(b)]	4.6x - 22.8x	8.9x
			Revenue Multiple[(b)]	0.8x - 3.7x	2.2x
			Discount for Lack of Marketability[(c)]	9.24% - 35.82%	16.55%
			Average Industry Volatility[(d)]	54.11% - 97.91%	61.99%
			Risk-Free Interest Rate	0.10% - 0.89%	0.15%
			Estimated Time to Exit (in months)	10 - 32	11
	42,307	Market Adjusted OPM Backsolve	Average Industry Volatility[(d)]	34.93% - 84.30%	55.96%
			Risk-Free Interest Rate	0.10% - 1.38%	0.21%
			Estimated Time to Exit (in months)	17 - 47	11
Warrant Investments	7,980	Market Comparable Companies	EBITDA Multiple[(b)]	0.0x - 96.6x	17.1x
			Revenue Multiple[(b)]	0.3x - 13.9x	3.7x
			Discount for Lack of Marketability[(c)]	11.76% - 35.82%	21.98%
			Average Industry Volatility[(d)]	38.61% - 90.38%	62.85%
			Risk-Free Interest Rate	0.05% - 1.38%	0.71%
			Estimated Time to Exit (in months)	7 - 47	27
	9,783	Market Adjusted OPM Backsolve	Average Industry Volatility[(d)]	29.91% - 97.91%	67.12%
			Risk-Free Interest Rate	0.05% - 2.66%	0.82%
			Estimated Time to Exit (in months)	7 - 48	28
Total Level Three Warrant and Equity Investments	$ 69,504				

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

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

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Investment Type Level Three Equity and Warrant Investments	Fair Value at December 31, 2013 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input[a]	Range
Equity Investments	$ 10,244	Market Comparable Companies	EBITDA Multiple[b]	8.6x - 17.7x
			Revenue Multiple[b]	0.7x - 13.8x
			Discount for Lack of Marketability[c]	9.1% - 23.6%
			Average Industry Volatility[d]	43.4% - 110.7%
			Risk-Free Interest Rate	0.1% - 0.4%
			Estimated Time to Exit (in months)	6 - 30
	9,289	Market Adjusted OPM Backsolve	Average Industry Volatility [d]	45.6% - 109.7%
			Risk-Free Interest Rate	0.1% - 0.9%
			Estimated Time to Exit (in months)	6 - 42
	18,127	Other	Average Industry Volatility[d]	44.0%
			Risk-Free Interest Rate	0.1%
			Estimated Time to Exit (in months)	12
Warrant Investments	10,200	Market Comparable Companies	EBITDA Multiple[b]	5.0x - 51.4x
			Revenue Multiple[b]	0.5x - 13.8x
			Discount for Lack of Marketability[c]	6.4% - 36.0%
			Average Industry Volatility[d]	21.3% - 110.7%
			Risk-Free Interest Rate	0.1% - 1.0%
			Estimated Time to Exit (in months)	6 - 48
	8,913	Market Adjusted OPM Backsolve	Average Industry Volatility[d]	35.7% - 109.9%
			Risk-Free Interest Rate	0.1% - 2.7%
			Estimated Time to Exit (in months)	3 - 48
	9,595	Other	Average Industry Volatility[d]	44.0% - 56.9%
			Risk-Free Interest Rate	0.1% - 1.0%
			Estimated Time to Exit (in months)	12 - 48
Total Level Three Warrant and Equity Investments	$ 66,368			

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

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Debt Investments

The Company follows the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company s debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries. Given the nature of lending to these types of businesses, the Company s investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged.

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

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

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

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

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

When originating a debt instrument, the Company generally receives warrants or other equity-related securities from the borrower. The Company determines the cost basis of the warrants or other equity-related securities received based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt investment 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.

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Equity-Related Securities and Warrants

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

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

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, 2014 (unaudited) and as of December 31, 2013. The Company transfers investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the nine months ended September 30, 2014, there were no transfers between Levels 1 or 2.

(in thousands) **Description**	**Balance September 30, 2014**	**Quoted Prices In Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Senior secured debt	$ 907,923	$	$	$ 907,923
Preferred stock	50,476			50,476
Common stock	18,113	16,848		1,265
Warrants	22,401		4,638	17,763
	$ 998,913	$ 16,848	$ 4,638	$ 977,427

(in thousands) **Description**	**Balance December 31, 2013**	**Quoted Prices In Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Senior secured debt	$ 821,988	$	$	$ 821,988
Preferred stock	35,554			35,554
Common stock	17,116	15,009		2,107
Warrants	35,637		6,930	28,707
	$ 910,295	$ 15,009	$ 6,930	$ 888,356

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The table below presents 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, 2014 (unaudited) and year ended December 31, 2013.

(in thousands)	Balance, January 1, 2014	Net Realized (Losses)(1)	Net Change in Unrealized Appreciation (Depreciation)(2)	Purchases	Sales	Repayments	Gross Transfers into Level 3(3)	Gross Transfers out of Level 3(3)	Balance, September 30, 2014
Senior Debt	$ 821,988	$	$ (7,799)	$ 412,757	$	$ (317,536)	$	$ (1,487)	$ 907,923
Preferred Stock	35,554	(250)	10,358	5,028	(503)		1,769	(1,480)	50,476
Common Stock	2,107	689	(342)		(1,189)				1,265
Warrants	28,707	517	(13,998)	6,168	(1,682)			(1,949)	17,763
	$ 888,356	$ 956	$ (11,781)	$ 423,953	$ (3,374)	$ (317,536)	$ 1,769	$ (4,916)	$ 977,427

(in thousands)	Balance, January 1, 2013	Net Realized Gains (Losses)(1)	Net Change in Unrealized Appreciation (Depreciation)(2)	Purchases	Sales	Repayments	Gross Transfers into Level 3(4)	Gross Transfers out of Level 3(4)	Balance, December 31, 2013
Senior Debt	$ 827,540	$ (9,536)	$ (8,208)	$ 484,367	$ (8)	$ (469,780)	$ 769	$ (3,156)	$ 821,988
Preferred Stock	33,178	7,968	7,682	6,198	(18,572)		776	(1,676)	35,554
Common Stock	2,367		(1,103)	750			93		2,107
Warrants	22,140	5,257	6,173	6,524	(10,350)			(1,037)	28,707
	$ 885,225	$ 3,689	$ 4,544	$ 497,839	$ (28,930)	$ (469,780)	$ 1,638	$ (5,869)	$ 888,356

(1) Includes net realized gains (losses) recorded as realized gains or losses in the accompanying consolidated statements of operations.

(2) Included in change in net unrealized appreciation (depreciation) in the accompanying consolidated statements of operations.

(3) Transfers in/out of Level 3 during the nine months ended September 30, 2014 relate to the conversion of Paratek Pharmaceuticals, Inc., SCI Energy, Inc., Oraya Therapeutics, Inc., and Neuralstem, Inc. debt to equity, the exercise of warrants in Box, Inc. to equity, the conversion of warrants in Glori Energy, Inc. to equity in the company s reverse public merger and the initial public offerings of Concert Pharmaceuticals, Inc., Dicerna Pharmaceuticals, Inc., Everyday Health, Inc., Revance Therapeutics, Inc., and UniQure BV.

(4) Transfers in/out of Level 3 during the year ended December 31, 2013 relate to the conversion of Optiscan BioMedical, Inc., Gynesonics, Inc., Philotic, Inc., and Tethys BioScience, Inc. debt to equity, the conversion of OCZ Technology warrants to principal and the initial public offerings of Portola Pharmaceuticals, Inc., Acceleron Pharma, Inc., Bind, Inc., and ADMA Biologics, Inc.

For the nine months ended September 30, 2014, approximately $9.8 million in net unrealized appreciation and approximately $166,000 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 $6.3 million and $7.8 million in net unrealized depreciation was recorded for warrant and debt Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 2013, approximately $4.4 million and $4.1 million in net unrealized appreciation was recorded for preferred stock and warrant Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately $8.2 million and $1.1 million in net unrealized depreciation was recorded for debt and common stock Level 3 investments, respectively, relating to assets still held at the reporting date.

As required by the 1940 Act, the Company classifies its investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that the Company is deemed to control . Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of the Company, as defined in the 1940 Act, which are not control investments. The Company is deemed to be an affiliate of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

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The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on affiliate investments for the three and nine months ended September 30, 2014 and 2013 (unaudited). The Company did not hold any Control investments at either September 30, 2014 or 2013.

(in thousands)			Three Months Ended September 30, 2014				Nine Months Ended September 30, 2014			
Portfolio Company	**Type**	**Fair Value at September 30, 2014**	**Investment Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**	**Investment Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**
Gelesis, Inc.	Affiliate	$ 316	$	$ (36)	$	$	$	$ (156)	$	$
Optiscan BioMedical, Corp.	Affiliate	6,029		(23)				(67)		
Stion Corporation	Affiliate	2,500	138	606			1,777	(2,634)		
		$ 8,845	$ 138	$ 547	$	$	$ 1,777	$ (2,857)	$	$

(in thousands)			Three Months Ended September 30, 2013				Nine Months Ended September 30, 2013			
Portfolio Company	**Type**	**Fair Value at September 30, 2013**	**Investment Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**	**Investment Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**
Gelesis, Inc.	Affiliate	$ 523	$	$ (487)	$	$	$	$ (1,143)	$	$
Optiscan BioMedical, Corp.	Affiliate	12,374	566	(505)			1,693	(325)		
		$ 12,897	$ 566	$ (992)	$	$	$ 1,693	$ (1,468)	$	$

During the year ended December 31, 2013, Stion Corporation became classified as an affiliate.

A summary of the composition of the Company s investment portfolio as of September 30, 2014 (unaudited) and December 31, 2013 at fair value is shown as follows:

	September 30, 2014		December 31, 2013	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Senior secured debt with warrants	$ 648,298	64.9%	$ 634,820	69.7%
Senior secured debt	282,026	28.2%	222,805	24.5%
Preferred stock	50,476	5.1%	35,554	3.9%
Common Stock	18,113	1.8%	17,116	1.9%
	$ 998,913	100.0%	$ 910,295	100.0%

The increase in senior secured debt is consistent with the overall increase in the investment portfolio at September 30, 2014 from December 31, 2013. The decrease in senior secured debt with warrants is primarily due to exercises of the Company s outstanding warrants to equity in four portfolio companies, with a cumulative fair value of approximately $65.0 million, during the nine-months ended September 30, 2014. As a result, the existing debt investments that were included in senior secured debt with warrants at December 31, 2013 are included in senior secured debt at September 30, 2014.

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A summary of the Company s investment portfolio, at value, by geographic location as of September 30, 2014 (unaudited) and December 31, 2013 is shown as follows:

	September 30, 2014		December 31, 2013	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	$ 943,918	94.5%	$ 864,003	94.9%
Canada	25,336	2.5%	25,798	2.8%
Netherlands	19,905	2.0%	10,131	1.1%
Israel	9,754	1.0%	9,863	1.1%
England			500	0.1%
	$ 998,913	100.0%	$ 910,295	100.0%

The following table shows the fair value of the Company s portfolio by industry sector at September 30, 2014 (unaudited) and December 31, 2013:

	September 30, 2014		December 31, 2013	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	$ 232,214	23.2%	$ 219,169	24.1%
Medical Devices & Equipment	139,154	13.9%	103,614	11.4%
Software	112,503	11.3%	65,218	7.2%
Internet Consumer & Business Services	106,128	10.6%	122,073	13.4%
Energy Technology	98,555	9.9%	164,466	18.1%
Drug Delivery	83,247	8.3%	62,022	6.8%
Specialty Pharmaceuticals	73,127	7.3%	20,055	2.2%
Communications & Networking	56,292	5.6%	35,979	4.0%
Media/Content/Info	29,361	2.9%	8,679	1.0%
Consumer & Business Products	25,309	2.5%	2,995	0.3%
Information Services	14,917	1.5%	46,565	5.1%
Surgical Devices	9,822	1.0%	10,307	1.0%
Healthcare Services, Other	7,666	0.8%	4,685	0.5%
Semiconductors	5,354	0.6%	29,080	3.2%
Biotechnology Tools	3,894	0.4%	5,275	0.6%
Diagnostic	775	0.1%	902	0.1%
Electronics & Computer Hardware	595	0.1%	9,211	1.0%
	$ 998,913	100.0%	$ 910,295	100.0%

During the three and nine months ended September 30, 2014, the Company funded investments in debt securities totaling approximately $125.1 million and $408.3 million, respectively. During the three and nine months ended September 30, 2014, the Company funded equity investments totaling approximately $3.5 million and $5.1 million, respectively. During the three months ended September 30, 2014 the Company converted approximately $250,000 of debt to equity in one portfolio company and during the nine months ended September 30, 2014 the Company converted approximately $1.5 million of debt to equity in four portfolio companies.

During the three and nine months ended September 30, 2013, the Company funded investments in debt securities totaling approximately $67.5 million and $405.4 million, respectively. During the three and nine months ended September 30, 2013, the Company funded equity investments totaling approximately $1.5 million and $3.5 million, respectively. The Company did not convert any debt to equity in the three months ended September 30, 2013 and converted approximately $836,000 of debt to equity in three portfolio companies in the nine months ended September 30, 2013. The Company converted approximately $803,000 of warrants to debt in both the three and nine months ended

September 30, 2013.

No single portfolio investment represents more than 10% of the fair value of the investments as of September 30, 2014 and December 31, 2013.

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During the three and nine months ended September 30, 2014, the Company recognized net realized gains of approximately $5.7 million (or $0.09 per share) and $13.0 million (or $0.21 per share) on the portfolio, respectively. During the three months ended September 30, 2014, the Company recorded gross realized gains of approximately $5.9 million primarily from the sale of investments in two portfolio companies, including Acceleron Pharma ($3.1 million) and IPA Holdings ($1.5 million). These gains were partially offset by gross realized losses of approximately $218,000 from the liquidation of the Company s investments in two portfolio companies. During the nine months ended September 30, 2014, the Company recorded gross realized gains of approximately $13.8 million primarily from the sale of investments in six portfolio companies, including Acceleron Pharma ($4.0 million), Neuralstem ($1.7 million), IPA Holdings ($1.5 million), Cell Therapeutics ($1.3 million), Trulia ($1.0 million), and Portola Pharmaceuticals ($700,000). These gains were partially offset by gross realized losses of approximately $748,000 from the liquidation of the Company s investments in eight portfolio companies.

During the three and nine months ended September 30, 2013, the Company recognized net realized gains of approximately $7.1 million and $11.3 million on the portfolio, respectively. During the three months ended September 30, 2013, the Company recorded gross realized gains of approximately $7.8 million primarily from the sale of investments in three portfolio companies, including iWatt, Inc. ($4.7 million), AcelRx, Inc. ($1.1 million) and Facebook, Inc. ($728,000). These gains were partially offset by gross realized losses of $460,000 from the liquidation of the Company s investments in six portfolio companies. During the nine months ended September 30, 2013, the Company recorded gross realized gains of approximately $17.5 million primarily from the sale of investments in eight portfolio companies. These gains were partially offset by approximately $6.2 million in gross realized losses from the liquidation of the Company s investments in nineteen portfolio companies.

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. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. The Company had approximately $3.9 million and $4.0 million of unamortized fees at September 30, 2014 and December 31, 2013, respectively, and approximately $21.4 million and $14.4 million in exit fees receivable at September 30, 2014 and December 31, 2013, respectively.

The Company has debt investments in its portfolio that contain a payment-in-kind (PIK) provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company s status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. The Company recorded approximately $851,000 and $889,000 in PIK income during the three months ended September 30, 2014 and 2013, respectively. The Company recorded approximately $2.6 million and $2.7 million in PIK income during the nine months ended September 30, 2014 and 2013, respectively.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three and nine months ended September 30, 2014 and 2013.

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company s assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company s intellectual property. At September 30, 2014, approximately 59.4% of the Company s portfolio company debt investments were secured by a first priority security in all of the assets of the portfolio company, including their intellectual property, and 40.6% of the debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property. At September 30, 2014 the Company had no equipment only liens on any of our portfolio companies.

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3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes, 2019 Notes payable (the April 2019 Notes and the September 2019 Notes , together the 2019 Notes), the 2024 Notes, the Asset-Backed Notes and the SBA debentures as sources of liquidity remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. At September 30, 2014, the April 2019 Notes were trading on the New York Stock Exchange for $1.020 per dollar at par value, the September 2019 Notes were trading on the New York Stock Exchange for $1.015 per dollar at par value and the 2024 Notes were trading on the New York Stock Exchange for $0.988 per dollar at par value. Based on market quotations on September 30, 2014, the Convertible Senior Notes were trading for $1.258 per dollar at par value and the Asset-Backed Notes were trading for $1.003 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately $195.8 million, compared to the carrying amount of $190.2 million as of September 30, 2014.

See the accompanying Consolidated Schedule of Investments for the fair value of the Company s investments. The methodology for the determination of the fair value of the Company s investments is discussed in Note 2.

The liabilities of the Company below are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following table provides additional information about the level in the fair value hierarchy of the Company s liabilities at September 30, 2014 (unaudited) and December 31, 2013:

(in thousands) **Description**	**September 30, 2014**	**Identical Assets (Level 1)**	**Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Convertible Senior Notes	$ 51,461	$	$ 51,461	$
Asset Backed Notes	$ 28,021	$	$	$ 28,021
April 2019 Notes	$ 86,180	$	$ 86,180	$
September 2019 Notes	$ 87,145	$	$ 87,145	$
2024 Notes	$ 101,805	$	$ 101,805	$
SBA Debentures	$ 195,841	$	$	$ 195,841

(in thousands) **Description**	**December 31, 2013**	**Identical Assets (Level 1)**	**Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Convertible Senior Notes	$ 105,206	$	$ 105,206	$
Asset Backed Notes	$ 89,893	$	$	$ 89,893
April 2019 Notes	$ 86,281	$	$ 86,281	$
September 2019 Notes	$ 87,248	$	$ 87,248	$
SBA Debentures	$ 222,742	$	$	$ 222,742

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4. Borrowings Long Term

Outstanding Borrowings

At September 30, 2014 (unaudited) and December 31, 2013, the Company had the following available borrowings and outstanding borrowings:

	September 30, 2014		December 31, 2013	
(in thousands)	**Total Available**	**Carrying Value(1)**	**Total Available**	**Carrying Value(1)**
SBA Debentures(2)	$ 190,200	$ 190,200	$ 225,000	$ 225,000
2019 Notes	170,364	170,364	170,364	170,364
2024 Notes	103,000	103,000		
Asset-Backed Notes	27,951	27,951	89,557	89,557
Convertible Senior Notes(3)	40,923	40,012	75,000	72,519
Wells Facility	75,000		75,000	
Union Bank Facility	75,000		30,000	
	$ 682,438	$ 531,527	$ 664,921	$ 557,440

(1) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding.
(2) In March 2014, the Company repaid $34.8 million of SBA debentures under HT II, priced at approximately 6.38%, including annual fees. At September 30, 2014, the total available borrowings under the SBA debentures were $190.2 million, of which $41.2 million was available in HT II and $149.0 million was available in HT III. At December 31, 2013, the total available borrowings under the SBA debentures were $225.0 million, of which $76.0 million was available in HT II and $149.0 million was available in HT III.
(3) During the three months ended September 30, 2014, holders of approximately $34.1 million of the Company s Convertible Senior Notes exercised their conversion rights. The balance at September 30, 2014 represents the remaining aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was approximately $911,000 at September 30, 2014 and $2.5 million at December 31, 2013.

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 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 $38.0 million in HT II as of September 30, 2014, 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 available at September 30, 2014. As of September 30, 2014, 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, 2014 the Company held investments in HT II in 42 companies with a fair value of approximately $110.9 million, accounting for approximately 11.1% of the Company s total portfolio at September 30, 2014.

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, 2014, 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, 2014. As of September 30, 2014, HT III has paid commitment fees and facility fees of approximately $1.5 million and $3.6 million, respectively. As of September 30, 2014, the Company held investments in HT III in 42 companies with a fair value of approximately $255.5 million accounting for approximately 25.6% of the Company s total portfolio at September 30, 2014.

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

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$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 its 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, 2014 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%. 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 average amount of debentures outstanding for the three months ended September 30, 2014 for HT II was approximately $41.2 million with an average interest rate of approximately 4.56%. The average amount of debentures outstanding for the three months ended September 30, 2014 for HT III was approximately $149.0 million with an average interest rate of approximately 3.46%. The average amount of debentures outstanding for the nine months ended September 30, 2014 for HT II was approximately $48.6 million with an average interest rate of approximately 4.80%. The average amount of debentures outstanding for the nine months ended September 30, 2014 for HT III was approximately $149.0 million with an average interest rate of approximately 3.42%.

As of September 30, 2014, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. In aggregate, at September 30, 2014, with the Company s net investment of $112.5 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. In March 2014, the Company repaid $34.8 million of SBA debentures under HT II, priced at approximately 6.38%, including annual fees. At September 30, 2014, the Company has issued $190.2 million in SBA-guaranteed debentures in the Company s SBIC subsidiaries.

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The Company reported the following SBA debentures outstanding as of September 30, 2014 (unaudited) and December 31, 2013:

(in thousands) Issuance/Pooling Date	Maturity Date	Interest Rate[1]	September 30, 2014	December 31, 2013
SBA Debentures:				
March 26, 2008	March 1, 2018	6.38%	$	$ 34,800
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**	**$ 225,000**

(1) Interest rate includes annual charge

2019 Notes

On March 6, 2012, the Company and U.S. Bank National Association (the Trustee) entered into an indenture (the Base Indenture). On April 17, 2012, the Company and the 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% senior notes due 2019 (the April 2019 Notes). The sale of the April 2019 Notes generated net proceeds, before expenses, of approximately $41.7 million.

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

On September 24, 2012, the Company and the 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% senior notes due 2019 (the September 2019 Notes and, together with the April 2019 Notes, the 2019 Notes). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately $72.75 million.

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

As of September 30, 2014 (unaudited) and December 31, 2013, the 2019 Notes payable is comprised of:

(in thousands)	September 30, 2014	December 31, 2013
April 2019 Notes	$ 84,490	$ 84,490
September 2019 Notes	85,874	85,874
Carrying Value of 2019 Notes	$ 170,364	$ 170,364

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April 2019 Notes

The April 2019 Notes will mature on April 30, 2019 and may be redeemed in whole or in part at the Company s option at any time or from time to time on or after April 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The April 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2012, and trade on the New York Stock Exchange 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, including without limitation, the $40.9 million in aggregate principal amount of the Convertible Senior Notes; (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, including without limitation, borrowings under the Company s Credit Facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company s subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under the Company s revolving senior secured credit facility with Wells Fargo Capital Finance, LLC.

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) 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) 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 Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. 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 Trustee or the holders of 25% in aggregate principal amount of the outstanding April 2019 Notes in a series may declare such April 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

September 2019 Notes

The September 2019 Notes will mature on September 30, 2019 and may be redeemed in whole or in part at the Company s option at any time or from time to time on or after September 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The September 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on March 30, June 30, September 30 and December 30 of each year, commencing on December 30, 2012, and trade on the New York Stock Exchange 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, including without limitation, the

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$40.9 million in aggregate principal amount of the Convertible Senior Notes; (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, including without limitation, borrowings under the Company s credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company s subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under the Company s revolving senior secured credit facility with Wells Fargo Capital Finance.

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) 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) 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 Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. 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 Trustee or the holders of 25% in aggregate principal amount of the outstanding September 2019 Notes in a series may declare such September 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

For the three and nine months ended September 30, 2014 and 2013 (unaudited), 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Stated interest expense	$ 2,981	$ 2,981	$ 8,944	$ 8,944
Amortization of debt issuance cost	243	243	$ 725	725
Total interest expense and fees	$ 3,224	$ 3,224	$ 9,669	$ 9,669
Cash paid for interest expense and fees	$ 2,981	$ 2,981	$ 8,944	$ 8,944

As of September 30, 2014, 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 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and the Trustee, dated July 14, 2014, relating to the Company s issuance, offer and sale of $100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional $3.0 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated net proceeds of approximately $99.9 million.

The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at the Company s option at any time or from time to time on or after July 30, 2017, upon not less than 30 days nor more than

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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 New York Stock Exchange under the trading symbol HTGX.

The 2024 Notes will be the Company s direct unsecured obligations and will rank: (i) *pari passu* with the Company s other outstanding and future senior unsecured indebtedness, including without limitation, the approximately $84.5 million 7.00% Senior Notes due April 30, 2019 (the April 2019 Notes); the approximately $85.9 million 7.00% Senior Notes due September 30, 2019 (the September 2019 Notes and together with the April 2019 Notes, the 2019 Notes), the $40.9 million 6.00% Convertible Senior Notes due 2016 (the Convertible Senior Notes) and the approximately $28.0 million fixed-rate asset-backed notes (the Asset-Backed Notes); (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, including without limitation, borrowings under the Company s credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company s subsidiaries, including without limitation, the indebtedness of HT II and HT III and any borrowings under the Company s revolving senior secured credit facility with Wells Fargo Capital Finance.

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) 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) 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 Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. The Base Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding 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, 2014, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At September 30, 2014, the 2024 Notes had an outstanding principal balance of $103.0 million.

For the three and nine months ended September 30, 2014 (unaudited), the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Stated interest expense	$ 1,068	$	$ 1,068	$
Amortization of debt issuance cost	69		$ 69	
Total interest expense and fees	$ 1,137	$	$ 1,137	$
Cash paid for interest expense and fees	$ 278	$	$ 278	$

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Asset-Backed Notes

On December 19, 2012, the Company completed a $230.7 million term debt securitization in connection with which an affiliate of the Company s made an offer of $129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the Asset-Backed Notes), which Asset-Backed Notes were rated A2(sf) by Moody s Investors Service, Inc. The Asset-Backed Notes were issued by Hercules Capital Funding Trust 2012-1 pursuant to a note purchase agreement, dated as of December 12, 2012, by and among the Company, Hercules Capital Funding 2012-1 LLC, as Trust Depositor (the Trust Depositor), Hercules Capital Funding Trust 2012-1, as Issuer (the 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. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.32% per annum. The Asset-Backed Notes have a stated maturity of December 16, 2017.

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

In connection with the issuance and sale of the Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The Asset-Backed Notes are secured obligations of the Issuer and are non-recourse to the Company. The Issuer also entered into an indenture governing the Asset-Backed Notes, which includes customary representations, warranties and covenants. The Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended (the Securities Act), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers for purposes of Section 3(c)(7) under the 1940 Act. In addition, the Trust Depositor entered into an amended and restated trust agreement, which includes customary representation, warranties and covenants.

The 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 Loans. The Company is entitled to receive a monthly fee from the Issuer for servicing the 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 December 5, 2012 through and including January 15, 2013 over 360) of 2.00% and the aggregate outstanding principal balance of the Loans, excluding all defaulted Loans and all purchased Loans, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including December 5, 2012, to the close of business on January 4, 2013).

The Company also serves as administrator to the Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At September 30, 2014 and December 31, 2013, the Asset Backed Notes had an outstanding principal balance of $28.0 million and $89.6 million, respectively.

Under the terms of the 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 Asset-Backed Notes. The Company has segregated these funds and classified them as Restricted Cash. There was approximately $2.1 million and $6.3 million of Restricted Cash as of September 30, 2014 and December 31, 2013, respectively, funded through interest collections.

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Convertible Senior Notes

In April 2011, the Company issued $75.0 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes) due 2016. During the three months ended September 30, 2014, holders of approximately $34.1 million of the Company s Convertible Senior Notes exercised their conversion rights. As of September 30, 2014, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately $40.0 million.

The Convertible Senior Notes mature on April 15, 2016 (the Maturity Date), unless previously converted or repurchased in accordance with their terms. The Convertible Senior Notes bear interest at a rate of 6.00% per year payable semiannually in arrears on April 15 and October 15 of each year, commencing on October 15, 2011. The Convertible Senior Notes are the Company s senior unsecured obligations and rank senior in right of payment to the Company s existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes; equal in right of payment to the Company s existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company s secured indebtedness (including unsecured indebtedness that the Company later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company s subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding October 15, 2015, holders may convert their Convertible Senior Notes only under certain circumstances set forth in the indenture. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the Maturity Date, holders may convert their Convertible Senior Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at the Company s election, cash, shares of the Company s common stock or a combination of cash and shares of the Company s common stock. The conversion rate will initially be 84.0972 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately $11.89 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the Maturity Date, the conversion rate will be increased for converting holders. As of September 30, 2014, the conversion rate was 87.5583 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately $11.42 per share of common stock).

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

The Convertible Senior Notes are accounted for in accordance with ASC 470-20 (previously FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)). In accounting for the Convertible Senior Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the consolidated statement of assets and liabilities. As a result, the Company 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%.

Upon meeting the stock trading price conversion requirement as set forth in the Indenture, dated April 15, 2011, between the Company and U.S. Bank National Association, during the three months ended June 30, 2014,

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the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible through September 30, 2014. As of September 30, 2014, approximately $34.1 million of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 924,000 shares of the Company s common stock. Upon meeting the stock trading price conversion requirement during the three months ended September 30, 2014, the Convertible Senior Notes continue to be convertible through December 30, 2014. See Subsequent Events.

The Company recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt the Company recorded for the three and nine months ended September 30, 2014 was approximately $1.0 million and was classified as a component of net investment income in the Company s Consolidated Statements of Operations.

As of September 30, 2014 (unaudited) and December 31, 2013, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	September 30, 2014	December 31, 2013
Principal amount of debt	$ 40,923	$ 75,000
Original issue discount, net of accretion	(911)	(2,481)
Carrying value of Convertible Senior Notes	$ 40,012	$ 72,519

For the three and nine months ended September 30, 2014 and 2013 (unaudited), the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2014	2013	2014	2013
Stated interest expense	$ 184	$ 1,125	$ 2,434	$ 3,375
Accretion of original issue discount	197	271	738	812
Amortization of debt issuance cost	105	144	394	433
Total interest expense	$ 486	$ 1,540	$ 3,566	$ 4,620
Cash paid for interest expense	$	$	$ 2,250	$ 2,250

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, 2014 and 2013. Interest expense decreased by approximately $950,000 during both the three and nine months ended September 30, 2014 from the comparative periods in 2013, due to Convertible Senior Notes settled prior to the interest payment date. As of September 30, 2014, the Company is in compliance with the terms of the indentures governing the Convertible Senior Notes.

Wells Facility

In August 2008, the Company entered into a $50.0 million two-year revolving senior secured credit facility with Wells Fargo Capital Finance (the Wells Facility). On June 20, 2011, the Company renewed the Wells Facility, and the Wells Facility was further amended on August 1, 2012, December 17, 2012 and August 8, 2014. Under this senior secured facility, Wells Fargo Capital Finance has made commitments of $75.0 million. The 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 Capital Finance and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the new facility; however, there can be no assurances that additional lenders will join the Wells Facility.

On August 1, 2012, the Company entered into an amendment to the Wells Facility that reduced the interest rate floor by 75 basis points to 4.25% and extended the maturity date by one year to August 2015. Additionally, the August 2012 amendment added an amortization period that commences on the day immediately following the end of the revolving credit availability period and ends one year thereafter on the maturity date. The August 2012 amendment also reduced the unused line fee, as further discussed below. On August 8, 2014, the Company entered into a further amendment to the Wells Facility to set the interest rate floor at 4.00% and to extend the revolving credit availability period to August 2017.

As amended, borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 4.00% and an advance rate of 50% against eligible debt investments. The Wells Facility is secured by debt investments in the borrowing base. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% of the average monthly outstanding balance. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.50%. For the three and nine months ended September 30, 2014 and 2013, this non-use fee was approximately $96,000 and $284,000, respectively. On June 20, 2011 the Company paid an additional $1.1 million in structuring fees in connection with the Wells Facility which are being amortized through the end of the term of the Wells Facility. In connection with the August 2014 amendments, the Company paid an additional $750,000 in structuring fees in connection with the Wells Facility which are being amortized through the end of the term of the Wells Facility.

The Wells Facility includes various financial and operating covenants applicable to the Company and the Company s subsidiaries, in addition to those applicable to Hercules Funding II, LLC. As amended, these covenants require the Company to maintain certain financial ratios 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. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The Company was in compliance with all covenants at September 30, 2014. At September 30, 2014 there were no borrowings outstanding on this facility.

Union Bank Facility

The Company has a $75.0 million revolving senior secured credit facility (the Union Bank Facility) with Union Bank (Union Bank). The Company originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to $75.0 million from $30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. LIBOR-based borrowings by the Company under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously the Company paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings by the Company under the Union Bank Facility, which are based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. The Company continues to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that the Company may incur.

Union Bank has made commitments to lend up to $75.0 million in aggregate principal amount. The Union Bank Facility contains an accordion feature, pursuant to which the Company may increase the size of the Union Bank Facility to an aggregate principal amount of $300.0 million by bringing in additional lenders, subject to the approval of Union Bank and other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings.

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three and nine months ended September 30, 2014, this non-use fee was approximately $50,000 and $100,000, respectively. For the three and nine months ended September 30, 2013, this non-use fee was approximately $38,000 and $114,000, respectively. The amount that the Company may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

The Union Bank Facility is collateralized by debt investments in the Company s portfolio companies, and includes an advance rate equal to 50.0% of eligible debt investments placed in the collateral pool.

The Company has various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that the Company maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. The Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The Company was in compliance with all covenants at September 30, 2014.

At September 30, 2014 there were no borrowings outstanding on this facility.

Citibank Credit Facility

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the Citibank Credit Facility) with Citigroup Global Markets Realty Corp. which expired under normal terms. During the first quarter of 2009, the Company paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of debt investments and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached.

During the nine months ended September 30, 2014, the Company reduced the Company s realized gain by approximately $270,000 for Citigroup s participation in the gain on sale of equity securities which were obtained from exercising a portfolio company warrant which was included in the collateral pool. The Company recorded a decrease on participation liability and an increase on unrealized appreciation by a net amount of approximately $146,000 as a result of year to date depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately $224,000 as of September 30, 2014 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 $1.9 million under the warrant participation agreement thereby reducing the Company s realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between February 2016 and March 2017.

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5. Income taxes

The Company has elected to be taxed as a RIC under Subchapter M of the Code and intends to continue to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed to stockholders.

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its investment company taxable income, as defined by the Code. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company s earnings fall below the amount of dividends declared, however, a portion of the total amount of the Company s dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company s stockholders.

Taxable income includes the Company s taxable interest, dividend and fee income, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized.

Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual payment-in-kind interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest arrangements or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation and amortization expense.

During the three months ended September 30, 2014, the Company declared a distribution of $0.31 per share. The determination of the tax attributes of the Company s distributions is made annually as of the end of the Company s fiscal year based upon its taxable income for the full year and distributions paid for the full year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company s distributions for a full year. If the Company had determined the tax attributes of our distributions year-to-date as of September 30, 2014, approximately 100% would be from ordinary income and spillover earnings from 2013. However there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2014 distributions to shareholders will actually be.

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

Taxable income for the nine months ended September 30, 2014 was approximately $44.0 million or $0.71 per share. Taxable net realized gains for the same period were $18.7 million or approximately $0.30 per share. Taxable income for the nine months ended September 30, 2013 was approximately $51.3 million or $0.87 per share. Taxable net realized gains for the same period were $16.7 million or approximately $0.28 per share.

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The Company intends to distribute approximately $3.8 million of spillover earnings from the year ended December 31, 2013 to our shareholders in 2014.

6. Shareholders Equity

On August 16, 2013, the Company entered into an At-The-Market (ATM) equity distribution agreement with JMP Securities LLC (JMP). The equity distribution agreement provides that the Company may offer and sell up to 8.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of the Company s common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the nine months ended September 30, 2014, the Company sold 650,000 shares of common stock for total accumulated net proceeds of approximately $9.5 million, all of which is accretive to net asset value. The Company expects to use the net proceeds from the offering to make investments, to repurchase or pay liabilities and for general corporate purposes. As of September 30, 2014, approximately 7.35 million shares remained available for issuance and sale under the equity distribution agreement.

The Company has issued stock options for common stock subject to future issuance, of which 686,988 and 833,923 were outstanding at September 30, 2014 and December 31, 2013, respectively.

7. Equity Incentive Plan

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7.0 million shares of common stock. On June 1, 2011, stockholders approved an amended and restated plan and provided an increase of 1.0 million shares, authorizing the Company to issue 8.0 million shares of common stock under the 2004 Plan.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan and, together with the 2004 Plan, the Plans) for purposes of attracting and retaining the services of its Board of Directors. Under the 2006 Plan, the Company is authorized to issue 1.0 million shares of common stock. The Company filed an exemptive relief request with the Securities and Exchange Commission (SEC) to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

On June 21, 2007, the stockholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that may be issued under both Plans to 10% of the outstanding shares of the Company s stock on the effective date of the Plans plus 10% of the number of shares of stock issued or delivered by the Company during the terms of the Plans. The amendments further specify that no one person shall be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Plan. Further, the amount of voting securities that would result from the exercise of all of the Company s outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of its outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of the Company s outstanding warrants, options and rights issued to the Company s directors, officers and employees, together with any restricted stock issued pursuant to the Plans, would exceed 15% of the Company s outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of our outstanding voting securities.

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The following table summarizes the common stock options activities for the nine months ended September 30, 2014 and 2013 (unaudited):

	Nine Months Ended September 30, 2014		2013	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at December 31,	833,923	$ 12.53	2,574,749	$ 12.00
Granted	245,000	$ 16.06	325,000	$ 14.16
Exercised	(248,206)	$ 10.97	(1,321,941)	$ 12.17
Forfeited	(143,729)	$ 15.12	(115,338)	$ 10.38
Expired		$	(65,000)	$ 13.30
Outstanding at September 30,	686,988	$ 13.80	1,397,470	$ 12.41
Shares Expected to Vest at September 30,	487,686	$ 13.80	499,959	$ 12.41

The following table summarizes common stock options outstanding and exercisable at September 30, 2014 (unaudited):

(Dollars in thousands, except exercise price)	Options outstanding				Options exercisable			
Range of exercise prices	Number of shares	Weighted average remaining contractual life	Aggregate intrinsic value	Weighted average exercise price	Number of shares	Weighted average remaining contractual life	Aggregate intrinsic value	Weighted average exercise price
$9.25 - $14.86	385,488	4.91	$ 888,601	$ 12.27	199,302	4.12	$ 676,613	$ 11.14
$15.31 - $16.34	301,500	6.80		$ 15.77				$
$9.25 - $16.34	686,988	5.74	$ 888,601	$ 13.80	199,302	4.12	$ 676,613	$ 11.14

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months.

All options may be exercised for a period ending seven years after the date of grant. At September 30, 2014, options for 199,302 shares were exercisable at a weighted average exercise price of approximately $11.14 per share with weighted average of remaining contractual term of 4.12 years.

The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the nine months ended September 30, 2014 and 2013 was approximately $126,000 and $779,000. During the nine months ended September 30, 2014 and 2013, approximately $313,000 and $266,000 of share-based cost due to stock option grants was expensed, respectively. As of September 30, 2014, there was approximately $710,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.0 years.

The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30,

	2014	2013
Expected Volatility	19.90%	46.90%
Expected Dividends	10%	10%
Expected term (in years)	4.5	4.5
Risk-free rate	1.24% - 1.66%	0.56% - 1.63%

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During the nine months ended September 30, 2014 and 2013 the Company granted 989,883 shares and 607,001 shares, respectively, of restricted stock pursuant to the Plans. The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the nine months ended September 30, 2014 and 2013 was approximately $13.7 million and $7.7 million, respectively. During the nine months ended September 30, 2014 and 2013, the Company expensed approximately $6.6 million and $4.1 million of compensation expense related to restricted stock, respectively. As of September 30, 2014, there was approximately $15.2 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average period of 1.6 years.

The following table summarizes the activities for our unvested restricted stock for the nine months ended September 30, 2014 and 2013 (unaudited):

	Nine Months Ended September 30, 2014		2013	
	Restricted Stock Units	Weighted Average Exercise Price	Restricted Stock Units	Weighted Average Exercise Price
Unvested at December 31,	1,035,897	$ 11.94	899,789	$ 10.73
Granted	989,883	$ 13.82	607,001	$ 12.72
Vested	(478,161)	$ 12.04	(364,844)	$ 10.56
Forfeited	(144,277)	$ 12.76	(10,739)	$ 11.37
Unvested at September 30,	1,403,342	$ 13.14	1,131,207	$ 11.85

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company s common stock to pay for the exercise price and applicable taxes with respect to an option exercise (net issuance exercise). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of Hercules stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make, and does not preclude the participant from electing to make, a cash payment at the time of option exercise or to pay taxes on restricted stock.

8. Earnings Per Share

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

(in thousands, except per share data)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Numerator				
Net increase in net assets resulting from operations	$ 15,177	$ 36,981	$ 50,553	$ 74,549
Less: Dividends declared-common and restricted shares	(19,927)	(17,277)	(58,482)	(47,292)
Undistributed earnings	(4,750)	19,704	(7,929)	27,257
Undistributed earnings-common shares	(4,750)	19,704	(7,929)	27,257
Add: Dividend declared-common shares	19,469	16,949	57,298	46,292
Numerator for basic and diluted change in net assets per common share	14,719	36,653	49,369	73,549
Denominator				
Basic weighted average common shares outstanding	62,356	60,522	61,444	58,206
Common shares issuable	1,423	228	2,110	190

Weighted average common shares outstanding assuming dilution	63,779	60,750	63,554	58,396
Change in net assets per common share				
Basic	$ 0.24	$ 0.61	$ 0.80	$ 1.26
Diluted	$ 0.23	$ 0.59	$ 0.78	$ 1.23

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For the purpose of calculating diluted earnings per share for three and nine months ended September 30, 2014 and 2013, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation because the Company s share price was greater than the conversion price in effect ($11.42 as of September 30, 2014 and $11.69 as of September 30, 2013, respectively) for the Convertible Senior Notes for such period.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the three months ended September 30, 2014 and 2013, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company s common stock for the periods, was approximately 742,043 and 1,549,001, respectively. For the nine months ended September 30, 2014 and 2013, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company s common stock for the periods, was approximately 752,116 and 2,081,780 shares, respectively.

At September 30, 2014, the Company was authorized to issue 100,000,000 shares of common stock with a par value of $0.001. Each share of common stock entitles the holder to one vote.

9. Financial Highlights

Following is a schedule of financial highlights for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30,	
	2014	2013
Per share data[1]:		
Net asset value at beginning of period	$ 10.51	$ 9.75
Net investment income	0.91	0.93
Net realized gain on investments	0.21	0.19
Net unrealized appreciation (depreciation) on investments	(0.30)	0.15
Total from investment operations	0.82	1.27
Net increase (decrease) in net assets from capital share transactions	(0.27)	0.15
Distributions of net investment income	(0.95)	(0.82)
Stock-based compensation expense included in investment income[2]	0.11	0.07
Net asset value at end of period	$ 10.22	$ 10.42
Ratios and supplemental data:		
Per share market value at end of period	$ 14.46	$ 15.25
Total return[3]	-6.28%	47.94%
Shares outstanding at end of period	64,182	61,756
Weighted average number of common shares outstanding	61,444	58,206
Net assets at end of period	$ 645,198	$ 643,376
Ratio of operating expense to average net assets[4][5]	10.17%	11.84%
Ratio of net investment income before investment gains and losses to average net assets[4]	11.38%	12.27%
Average debt outstanding	$ 519,025	$ 585,070
Weighted average debt per common share	$ 8.44	$ 10.05

(1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period.
(2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
(3) The total return for the nine months ended September 30, 2014 and 2013 equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution. As such, the total return is not annualized.
(4) All ratios are calculated based on weighted average net assets for the relevant period and are annualized.
(5) Operating expense as used in the ratio of operating expense to average net assets does not include loss on debt extinguishment (long-term liabilities convertible senior notes). If loss on debt extinguishment (long-term liabilities convertible senior notes) were included in total expense, the ratio for

the nine months ended September 30, 2014 would be 10.38%. There was no loss on debt extinguishment (long-term liabilities convertible senior notes) in the nine months ended September 30, 2013 so the ratio for that period would not change.

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10. Commitments and Contingencies

The Company s commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company s portfolio companies. The balance of unfunded contractual commitments to extend credit at September 30, 2014 totaled approximately $242.5 million. Approximately $138.5 million of these unfunded contractual commitments as of September 30, 2014 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. In addition, the Company had approximately $223.0 million of non-binding term sheets outstanding at September 30, 2014. Non-binding outstanding term sheets are subject to completion of the Company s due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent the Company s future cash requirements.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately $397,000 and $1.2 million during the three and nine months ended September 30, 2014. There was approximately $296,000 and $900,000 recorded in the same periods ended September 30, 2013, respectively. Future commitments under the credit facility and operating leases were as follows at September 30, 2014:

		Payments due by period (in thousands)			
Contractual Obligations(1)(2)	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Borrowings(3) (4)	$ 531,527	$ 363	$ 67,600	$ 192,164	$ 271,400
Operating Lease Obligations(5)	6,666	1,586	3,038	1,576	466
	$ 538,193	$ 1,949	$ 70,638	$ 193,740	$ 271,866

(1) Excludes commitments to extend credit to our portfolio companies.
(2) The Company also has a warrant participation agreement with Citigroup. See Note 4 to the Company s consolidated financial statements.
(3) Includes $190.2 million in borrowings under the SBA debentures, $170.4 million of the 2019 Notes, $103.0 million of the 2024 Notes, $28.0 million in aggregate principal amount of the Asset-Backed Notes and $40.0 million of the Convertible Senior Notes.
(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes is $40.9 million less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was $0.9 million at September 30, 2014.
(5) Long-term facility leases.

The Company may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, the Company does not expect any current matters will materially affect the Company s financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on the Company s financial condition or results of operations in any future reporting period.

11. Recent Accounting Pronouncements

In June 2013, the FASB issued ASU 2013-08, Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements, which amends the criteria that define an investment company and clarifies the measurement guidance and requires new disclosures for investment companies. Under ASU 2013-08, an entity already regulated under the 1940 Act is automatically an investment company under the new GAAP definition, so the Company has concluded that there is no impact from adopting this standard on the Company s statement of assets and liabilities or results of operations. The Company has adopted this standard for its fiscal year ending December 31, 2014.

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12. Subsequent Events

Dividend Declaration

On October 29, 2014 the Board of Directors declared a cash dividend of $0.31 per share to be paid on November 24, 2014 to shareholders of record as of November 17, 2014. This dividend represents the Company s thirty-seventh consecutive dividend declaration since the Company s initial public offering, bringing the total cumulative dividend declared to date to $9.99 per share.

Convertible Senior Notes

In April 2011, the Company issued $75.0 million in aggregate principal amount of 6.00% convertible senior notes, or the Convertible Senior Notes, due 2016. As of September 30, 2014, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately $40.0 million.

The Convertible Senior Notes are convertible into shares of the Company s common stock beginning October 15, 2015, or, under certain circumstances, earlier. Upon conversion of the Convertible Notes, the Company has the choice to pay or deliver, as the case may be, at the Company s election, cash, shares of the Company s common stock or a combination of cash and shares of the Company s common stock. The current conversion price of the Convertible Senior Notes is approximately $11.42 per share of common stock, in each case subject to adjustment in certain circumstances. Upon meeting the stock trading price conversion requirement during the three months ended September 30, 2014, the Convertible Senior Notes continue to be convertible through December 31, 2014.

Subsequent to September 30, 2014 and as of November 3, 2014, approximately $23.1 million of the Convertible Senior Notes were converted. Of the $23.1 million, approximately $416,000 of the Convertible Senior Notes were converted and were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 7,500 shares of the Company s common stock in October 2014, and approximately $22.7 million of the Convertible Senior Notes converted and will be settled in November 2014. The Company expects to generate an expense of approximately $1.0 million in the fourth quarter of 2014 related to these conversions.

2021 Asset Backed Notes

On November 4, 2014, Hercules Capital Funding Trust 2014-1, a newly-formed wholly owned subsidiary of the Company, priced a $129.3 million of fixed-rate asset-backed notes (the 2021 Asset Backed Notes). The 2021 Asset Backed Notes are anticipated to be rated A(sf) on the Closing Date by Kroll Bond Rating Agency, Inc. (KBRA). The securitization is expected to close on November 13, 2014 and is subject to customary closing conditions.

The 2021 Asset Backed Notes will be issued by Hercules Capital Funding Trust 2014-1, LLC, as Trust Depositor, Hercules Capital Funding Trust 2014-1, as Issuer, and Guggenheim Securities, LLC, as Initial Purchaser. The 2021 Asset Backed Notes will be backed by a revolving pool of senior loans made to certain portfolio companies of the Company and secured by certain assets of those portfolio companies. The underlying loans will continue 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. The fixed interest rate on the 2021 Asset Backed Notes will be 3.524%. The 2021 Asset Backed Notes will have a stated maturity of April 16, 2021.

Portfolio Company Developments

As of September 30, 2014, the Company held warrants or equity positions in six companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, including

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Box, Inc., Dance Biopharm, Inc., Good Technology, Inc., Zosano, Inc. and two companies which filed confidentially under the JOBS Act. Subsequent to September 30, 2014, Dance Biopharm, Inc. withdrew their Form S-1 Registration Statement. In October 2014, the Company s portfolio company Neothetics, Inc. filed a Form S-1 Registration Statement and in November 2014, the Company s portfolio company Inotek Pharmaceuticals Corporation filed a Form S-1 Registration Statement. In addition, subsequent to September 30, 2014 the following current and former portfolio companies announced or completed M&A transactions or initial public offerings:

1. In October 2014, InterCloud Systems, Inc. completed its acquisition of the Company s portfolio company VaultLogix, LLC. The transaction consists of $16 million in cash, $12.75 million in restricted common stock, $11.5 million of which was valued at $16.50 per share, with the balance valued at market price, and $15.5 million in three year convertible seller notes, convertible at a fixed price of $6.37 per share.

2. In October 2014, AVG Technologies completed its acquisition of the Company s portfolio company Location Labs. Under the terms of the agreement, AVG will pay approximately $140 million initially, plus up to an additional approximately $80 million in cash consideration over the next two years based on the achievement of certain performance metrics and milestones.

3. In October 2014, Premiere Global Services, Inc. completed its acquisition of the Company s portfolio company Central Desktop, Inc. Financial terms were not disclosed.

4. In October 2014, Breg, Inc. and the Company s portfolio company United Orthopedic Group, Inc. announced that they had merged. United Orthopedic Group, Inc. will operate as a wholly-owned subsidiary of Breg, Inc. and financial terms were not disclosed.

5. In October 2014, the Company s portfolio company SiTime Corporation reached a definitive agreement to be acquired by MegaChips Corporation in a transaction valued at approximately $200.0 million, subject to customary closing conditions.

6. In October 2014, the Company s portfolio company Transcept Pharmaceuticals, Inc. completed its merger with Hercules portfolio company Paratek Pharmaceuticals, Inc. in an all-stock transaction. Immediately prior to the merger, Paratek received gross proceeds of $93.0 million from a combination of current and new investors.

7. In October 2014, the Company s former portfolio company Zayo Group Holdings, Inc. completed its initial public offering of 24,079,002 shares of its common stock, consisting of 16,008,679 shares sold by the portfolio company and 8,070,323 shares sold by the selling stockholders (including shares sold by the selling stockholders pursuant to the exercise in full of the underwriters option to purchase additional shares), at a price to the public of $19.00 per share.

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Schedule 12-14

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

(Unaudited)

As of and for the nine months ended September 30, 2014

(in thousands)

Portfolio Company	Investment[1]	Amount of Interest Credited to Income[2]	As of December 31, 2013 Fair Value	Gross Additions[3]	Gross Reductions [4]	As of September 30, 2014 Fair Value
Affiliate Investments						
Gelesis, Inc.	Preferred Stock		466		(152)	314
	Preferred Warrants		7		(5)	2
Optiscan BioMedical, Corp.	Preferred Stock		4,552	1,256		5,808
	Preferred Warrants		232		(11)	221
Stion Corporation	Senior Debt	1,777	4,096		(1,596)	2,500
	Preferred Warrants		1,628		(1,628)	
Total Control and Affliate Investments		$ 1,777	$ 10,981	$ 1,256	$ (3,392)	$ 8,845

(1) Stock and warrants are generally non-income producing and restricted. The principal amount for debt is shown in the Consolidated Schedule of Investments as of September 30, 2014.
(2) Represents the total amount of interest or dividends credited to income for the period an investment was an affiliate or control investment.
(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increase in unrealized appreciation or net decreases in unrealized depreciation.
(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increase in unrealized depreciation or net decreases in unrealized appreciation.

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$400,000,000

Common Stock

Preferred Stock

Warrants

Subscription Rights

Debt Securities

This prospectus relates to the offer, from time to time, in one or more offerings or series, up to $400,000,000 of shares of our common stock, par value $0.001 per share, preferred stock, par value $0.001 per share, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities, which we refer to, collectively, as the securities. The preferred stock, debt securities, subscription rights and warrants offered hereby may be convertible or exchangeable into shares of our common stock. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale, including auctions. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

Although we are not currently authorized to issue shares of our common stock at a price below our net asset value per share, we may seek stockholder approval of this proposal again at a special meeting of stockholders or our next annual meeting of stockholders. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of net asset value per share. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In the event we offer common stock, the offering price per share will not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the holders of the majority of our voting securities and approval of our board of directors, or (3) under such circumstances as the Securities and Exchange Commission may permit. See Risk Factors for more information.

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries at all stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms and also may finance certain publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We source our investments through our principal office located in Palo Alto, CA, as well as additional offices in Boston, MA, New York, NY and McLean, VA. Our goal is to be the leading structured debt financing provider of choice for venture capital-backed companies in technology-related markets requiring sophisticated and customized financing solutions. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We use the term structured debt with warrants to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by select or all of the assets of the portfolio company. We invest primarily in private companies and to a lesser extent public companies.

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

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol HTGC. On May 23, 2014, the last reported sale price of a share of our common stock on the NYSE, was $14.77. The net asset value per share of our common stock at March 31, 2014 (the last date prior to the date of this prospectus on which we determined net asset value) was $10.58.

An investment in our securities may be speculative and involves risks including a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See "Risk Factors" beginning on page 11 to read about risks that you should consider before investing in our securities, including the risk of leverage.

Please read this prospectus before investing and keep it for future reference. It contains important information about us that a prospective investor ought to know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. The information is available free of charge by contacting us at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 or by telephone calling collect at (650) 289-3060 or on our website at www.htgc.com. The SEC also maintains a website at www.sec.gov that contains such information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of any securities unless accompanied by a prospectus supplement.

The date of this prospectus is June 6, 2014

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You should rely only on the information contained in this prospectus. We have not authorized any dealer, salesperson or other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell, or a solicitation of an offer to buy, any securities by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information in this prospectus is accurate only as of its date, and under no circumstances should the delivery of this prospectus or the sale of any securities imply that the information in this prospectus is accurate as of any later date or that the affairs of Hercules Technology Growth Capital, Inc. have not changed since the date hereof. This prospectus will be updated to reflect material changes.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, we may offer, from time to time, up to $400,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities on the terms to be determined at the time of the offering. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Please carefully read this prospectus and any such supplements together with the additional information described under Where You Can Find Additional Information in the Summary and Risk Factors sections before you make an investment decision.

A prospectus supplement may also add to, update or change information contained in this prospectus.

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SUMMARY

This summary highlights some of the information in this prospectus and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus and the documents that are referenced in this prospectus, together with any accompanying supplements. In this prospectus, unless the context otherwise requires, the Company, Hercules Technology Growth Capital, we, us and our refer to Hercules Technology Growth Capital, Inc. and our wholly-owned subsidiaries and their affiliated securitization trusts.

Our Company

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries at all stages of development. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally-managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, or the 1940 Act.

As of March 31, 2014, our total assets were approximately $1.2 billion, of which our investments comprised $890.7 million at fair value and $887.6 million at cost. Since inception through March 31, 2014, we have made debt and equity commitments of approximately $4.2 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company, or SBIC, subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III. HT II and HT III hold approximately $143.7 million and $290.0 million in assets, respectively, and accounted for approximately 9.5% and 19.3% of our total assets, respectively, prior to consolidation at March 31, 2014. We have issued $225.0 million in SBA-guaranteed debentures in our SBIC subsidiaries, which is the maximum amount allowed for a group of SBICs under common control. See Regulation Small Business Administration Regulations in this prospectus for additional information regarding our SBIC subsidiaries.

Our portfolio is comprised of, and we anticipate that our portfolio will continue to be comprised of, investments in technology-related companies at various stages of development. Consistent with regulatory requirements, we invest primarily in United States based companies and, to a lesser extent, in foreign companies. See Regulation Qualifying Assets. As of March 31, 2014, our proprietary structured query language-based (SQL) database system included over 35,300 technology-related companies and approximately 8,900 venture capital, private equity sponsors/investors, as well as various other industry contacts. Our principal executive office is located in Palo Alto, CA, and we have additional offices in Boston, MA, New York, NY and McLean, VA.

Our goal is to be the leading structured debt financing provider of choice for venture capital backed companies in technology-related markets requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of companies in technology-related markets, including, technology, biotechnology, life science, and energy and renewables technology companies and to offer a full suite of growth capital products up and down the capital structure. We invest primarily in private companies and, to a lesser extent, public companies. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We use the term structured debt with warrants to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by select or all of the assets of the portfolio company.

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We focus our investments in companies active in technology industry sub-sectors characterized by products or services that require advanced technologies, including, but not limited to, computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, internet consumer and business services, telecommunications, telecommunications equipment, renewable or alternative energy, media and life science. Within the life science sub-sector, we generally focus on medical devices, bio-pharmaceutical, drug discovery, drug delivery, health care services and information systems companies. Within the energy technology sub-sector, we focus on sustainable and renewable energy technologies and energy efficiency and monitoring technologies. We refer to all of these companies as technology-related companies and intend, under normal circumstances, to invest at least 80% of the value of our total assets in such businesses.

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. 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 markets with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests. 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 markets is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

As of March 31, 2014, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 38 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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Our Market Opportunity

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

- Technology-related companies have generally been underserved by traditional lending sources;
- Unfulfilled demand exists for structured debt financing to technology-related companies as the number of lenders has declined due to the recent financial market turmoil; and
- Structured debt with warrants products are less dilutive and complement equity financing from venture capital and private equity funds.

Technology-Related Companies are Underserved by Traditional Lenders. We believe many viable technology-related companies backed by financial sponsors have been unable to obtain sufficient growth financing from traditional lenders, including financial services companies such as commercial banks and finance

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

The unique cash flow characteristics of many technology-related companies, which typically include significant research and development expenditures and high projected revenue growth thus often making such

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companies difficult to evaluate from a credit perspective. In addition, the balance sheets of these companies often include a disproportionately large amount of intellectual property assets, which can be difficult to value. Finally, the speed of innovation in technology and rapid shifts in consumer demand and market share add to the difficulty in evaluating technology-related companies.

Due to the difficulties described above, we believe traditional lenders are generally refraining from entering the structured debt financing marketplace, instead preferring the risk-reward profile of asset based lending. Traditional lenders generally do not have flexible product offerings that meet the needs of technology-related companies. The financing products offered by traditional lenders typically impose on borrowers many restrictive covenants and conditions, including limiting cash outflows and requiring a significant depository relationship to facilitate rapid liquidation.

Unfulfilled Demand for Structured Debt Financing to Technology-Related Companies. Private debt capital in the form of structured debt financing from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that the level of demand for structured debt financing is a function of the level of annual venture equity investment activity.

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

Structured Debt with Warrants Products Complement Equity Financing From Venture Capital and Private Equity Funds. We believe that technology-related companies and their financial sponsors will continue to view structured debt securities as an attractive source of capital because it augments the capital provided by venture capital and private equity funds. We believe that our structured debt with warrants product provides access to growth capital that otherwise may only be available through incremental investments by existing equity investors. As such, we provide portfolio companies and their financial sponsors with an opportunity to diversify their capital sources. Generally, we believe technology-related companies at all stages of development target a portion of their capital to be debt in an attempt to achieve a higher valuation through internal growth. In addition, because financial sponsor-backed companies have reached a more mature stage prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period prior to liquidity events.

Our Business Strategy

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

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

Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities. We expect that our investments have the potential to produce attractive risk adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from equity-related securities. We seek to mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities (generally 12-60 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment.

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Provide Customized Financing Complementary to Financial Sponsors Capital. We offer a broad range of investment structures and possess expertise and experience to effectively structure and price investments in technology-related companies.

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

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

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

Dividend Reinvestment Plan

We have adopted an opt-out dividend reinvestment plan that provides for reinvestment of our distribution on behalf of our stockholders, unless a stockholder elects to receive cash. See Dividend Reinvestment Plan. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

Taxation

We have qualified as and have elected to be treated for tax purposes as a regulated investment company (a RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends, which allows us to reduce or eliminate our corporate level tax. See Certain United States Federal Income Tax Considerations. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. There is no assurance that we will meet these tests and be able to maintain our RIC status. If we do not qualify as a RIC, we would be taxed as a C corporation.

Use of Proceeds

We intend to use the net proceeds from selling our securities for general corporate purposes, which includes investing in debt and equity securities, repayment of indebtedness and other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such offering.

Leverage

We borrow funds to make additional investments, and we have granted, and may in the future grant, a security interest in our assets to a lender in connection with any such borrowings, including any borrowings by any of our subsidiaries. We use this practice, which is known as leverage, to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See Risk Factors. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. We received an exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity, and Capital Resources for additional information related to our outstanding debt.

Distributions

As a RIC, we are required to distribute annually to our stockholders at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We are not subject to corporate level income taxation on income we timely distribute to our stockholders as dividends. See Certain Material United States Federal Income Tax Considerations. We pay regular quarterly dividends based upon an estimate of annual taxable income available for distribution to stockholders and the amount of taxable income carried over from the prior year for distribution in the current year.

Principal Risk Factors

Investing in our common stock may be speculative and involves certain risks relating to our structure and our investment objective that you should consider before deciding whether to invest. In addition, we expect that our portfolio will continue to consist primarily of securities issued by privately-held technology-related companies, which generally require additional capital to become profitable. These investments may involve a high degree of business and financial risk, and they are generally illiquid. Our portfolio companies typically will require additional outside capital beyond our investment in order to succeed or to fully repay the amounts owed to us. A large number of entities compete for the same kind of investment opportunities as we seek.

We borrow funds to make our investments in portfolio companies. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings magnify the potential for gain and loss on amounts invested and, therefore increase the risks associated with investing in our common stock. Also, we are subject to certain risks associated with valuing our portfolio, changing interest rates, accessing additional capital, fluctuating quarterly results, and operating in a regulated environment. See Risk Factors for a discussion of factors you should carefully consider before deciding whether to invest in our securities.

Certain Anti-Takeover Provisions

Our charter and bylaws, as well as certain statutes and regulations, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for our company. This could delay or prevent a transaction that could give our stockholders the opportunity to realize a premium over the price for their securities.

General Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY and McLean, VA. We maintain a website on the Internet at www.htgc.com. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

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

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FEES AND EXPENSES

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

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Sales load (as a percentage of offering price)(1)	%
Offering expenses	%(2)
Dividend reinvestment plan fees	%(3)
Total stockholder transaction expenses (as a percentage of the public offering price)	%(4)
Annual Expenses (as a percentage of net assets attributable to common stockholders):(5)	
Operating expenses	5.0%(6)(7)
Interest and fees paid in connection with borrowed funds	5.7%(8)
Total annual expenses	10.7%(9)

(1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement to this prospectus will disclose the applicable sales load.

(2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement to this prospectus will disclose the estimated offering expenses.

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

(4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.

(5) Net assets attributable to common stock equals the weighted average net assets for the three-month period ended March 31, 2014, which is approximately $650.5 million.

(6) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the three- months ended March 31, 2014, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. This percentage for the year ended December 31, 2013 was 5.2%. See Management s Discussion and Analysis and Results of Operations, Management, and Compensation of Executive Officers and Directors .

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

(8) Interest and fees paid in connection with borrowed funds represents our estimated interest, fees and credit facility expenses by annualizing our actual interest, fees and credit facility expenses incurred for the three-months ended March 31, 2014, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the Asset-Backed Notes and the SBA debentures, each of which is defined herein. This percentage for the year ended December 31, 2013 was 5.8%.

(9) Total annual expenses is the sum of operating expenses, and interest and fees paid in connection with borrowed funds. This percentage for the year ended December 31, 2013 was 11.0%. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

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Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 common stock investment, assuming a 5% annual return	$ 104	$ 295	$ 466	$ 816

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown. Moreover, while the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or lesser than 5%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below net asset value. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2013, 2012, 2011 and 2010 and the financial statement of operations data for fiscal 2013, 2012, 2011 and 2010 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the three months ended March 31, 2014 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

	For the Three-Months Ended March 31, (unaudited)		For the Years Ended December 31,				
(in thousands, except per share amounts)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Statement of Operations Data:							
Investment income:							
Interest	$ 30,846	$ 28,929	$ 123,671	$ 87,603	$ 70,346	$ 54,700	$ 62,200
Fees	4,924	2,028	16,042	9,917	9,509	4,774	12,077
Total investment income	35,770	30,957	139,713	97,520	79,855	59,474	74,277
Operating expenses:							
Interest	7,148	7,631	30,334	19,835	13,252	8,572	9,387
Loan fees	2,076	1,079	4,807	3,917	2,635	1,259	1,880
General and administrative	2,461	2,252	9,354	8,108	7,992	7,086	7,281
Employee Compensation:							
Compensation and benefits	4,221	3,798	16,179	13,326	13,260	10,474	10,737
Stock-based compensation	1,560	1,165	5,974	4,227	3,128	2,709	1,888
Total employee compensation	5,781	4,963	22,153	17,553	16,388	13,183	12,625
Total operating expenses	17,466	15,925	66,648	49,413	40,267	30,100	31,173
Net investment income before and investment gains and losses	18,304	15,032	73,065	48,107	39,588	29,374	43,104
Net investment income	18,304	15,032	73,065	48,107	39,588	29,374	43,104
Net realized gain (loss) on investments	4,872	1,991	14,836	3,168	2,741	(26,382)	(30,801)
Net increase (decrease) in unrealized appreciation (depreciation) on investments	(991)	(334)	11,545	(4,516)	4,607	1,990	1,269
Net realized and unrealized gain (loss)	3,881	1,657	26,381	(1,348)	7,348	(24,392)	(29,532)
Net increase in net assets resulting from operations	22,185	$ 16,689	$ 99,446	$ 46,759	$ 46,936	$ 4,982	$ 13,572
Change in net assets per common share (basic):	$ 0.36	$ 0.30	$ 1.67	$ 0.93	$ 1.08	$ 0.12	$ 0.38
Cash dividends declared per common share	$ 0.31	$ 0.25	$ 1.11	$ 0.95	$ 0.88	$ 0.80	$ 1.26[(1)]

(1) February 12, 2009 dividend paid in cash and stock.

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(in thousands, except per share amounts)	For the Three-Months Ended March 31, (unaudited) 2014	2013	For the Years Ended December 31, 2013	2012	2011	2010	2009
Balance Sheet Data:							
Investments, at value	$ 890,662	$ 967,984	$ 910,295	$ 906,300	$ 652,870	$ 472,032	$ 374,669
Cash and cash equivalents	224,538	206,928	268,368	182,994	64,474	107,014	124,828
Total assets	1,159,399	1,211,186	1,221,715	1,123,643	747,394	591,247	508,967
Total liabilities	506,097	595,578	571,708	607,675	316,353	178,716	142,452
Total net assets	653,302	615,608	650,007	515,968	431,041	412,531	366,515
Other Data:							
Total debt investments, at value	788,359	881,011	821,988	827,540	585,767	401,618	325,134
Total warrant investments, at value	23,614	33,249	35,637	29,550	30,045	23,690	14,450
Total equity investments, at value	68,689	53,724	52,670	49,210	37,058	46,724	35,085
Unfunded Commitments	189,387	137,100	150,986	61,851	168,196	117,200	11,700
Net asset value per share[(1)]	$ 10.58	$ 10.00	$ 10.51	$ 9.75	$ 9.83	$ 9.50	$ 10.29

(1) Based on common shares outstanding at period end

The following tables set forth certain quarterly financial information for each of the nine quarters up to and ending March 31, 2014. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(in thousands, except per share data)	For the Quarter Ended (Unaudited) March 31, 2014
Total investment income	$ 35,770
Net investment income before investment gains and losses	18,304
Net increase (decrease) in net assets resulting from operations	22,185
Change in net assets per common share (basic)	$ 0.36

	For the Quarter Ended (Unaudited) March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Total investment income	$ 30,957	$ 34,525	$ 41,021	$ 33,210
Net investment income before investment gains and losses	15,032	17,610	21,560	18,864
Net increase (decrease) in net assets resulting from operations	16,689	20,879	36,981	24,897
Change in net assets per common share (basic)	$ 0.30	$ 0.34	$ 0.61	$ 0.40

	For the Quarter Ended (Unaudited) March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Total investment income	$ 22,367	$ 23,858	$ 23,901	$ 27,395
Net investment income before investment gains and losses	11,375	12,310	11,351	13,071
Net increase (decrease) in net assets resulting from operations	17,105	48	4,745	24,861
Change in net assets per common share (basic)	$ 0.36	$	$ 0.09	$ 0.47

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RISK FACTORS

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

Risks Related to our Business Structure

We are dependent upon key management personnel for their time availability and for our future success, particularly Manuel A. Henriquez, and if we are not able to hire and retain qualified personnel, or if we lose any member of our senior management team, our ability to implement our business strategy could be significantly harmed.

We depend upon the members of our senior management, particularly Mr. Henriquez, as well as other key personnel for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships on which we rely to implement our business plan. If we lose the services of Mr. Henriquez, or of any other senior management members, we may not be able to operate the business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. Furthermore, we do not have an employment agreement with Mr. Henriquez and our senior management is not restricted from creating new investment vehicles subject to compliance with applicable law. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining such personnel, we may not be able to operate our business as we expect.

Our business model depends to a significant extent upon strong referral relationships with venture capital and private equity fund sponsors, and our inability to develop or maintain these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that members of our management team will maintain their relationships with venture capital and private equity firms, and we will rely to a significant extent upon these relationships to provide us with our deal flow. If we fail to maintain our existing relationships, our relationships become strained as a result of enforcing our rights with respect to non-performing portfolio companies in protecting our investments or we fail to develop new relationships with other firms or sources of investment opportunities, then we will not be able to grow our investment portfolio. In addition, persons with whom members of our management team have relationships are not obligated to provide us with investment opportunities and, therefore, there is no assurance that such relationships will lead to the origination of debt or other investments.

We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively.

A number of entities compete with us to make the types of investments that we plan to make in prospective portfolio companies. We compete with a large number of venture capital and private equity firms, as well as with

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other investment funds, business development companies, investment banks and other sources of financing, including traditional financial services companies such as commercial banks and finance companies. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. For example, some competitors may have a lower cost of funds and/or access to funding sources that are not available to us. This may enable some competitors to make commercial loans with interest rates that are comparable to or lower than the rates that we typically offer. A significant increase in the number and/or the size of our competitors, including traditional commercial lenders and other financing sources, in technology-related industries could force us to accept less attractive investment terms. We may miss opportunities if we do not match competitors pricing, terms and structure. If we do match competitors pricing, terms or structure, we may experience decreased net interest income and increased risk of credit losses. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, establish more relationships and build their market shares. Furthermore, many potential competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company or that the Code imposes on us as a RIC. If we are not able to compete effectively, our business, financial condition, and results of operations will be adversely affected. As a result of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities, or that we will be able to fully invest our available capital.

If we are unable to manage our future growth effectively, we may be unable to achieve our investment objective, which could adversely affect our financial condition and results of operations and cause the value of your investment to decline.

Our ability to achieve our investment objective will depend on our ability to sustain growth. Sustaining growth will depend, in turn, on our senior management team s ability to identify, evaluate, finance and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our marketing capabilities, our management of the investment process, our ability to provide efficient services and our access to financing sources on acceptable terms. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Because we intend to distribute substantially all of our income to our stockholders in order to qualify as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.

In order to satisfy the tax requirements applicable to a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and realized net capital gains except for certain realized net capital gains, which we may retain, pay applicable income taxes with respect thereto and elect to treat as deemed distributions to our stockholders. As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which includes all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. This limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. If we are unable to incur additional debt, we may be required to raise additional equity at a time when it may be disadvantageous to do so. In addition, shares of closed-end investment companies have recently traded at discounts to their net asset values. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. If our common stock trades below its net asset value, we generally will not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline. In addition, our results of operations and financial condition could be adversely affected.

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

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

Our secured credit facilities with Wells Fargo Capital Finance LLC (the Wells Facility) and Union Bank, N.A. (the Union Bank Facility, and together with the Wells Facility, our Credit Facilities) our Convertible Senior Notes, our 2019 Notes and our Asset-Backed Notes (as each term is defined below) contain financial and operating covenants that could restrict our business activities, including our ability to declare dividends if we default under certain provisions.

As of March 31, 2014, we did not have any outstanding borrowings under our Credit Facilities. In addition, as of March 31, 2014, we had approximately $190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately $75.0 million of Convertible Senior Notes payable, approximately $170.4 million of 2019 Notes and approximately $63.8 million in aggregate principal amount of fixed rate asset-backed notes (the Asset-Backed Notes) in connection with our $230.7 million debt Securitization (the Debt Securitization). There can be no assurance that we will be successful in obtaining any additional debt capital on terms acceptable to us or at all. If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

As a business development company, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have an asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. As of March 31, 2014 our asset coverage ratio under our regulatory requirements as a business development company was 312.8%, excluding our SBIC debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.

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Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

	Annual Return on Our Portfolio (Net of Expenses)				
	-10%	**-5%**	**0%**	**5%**	**10%**
Corresponding return to stockholder(1)	(23.01%)	(14.13%)	(5.26%)	3.61%	12.49%

(1) Assumes \$1.2 billion in total assets, \$499.3 million in debt outstanding, \$653.3 million in stockholders equity, and an average cost of debt of 6.88%, which is the approximate average cost of borrowed funds, including our Credit Facilities, our Convertible Senior Notes, 2019 Notes, our SBA debentures and our Asset-Backed Notes for the period ended March 31, 2014. Actual interest payments may be different.

It is likely that the terms of any current or future long-term or revolving credit or warehouse facility we may enter into in the future could constrain our ability to grow our business.

Under our borrowings and our Credit Facilities, current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets in the collateral pool. Our Credit Facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a securities interest in our assets in connection with any such credit facilities and borrowings.

Our Credit Facilities generally contain customary default provisions such as a minimum net worth amount, a profitability test, and a restriction on changing our business and loan quality standards. In addition, our Credit Facilities require or are expected to require the repayment of all outstanding debt on the maturity which may disrupt our business and potentially the business of our portfolio companies that are financed through the facilities. An event of default under these facilities would likely result, among other things, in termination of the availability of further funds under the facilities and accelerated maturity dates for all amounts outstanding under the facilities, which would likely disrupt our business and, potentially, the business of the portfolio companies whose loans we finance through the facilities. This could reduce our revenues and, by delaying any cash payment allowed to us under our facilities until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and our ability to make distributions sufficient to maintain our status as a RIC.

The terms of future available financing may place limits on our financial and operation flexibility. If we are unable to obtain sufficient capital in the future, we may be forced to reduce or discontinue our operations, not be able to make new investments, or otherwise respond to changing business conditions or competitive pressures.

In addition to regulatory requirements that restrict our ability to raise capital, our Credit Facilities, the Convertible Senior Notes and the 2019 Notes contain various covenants which, if not complied with, could accelerate repayment under the facility or require us to repurchase the Convertible Senior Notes and the 2019 Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay dividends.

The credit agreements governing our Credit Facilities, the Convertible Senior Notes and the 2019 Notes require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, debt to equity and interest coverage. Our ability to continue to comply with these covenants in the future depends on many factors, some of which are beyond our control. There are no assurances that we will be able to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver from the

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lenders under our Credit Facilities or the trustee or holders under the Convertible Senior Notes and could accelerate repayment under the facilities or the Convertible Senior Notes or the 2019 Notes and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay dividends. In addition, holders of the Convertible Senior Notes will have the right to require us to repurchase the Convertible Senior Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases. See Management s Discussion and Analysis of Results of Operations and Financial Condition Borrowings.

We may be unable to obtain debt capital on favorable terms or at all, in which case we would not be able to use leverage to increase the return on our investments.

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

We are subject to certain risks as a result of our interests in connection with the Debt Securitization and our equity interest in the Securitization Issuer.

On December 19, 2012, in connection with the Debt Securitization and the offering of the Asset-Backed Notes by Hercules Capital Funding Trust 2012-1 (the Securitization Issuer), we sold and/or contributed to Hercules Capital Funding 2012-1 LLC, as Trust Depositor (the Trust Depositor), certain senior loans made to certain of our portfolio companies (the Loans), which the Trust Depositor in turn sold and/or contributed to the Securitization Issuer in exchange for 100% of the equity interest in the Securitization Issuer, cash proceeds and other consideration. Following these transfers, the Securitization Issuer, and not the Trust Depositor or us, held all of the ownership interest in the Loans.

As a result of the Debt Securitization, we hold, indirectly through the Trust Depositor, 100% of the equity interest in the Securitization Issuer. As a result, we consolidate the financial statements of the Trust Depositor and the Securitization Issuer, as well as our other subsidiaries, in our consolidated financial statements. Because each of the Trust Depositor and the Securitization Issuer is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the sale or contribution by us to the Trust Depositor, and by the Trust Depositor to the Securitization Issuer, did not constitute a taxable event for U.S. federal income tax purposes. If the U.S. Internal Revenue Service were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows. Further, a failure of the Securitization Issuer to be treated as a disregarded entity for U.S. federal income tax purposes would constitute an event of default pursuant to the indenture under the Debt Securitization, upon which the trustee under the Debt Securitization (the Trustee) may and will at the direction of a supermajority of the holders of the Asset-Backed Notes (the Noteholders) declare the Asset-Backed Notes to be immediately due and payable and exercise remedies under the indenture, including (i) to institute proceedings for the collection of all amounts then payable on the Asset-Backed Notes or under the indenture, enforce any judgment obtained, and collect from the Securitization Issuer and any other obligor upon the Asset-Backed Notes monies adjudged due; (ii) institute proceedings from time to time for the complete or partial foreclosure of the indenture with respect to the property of the Securitization Issuer; (iii) exercise any remedies as a secured party under the relevant UCC and take other appropriate action under applicable law to protect and enforce the rights and remedies of the Trustee and the Noteholders; or (iv) sell the property of the Securitization Issuer or any portion thereof or rights or interest therein at one or more public or private sales called and conducted in any matter permitted by law. Any such exercise of remedies could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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An event of default in connection with the Debt Securitization could give rise to a cross-default under our other material indebtedness.

The documents governing our other material indebtedness contain customary cross-default provisions that could be triggered if an event of default occurs in connection with the Debt Securitization. An event of default with respect to our other indebtedness could lead to the acceleration of such indebtedness and the exercise of other remedies as provided in the documents governing such other indebtedness. This could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our status as a RIC.

We may not receive cash distributions in respect of our indirect ownership interest in the Securitization Issuer.

Apart from fees payable to us in connection with our role as servicer of the Loans and the reimbursement of related amounts under the Debt Securitization documents, we receive cash in connection with the Debt Securitization only to the extent that the Trust Depositor receives payments in respect of its equity interest in the Securitization Issuer. The holder of the equity interest in the Securitization Issuer is the residual claimant on distributions, if any, made by the Securitization Issuer after the Noteholders and other claimants have been paid in full on each payment date or upon maturity of the notes, subject to the priority of payments under the Debt Securitization documents. To the extent that the value of the Securitization Issuer s portfolio of Loans is reduced as a result of conditions in the credit markets (relevant in the event of a liquidation event), other macroeconomic factors, distressed or defaulted Loans or the failure of individual portfolio companies to otherwise meet their obligations in respect of the Loans, or for any other reason, the ability of the Securitization Issuer to make cash distributions in respect of the Trust Depositor s equity interest would be negatively affected and consequently, the value of the equity interest in the Securitization Issuer would also be reduced. In the event that we fail to receive cash indirectly from the Securitization Issuer, we could be unable to make distributions, if at all, in amounts sufficient to maintain our status as a RIC.

The interests of the Noteholders may not be aligned with our interests.

The Asset-Backed Notes are debt obligations ranking senior in right of payment to the rights of the holder of the equity interest in the Securitization Issuer, as residual claimant in respect of distributions, if any, made by the Securitization Issuer. As such, there are circumstances in which the interests of the Noteholders may not be aligned with the interests of holders of the equity interest in the Securitization Issuer. For example, under the terms of the documents governing the Debt Securitization, the Noteholders have the right to receive payments of principal and interest prior to holders of the equity interest.

For as long as the Asset-Backed Notes remain outstanding, the Noteholders have the right to act in certain circumstances with respect to the Loans in ways that may benefit their interests but not the interests of holder of the equity interest in the Securitization Issuer, including by exercising remedies under the documents governing the Debt Securitization.

If an event of default occurs, the Noteholders will be entitled to determine the remedies to be exercised, subject to the terms of the documents governing the Debt Securitization. For example, upon the occurrence of an event of default with respect to the Asset-Backed Notes, the Trustee may and will at the direction of the holders of a supermajority of the Asset-Backed Notes declare the principal, together with any accrued interest, of the notes to be immediately due and payable. This would have the effect of accelerating the principal on such notes, triggering a repayment obligation on the part of the Securitization Issuer. The Asset-Backed Notes then outstanding will be paid in full before any further payment or distribution on the equity interest is made. There can be no assurance that there will be sufficient funds through collections on the Loans or through the proceeds of the sale of the Loans in the event of a bankruptcy or insolvency to repay in full the obligations under the Asset-Backed Notes, or to make any distribution to holder of the equity interest in the Securitization Issuer.

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Remedies pursued by the Noteholders could be adverse to our interests as the indirect holder of the equity interest in the Securitization Issuer. The Noteholders have no obligation to consider any possible adverse effect on such other interests. Thus, there can be no assurance that any remedies pursued by the Noteholders will be consistent with the best interests of the Trust Depositor or that we will receive, indirectly through the Trust Depositor, any payments or distributions upon an acceleration of the Asset-Backed Notes. Any failure of the Securitization Issuer to make distributions in respect of the equity interest that we indirectly hold, whether as a result of an event of default and the acceleration of payments on the Asset-Backed Notes or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our status as a RIC.

Certain events related to the performance of Loans could lead to the acceleration of principal payments on the Asset-Backed Notes.

The following constitute rapid amortization events (Rapid Amortization Events) under the documents governing the Debt Securitization: (i) the aggregate outstanding principal balance of delinquent Loans and restructured Loans that would have been delinquent Loans had such Loans not become restructured Loans exceeds 10% of the current aggregate outstanding principal balance of the Loans, excluding all defaulted Loans and all purchased Loans (the Pool Balance) for a period of three consecutive months; (ii) the aggregate outstanding principal balance of defaulted Loans exceeds 5% of the initial Pool Balance determined as of December 19, 2012 for a period of three consecutive months; (iii) the aggregate outstanding principal balance of the Asset-Backed Notes exceeds the borrowing base for a period of three consecutive months; (iv) the Securitization Issuer s pool of Loans contains Loans to ten or fewer obligors; and (v) the occurrence of an event of default under the documents governing the Debt Securitization. After a Rapid Amortization Event has occurred, subject to the priority of payments under the documents governing the Debt Securitization, principal collections on the Loans will be used to make accelerated payments of principal on the Asset-Backed Notes until the payment of principal balance of the Asset-Backed Loans is reduced to zero. Such an event could delay, reduce or eliminate the ability of the Securitization Issuer to make distributions in respect of the equity interest that we indirectly hold, which could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our status as a RIC.

We have certain repurchase obligations with respect to the Loans transferred in connection with the Debt Securitization.

As part of the Debt Securitization, we entered into a sale and contribution agreement and a sale and servicing agreement under which we would be required to repurchase any Loan (or participation interest therein) which was sold to the Securitization Issuer in breach of certain customary representations and warranty made by us or by the Trust Depositor with respect to such Loan or the legal structure of the Debt Securitization. To the extent that there is a breach of such representations and warranties and we fail to satisfy any such repurchase obligation, the Trustee may, on behalf of the Securitization Issuer, bring an action against us to enforce these repurchase obligations.

Because most of our investments typically are not in publicly-traded securities, there is uncertainty regarding the value of our investments, which could adversely affect the determination of our net asset value.

At March 31, 2014, portfolio investments, which are valued at fair value by the Board of Directors, were approximately 76.8% of our total assets. We expect our investments to continue to consist primarily of securities issued by privately-held companies, the fair value of which is not readily determinable. In addition, we are not permitted to maintain a general reserve for anticipated loan losses. Instead, we are required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value.

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There is no single standard for determining fair value in good faith. We value these securities at fair value as determined in good faith by our Board of Directors, based on the recommendations of our Valuation Committee. In making a good faith determination of the value of these securities, we generally start with the cost basis of each security, which includes the amortized OID and PIK interest, if any. The Valuation Committee uses its best judgment in arriving at the fair value of these securities. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while applying a valuation process for the types of investments we make, which includes but is not limited to deriving a hypothetical exit price. However, the Board of Directors retains ultimate authority as to the appropriate valuation of each investment. Because such valuations are inherently uncertain and may be based on estimates, our determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. We adjust quarterly the valuation of our portfolio to reflect the Board of Directors determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized appreciation or depreciation. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Our equity ownership in a portfolio company may represent a control investment. Our ability to exit a control investment in a timely manner could result in a realized loss on the investment.

If we obtain a control investment in a portfolio company our ability to divest ourselves from a debt or equity investment could be restricted due to illiquidity in a private stock, limited trading volume on a public company s stock, inside information on a company s performance, insider blackout periods, or other factors that could prohibit us from disposing of the investment as we would if it were not a control investment. Additionally, we may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

Regulations governing our operations as a business development company may affect our ability to, and the manner in which, we raise additional capital, which may expose us to risks.

Our business will require a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowings, securitization transactions or other indebtedness, or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities, other evidences of indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the 1940 Act, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have an asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. Our ability to pay dividends or issue additional senior securities would be restricted if our asset coverage ratio were not at least 200%. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous. As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights and might have rights, preferences, or privileges more favorable than those of our common stockholders and the issuance of preferred stock could have the effect of delaying, deferring, or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

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To the extent that we are constrained in our ability to issue debt or other senior securities, we will depend on issuances of common stock to finance operations. Other than in certain limited situations such as rights offerings, as a business development company, we are generally not able to issue our common stock at a price below net asset value without first obtaining required approvals from our stockholders and our independent directors. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and management of the company may make decisions that could decrease the value of our portfolio holdings.

We make both debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See Regulation in this prospectus.

We believe that most of the senior loans we make will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

A failure on our part to maintain our qualification as a business development company would significantly reduce our operating flexibility.

If we fail to continuously qualify as a business development company, we might be subject to regulation as a registered closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility. In addition, failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us. For additional information on the qualification requirements of a business development company, see Regulation in this prospectus.

To the extent original issue discount and paid-in-kind interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include original issue discount, or OID, instruments and contractual payment-in-kind, or PIK, interest arrangements, which represents contractual interest added to a loan balance and due at the end of

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such loan s term. To the extent OID or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- OID instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments;
- OID accruals may create uncertainty about the source of our distributions to stockholders;
- OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral; and
- OID and PIK instruments may represent a higher credit risk than coupon loans.

If we are unable to satisfy Code requirements for qualification as a RIC, then we will be subject to corporate-level income tax, which would adversely affect our results of operations and financial condition.

We elected to be treated as a RIC for federal income tax purposes with the filing of our federal corporate income tax return for 2006. We will not qualify for the tax treatment allowable to RICs if we are unable to comply with the source of income, asset diversification and distribution requirements contained in Subchapter M of the Code, or if we fail to maintain our election to be regulated as a business development company under the 1940 Act. If we fail to qualify for the federal income tax benefits allowable to RICs for any reason and become subject to a corporate-level income tax, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders and the actual amount of our distributions. Such a failure would have a material adverse effect on us, the net asset value of our common stock and the total return, if any, obtainable from your investment in our common stock. Any net operating losses that we incur in periods during which we qualify as a RIC will not offset net capital gains (i.e., net realized long-term capital gains in excess of net realized short-term capital losses), and we cannot pass such net operating losses through to our stockholders.

We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.

In accordance with U.S. federal tax requirements, we include in income for tax purposes certain amounts that we have not yet received in cash, such as contractual PIK interest arrangements, which represents contractual interest added to a loan balance and due at the end of such loan s term. In addition to the cash yields received on our loans, in some instances, our loans generally include one or more of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees or prepayment fees. In some cases our loans also include contractual PIK interest arrangements. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such payment-in-kind interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash.

Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in original issue discount for tax purposes, which we must recognize as ordinary income, increasing the amount that we are required to distribute to qualify for the federal income tax benefits applicable to RICs. Because these warrants generally will not produce distributable cash for us at the same time as we are required to make distributions in respect of the related original issue discount, we would need to obtain cash from other sources or to pay a portion of our distributions using shares of newly issued common stock, consistent with Internal Revenue Service requirements, to satisfy such distribution requirements.

Other features of the debt instruments that we hold may also cause such instruments to generate original issue discount, resulting in a dividend distribution requirement in excess of current cash interest received. Since

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in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to distribute generally an amount equal to at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Under such circumstances, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level income tax on all our income.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We intend to make distributions on a quarterly basis to our stockholders. We cannot assure you that we will achieve investment results, or our business may not perform in a manner that will allow us to make a specified level of distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Also, our Credit Facilities limit our ability to declare dividends if we default under certain provisions.

We have and may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

Under applicable Treasury regulations and certain private rulings issued by the Internal Revenue Service, RICs are permitted to treat certain distributions payable in up to 80% in their stock, as taxable dividends that will satisfy their annual distribution obligations for federal income tax and excise tax purposes provided that stockholders have the opportunity to elect to receive the distribution in cash. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, then such sales may put downward pressure on the trading price of our stock. We may in the future determine to distribute taxable dividends that are payable in part in our common stock.

We are exposed to risks associated with changes in interest rates, including fluctuations in interest rates which could adversely affect our profitability or the value of our portfolio

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities, and, accordingly, may have a material adverse effect on our investment objective and rate of return on investment capital. A portion of our income will depend upon the difference between the rate at which we borrow funds and the interest rate on the debt securities in which we invest. Because we will borrow money to make investments and may issue debt securities, preferred stock or other securities, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities, preferred stock or other securities and the rate at which we invest these funds. Typically, we anticipate that our interest-earning investments will accrue and pay interest at both variable and fixed rates, and that our interest-bearing liabilities will accrue interest at variable rates.

A significant increase in market interest rates could harm our ability to attract new portfolio companies and originate new loans and investments. We expect that most of our current initial investments in debt securities will be at floating rate with a floor. However, in the event that we make investments in debt securities at variable

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rates, a significant increase in market interest rates could also result in an increase in our non-performing assets and a decrease in the value of our portfolio because our floating-rate loan portfolio companies may be unable to meet higher payment obligations. In periods of rising interest rates, our cost of funds would increase, resulting in a decrease in our net investment income. In addition, a decrease in interest rates may reduce net income, because new investments may be made at lower rates despite the increased demand for our capital that the decrease in interest rates may produce. We may, but will not be required to, hedge against the risk of adverse movement in interest rates in our short-term and long-term borrowings relative to our portfolio of assets. If we engage in hedging activities, it may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition, and results of operations.

Our realized gains are reduced by amounts paid pursuant to the warrant participation agreement.

Citigroup, a former credit facility provider to Hercules, has an equity participation right through a warrant participation agreement on the pool of loans and certain warrants formerly collateralized under its then existing credit facility (the Citigroup Facility). Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. As a result, Citigroup is entitled to 10% of the realized gains on certain warrants until the realized gains paid to Citigroup pursuant to the agreement equals $3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citigroup Facility is terminated until the Maximum Participation Limit has been reached.

During the three-month period ended March 31, 2014, we reduced our realized gain by approximately $78,000 for Citigroup s participation in the gain on sale of equity securities which were obtained from exercising portfolio company warrants which were included in the collateral pool. We recorded an increase on participation liability and a decrease on unrealized appreciation by a net amount of approximately $45,000 as a result of appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately $325,000 as of March 31, 2014 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid approximately $1.7 million under the warrant participation agreement thereby reducing our realized gains by this amount. We will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between February 2016 and March 2017.

Pending legislation may allow us to incur additional leverage.

As a business development company, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Recent legislation introduced in the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur by modifying the percentage from 200% to 150%. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase.

Two of our wholly-owned subsidiaries are licensed by the U.S. Small Business Administration, and as a result, we will be subject to SBA regulations.

Our wholly-owned subsidiaries HT II and HT III are licensed to act as SBICs and are regulated by the SBA. HT II and HT III hold approximately $143.7 million and $290.0 million in assets, respectively, and they accounted for approximately 9.5% and 19.3% of our total assets, respectively, prior to consolidation at March 31, 2014. The SBIC licenses allow our SBIC subsidiaries to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. The SBA

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regulations require, among other things, that a licensed SBIC be examined periodically and audited by an independent auditor to determine the SBIC s compliance with the relevant SBA regulations.

Under current SBA regulations, a licensed SBIC can provide capital to those entities that have a tangible net worth not exceeding $18.0 million and an average annual net income after Federal income taxes not exceeding $6.0 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 25.0% of its investment activity to those entities that have a tangible net worth not exceeding $6.0 million and an average annual net income after Federal income taxes not exceeding $2.0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on factors such as the number of employees and gross sales. The SBA regulations permit licensed SBICs to make long term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause HT II and HT III to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. If either HT II or HT III fail to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II s or HT III s use of debentures, declare outstanding debentures immediately due and payable, and/ or limit HT II or HT III from making new investments. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC s leverage as of March 31, 2014 as a result of having sufficient capital as defined under the SBA regulations. See Regulation Small Business Administration Regulations in this prospectus.

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

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to $150.0 million or to a group of SBICs under common control to $225.0 million. A proposed bill in the U.S. Senate, the Expanding Access to Capital for Entrepreneurial Act, or Senate Bill 511, would increase the total SBIC leverage capacity for affiliated SBIC funds from $225 million to $350 million. However, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. With our net investment of $112.5 million as of March 31, 2014, we have the capacity to issue a total of $225.0 million of SBA guaranteed debentures in our SBIC subsidiaries, subject to SBA approval, of which $190.2 million was outstanding as of March 31, 2014. During times that we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital is likely to increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

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

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

Our wholly-owned SBIC subsidiaries may be unable to make distributions to us that will enable us to maintain RIC status, which could result in the imposition of an entity-level tax.

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level taxes, we will be required to distribute substantially all of our net ordinary income and net capital gain income, including income from certain of our subsidiaries, which includes the income from our SBIC subsidiaries. We will be partially dependent on our SBIC subsidiaries for cash distributions to enable us to meet the RIC distribution requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our status as a RIC. We may have to request a waiver of the SBA s restrictions for our SBIC subsidiaries to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such waiver. If our SBIC subsidiaries are unable to obtain a waiver, compliance with the SBA regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

Changes in laws or regulations governing our business could negatively affect the profitability of our operations.

Changes in the laws or regulations, or the interpretations of the laws and regulations, which govern business development companies, SBICs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition.

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the New York Stock Exchange, or NYSE, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. On July 21, 2010, the Dodd-Frank Wall Street Reform and Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act, and the SEC has adopted additional rules and regulations that may impact us. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management s time from other business activities.

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Results may fluctuate and may not be indicative of future performance.

Our operating results may fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the investment origination volume and fee income earned, changes in the accrual status of our debt investments, variations in timing of prepayments, variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions.

Risks Related to Current Economic and Market Conditions

Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that have materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While the capital markets improved during 2013, these conditions could deteriorate in the future. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and around the world, particularly in the Middle East, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. Several European Union (EU) countries, including Greece, Ireland, Italy, Spain, and Portugal, continue to face budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is also continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. The recent United States and global economic downturn, or a return to the recessionary period in the United States, could adversely impact our investments. We cannot predict the duration of the effects related to these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that it will be successful in doing so.

Depending on funding requirements, we may need to raise additional capital to meet our unfunded commitments either through equity offerings or through additional borrowings.

As of March 31, 2014, we had unfunded contractual commitments of approximately $189.4 million. Approximately $95.6 million of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the contractual commitment becomes available. These commitments

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will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements or future earning assets. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We intend to use cash flow from normal and early principal repayments, SBA debentures, our Credit Facilities and proceeds from the Convertible Senior Notes, 2019 Notes and the Asset-Backed Notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

A failure or the perceived risk of a failure to raise the statutory debt limit of the United States could have a material adverse effect on our business, financial condition and results of operations.

As has been widely reported, the United States Treasury Secretary has stated that the federal government may not be able to meet its debt payments in the relatively near future (currently February 2014) unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted and the debt ceiling is reached, the federal government may stop or delay making payments on its obligations. A failure by Congress to raise the debt limit would increase the risk of default by the United States on its obligations, as well as the risk of other economic dislocations. If the U.S. Government fails to complete its budget process or to provide for a continuing resolution before the expiration of the current continuing resolution (currently January 2014), another federal government shutdown may result. Such a failure or the perceived risk of such a failure consequently could have a material adverse effect on the financial markets and economic conditions in the United States and throughout the world. It could also limit our ability and the ability of our portfolio companies to obtain financing, and it could have a material adverse effect on the valuation of our portfolio companies. Consequently, the continued uncertainty in the general economic environment, including the recent government shutdown and potential debt ceiling implications, as well in specific economies of several individual geographic markets in which our portfolio companies operate, could adversely affect our business, financial condition and results of operations.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.

Concerns have been publicized that some of the member banks surveyed by the British Bankers Association (BBA) in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

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Risks Related to Our Investments

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

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

As of March 31, 2014, approximately 64.9% of the fair value of our portfolio was composed of investments in four industries: