

Hercules Capital, Inc.
Form 497
March 07, 2016
Table of Contents

Index to Financial Statements

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

PROSPECTUS SUPPLEMENT

(To prospectus dated November 3, 2015)

Up to 8,000,000 Shares Common Stock

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

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

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

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

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

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

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

JMP Securities

The date of this prospectus supplement is March 7, 2016.

Table of Contents

Index to Financial Statements

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.

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>FEES AND EXPENSES</u>	S-1
<u>FORWARD-LOOKING STATEMENTS; MARKET DATA</u>	S-3
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-5
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	S-10
<u>THE OFFERING</u>	S-12
<u>SUPPLEMENTARY RISK FACTORS</u>	S-14
<u>USE OF PROCEEDS</u>	S-20
<u>PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS</u>	S-21
<u>CAPITALIZATION</u>	S-25
	Page
<u>PLAN OF DISTRIBUTION</u>	S-26
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION</u>	S-28
<u>SENIOR SECURITIES</u>	S-77
<u>SUPPLEMENT TO CERTAIN UNITED STATES INCOME TAX CONSIDERATIONS</u>	S-81
<u>LEGAL MATTERS</u>	S-82
<u>EXPERTS</u>	S-82
<u>AVAILABLE INFORMATION</u>	S-82
<u>INDEX TO FINANCIAL STATEMENTS</u>	S-83

Prospectus

<u>SUMMARY</u>	Page 1
----------------	------------------

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<u>FEES AND EXPENSES</u>	7
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	9
<u>RISK FACTORS</u>	11
<u>FORWARD-LOOKING STATEMENTS</u>	51
<u>USE OF PROCEEDS</u>	53
<u>PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS</u>	54
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	58
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	59
<u>BUSINESS</u>	115
<u>PORTFOLIO COMPANIES</u>	128
<u>SENIOR SECURITIES</u>	153
<u>MANAGEMENT</u>	156
<u>CORPORATE GOVERNANCE</u>	163
<u>EXECUTIVE COMPENSATION</u>	172
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	194
	Page
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	196
<u>CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>	197
<u>REGULATION</u>	206
<u>DETERMINATION OF NET ASSET VALUE</u>	212
<u>DIVIDEND REINVESTMENT PLAN</u>	221
<u>DESCRIPTION OF CAPITAL STOCK</u>	222
<u>DESCRIPTION OF OUR PREFERRED STOCK</u>	229
<u>DESCRIPTION OF OUR SUBSCRIPTION RIGHTS</u>	231
<u>DESCRIPTION OF WARRANTS</u>	233
<u>DESCRIPTION OF OUR DEBT SECURITIES</u>	235
<u>PLAN OF DISTRIBUTION</u>	248
<u>BROKERAGE ALLOCATION AND OTHER PRACTICES</u>	250
<u>CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR</u>	250
<u>LEGAL MATTERS</u>	250
<u>EXPERTS</u>	250
<u>AVAILABLE INFORMATION</u>	251
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

Table of Contents**Index to Financial Statements****FEES AND EXPENSES**

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

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

- (1) Represents the estimated commission with respect to the shares of common stock being sold in this offering. JMP Securities will be entitled to compensation up to 2.00% of the gross proceeds of the sale of any shares of our common stock under the equity distribution agreement, with the exact amount of such compensation to be mutually agreed upon by the Company and JMP Securities from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.
- (2) The percentage reflects estimated offering expenses of approximately \$400,000.
- (3) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan in the accompanying prospectus.
- (4) Net assets attributable to common stock equals the weighted average net assets for the year ended December 31, 2015, which is approximately \$717.1 million.
- (5) Operating expenses represent our actual operating expenses incurred for the year ended December 31, 2015, including all fees and expenses of our consolidated subsidiaries and excluding interest and fees on indebtedness. See Management's Discussion and Analysis and Results of Operations, Management, and Executive Compensation in this prospectus supplement.
- (6) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.
- (7) Interest and fees paid in connection with borrowed funds represents our interest, fees and credit facility expenses incurred for the year ended December 31, 2015, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the 2024 Notes, the Asset-Backed Notes and the SBA debentures, each of which is defined herein. These expenses do not include the loss on debt extinguishment (Long-term Liabilities Convertible Senior Notes) for the year ended December 31, 2015. If this item were included in the annualized expenses, the percentage would be 5.10%.
- (8) Total annual expenses is the sum of operating expenses and interest and fees paid in connection with borrowed funds. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

Table of Contents

Index to Financial Statements

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a \$1,000 hypothetical investment in our common stock, assuming (1) a 2.00% sales load (underwriting discounts and commissions) and offering expenses totaling 2.41%, (2) total net annual expenses of 11.55% of net assets attributable to common shares as set forth in the table above and (3) a 5% annual return. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

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

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

Table of Contents

Index to Financial Statements

FORWARD-LOOKING STATEMENTS

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

our future operating results;

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

the impact of investments that we expect to make;

the impact of a protracted decline in the liquidity of credit markets on our business;

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

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

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

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

our ability to operate as a business development company, a small business investment company and a regulated investment company, or RIC;

the adequacy of our cash resources and working capital;

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

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses; and

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

Table of Contents

Index to Financial Statements

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

Industry and Market Data

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

Table of Contents

Index to Financial Statements

PROSPECTUS SUPPLEMENT SUMMARY

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

Our Company

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

As of December 31, 2015, our total assets were approximately \$1.3 billion, of which our investments comprised \$1.2 billion at fair value and \$1.3 billion at cost. Since inception through December 31, 2015, we have made debt and equity commitments of over \$5.7 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company, or SBIC, subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III. At December 31, 2015, we have issued approximately \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

As of December 31, 2015, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 35 professionals who have, on average 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

Table of Contents

Index to Financial Statements

Our Market Opportunity

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

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

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

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

Technology-Related Companies are Underserved by Traditional Lenders. We believe many viable technology-related companies backed by financial sponsors have been unable to obtain sufficient growth financing from traditional lenders, including financial services companies such as commercial banks and finance companies, because traditional lenders have continued to consolidate and have adopted a more risk-averse approach to lending. More importantly, we believe traditional lenders are typically unable to underwrite the risk associated with these companies effectively.

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

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

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

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

Structured Debt with Warrants Products Complement Equity Financing From Venture Capital and Private Equity Funds. We believe that technology-related companies and their financial sponsors will continue to view structured debt securities as an attractive source of capital because it augments the capital provided by

Table of Contents

Index to Financial Statements

venture capital and private equity funds. We believe that our structured debt with warrants product provides access to growth capital that otherwise may only be available through incremental investments by existing equity investors. As such, we provide portfolio companies and their financial sponsors with an opportunity to diversify their capital sources. Generally, we believe many technology-related companies at all stages of development target a portion of their capital to be debt in an attempt to achieve a higher valuation through internal growth. In addition, because financial sponsor-backed companies have reached a more mature stage prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period prior to liquidity events.

Our Business Strategy

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

Recent Developments

Dividend Declaration

On February 17, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on March 14, 2016 to shareholders of record as of March 7, 2016. This dividend would represent our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$11.54 per share.

Corporate Rebranding

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

Share Repurchase Program

On February 24, 2015, the Board of Directors approved a \$50.0 million open market share repurchase program and on February 17, 2016, the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in our then most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. Subsequent to December 31, 2015 and as of March 4, 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of March 4, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

Restricted Stock Award Grants

In January 2016, the Company granted approximately 536,250 restricted stock awards pursuant to the Company's 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan.

Closed and Pending Commitments

As of March 4, 2016, we have:

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

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

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

Closed Commitments and Pending Commitments (in millions)

Q1-16 Closed Commitments (as of March 4, 2016) ^(a)	\$ 126.4
Pending Commitments (as of March 4, 2016) ^(b)	\$ 153.5
Year to date 2016 Closed and Pending Commitments	\$ 279.9

Notes:

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

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

S-8

Table of Contents

Index to Financial Statements

Portfolio Company Developments

As of March 4, 2016, we held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

Corporate Information

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

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

Table of Contents**Index to Financial Statements****SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2015, 2014, 2013, 2012, and 2011 and the financial statement of operations data for fiscal 2015, 2014, 2013, 2012, and 2011 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The historical data are not necessarily indicative of results to be expected for any future period.

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

Table of Contents**Index to Financial Statements**

(in thousands, except per share amounts)	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
Balance sheet data:					
Investments, at value	\$ 1,200,638	\$ 1,020,737	\$ 910,295	\$ 906,300	\$ 652,870
Cash and cash equivalents	95,196	227,116	268,368	182,994	64,474
Total assets	1,334,761	1,299,223	1,221,715	1,123,643	747,394
Total liabilities	617,627	640,359	571,708	607,675	316,353
Total net assets	717,134	658,864	650,007	515,968	431,041
Other Data:					
Total debt investments, at value	1,110,209	923,906	821,988	827,540	585,767
Total warrant investments, at value	22,987	25,098	35,637	29,550	30,045
Total equity investments, at value	67,442	71,733	52,670	49,210	37,058
Unfunded Commitments ⁽²⁾	75,402	147,689	69,091	19,265	76,128
Net asset value per share ⁽¹⁾	\$ 9.94	\$ 10.18	\$ 10.51	\$ 9.75	\$ 9.83

(1) Based on common shares outstanding at period end

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

The following tables set forth certain quarterly financial information for each of the last eight quarters ended December 31, 2015. This information was derived from the Company's unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any further quarter.

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

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

Table of Contents

Index to Financial Statements

THE OFFERING

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

S-12

Table of Contents

Index to Financial Statements

Risk factors

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

S-13

Table of Contents

Index to Financial Statements

SUPPLEMENTARY RISK FACTORS

Risks Related to our Business Structure

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

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

Our secured credit facilities with Wells Fargo Capital Finance LLC (the Wells Facility) and MUFG Union Bank, N.A. (the Union Bank Facility,), our Convertible Senior Notes, our 2019 Notes, our 2024 Notes, and our 2021 Asset-Backed Notes (as each term is defined below) contain financial and operating covenants that could restrict our business activities, including our ability to declare dividends if we default under certain provisions.

As of March 4, 2016, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$17.6 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes), approximately \$110.4 million in aggregate principal amount of 7.00% notes due 2019 (the 2019 Notes), approximately \$103.0 million in aggregate principal amount of 6.25% notes due 2024 (the 2024 Notes), and approximately \$129.3 million in aggregate principal amount of fixed rate asset-backed notes issued in November 2014 (the 2021 Asset-Backed Notes) in connection with our \$237.4 million debt securitization (the 2014 Debt Securitization). As of March 4, 2016, we had \$18.3 million of outstanding borrowings under our Wells Facility and no outstanding borrowings under our Union Bank Facility.

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

As a business development company, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions.

Table of Contents

Index to Financial Statements

Our portfolio investments may present special tax issues.

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

Legislative or regulatory tax changes could adversely affect you.

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

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

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

An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of March 4, 2016, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries, which is the maximum combined capacity for our SBIC subsidiaries under our existing licenses. During times that we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital is likely to increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

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

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

Table of Contents

Index to Financial Statements

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

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

Risks Related to Our Investments

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

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

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

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

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

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

In addition, there is considerable uncertainty about whether foreign, U.S., state and/or local governmental entities will enact or maintain legislation or regulatory programs that mandate reductions in greenhouse gas

Table of Contents**Index to Financial Statements**

emissions or provide incentives for sustainable and renewable technology companies. Without such regulatory policies, investments in sustainable and renewable technology companies may not be economical and financing for sustainable and renewable technology companies may become unavailable, which could materially adversely affect the ability of our portfolio companies to repay the debt they owe to us. Any of these factors could materially and adversely affect the operations and financial condition of a portfolio company and, in turn, the ability of the portfolio company to repay the debt they owe to us.

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at December 31, 2015 that represent greater than 5% of our net assets:

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

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

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

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

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

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

The disposition of our investments may result in contingent liabilities.

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

Table of Contents

Index to Financial Statements

Risks Related to Our Securities

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

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

We may periodically obtain the approval of our stockholders to issue shares of our common stock at prices below the then current net asset value per share of our common stock. If we receive such approval from the stockholders, we may issue shares of our common stock at a price below the then current net asset value per share of common stock. Any such issuance could materially dilute your interest in our common stock and reduce our net asset value per share.

We may periodically obtain the approval of our stockholders to issue shares of our common stock at prices below the then current net asset value per share of our common stock. Such approval has allowed and may again allow us to access the capital markets in a way that we typically are unable to do as a result of restrictions that, absent stockholder approval, apply to business development companies under the 1940 Act. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock is subject to the determination by our board of directors that such issuance and sale is in our and our stockholders' best interests.

Any sale or other issuance of shares of our common stock at a price below net asset value per share has resulted and will continue to result in an immediate dilution to your interest in our common stock and a reduction of our net asset value per share. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our net asset value per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We also cannot determine the resulting reduction in our net asset value per share of any such issuance at this time. We caution you that such effects may be material, and we undertake to describe all the material risks and dilutive effects of any offering that we make at a price below our then current net asset value in the future in a prospectus supplement issued in connection with any such offering. We cannot predict whether shares of our common stock will trade above, at or below our net asset value.

If we conduct an offering of our common stock at a price below net asset value, investors are likely to incur immediate dilution upon the closing of the offering.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, at a price below the current net asset value of the common stock, or sell warrants, options or other rights to acquire such common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders and our stockholders have approved the practice of making such sales.

At the 2015 Annual Meeting of Stockholders, our common stockholders approved a proposal to allow us to issue common stock at a discount from its then current net asset value per share, which is effective for a period expiring on the earlier of July 7, 2016 or the 2016 annual meeting of stockholders. In connection with the receipt of such stockholder approval, we will limit the number of shares that it issues at a price below net asset value pursuant to this authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of net asset value per share. If we were to issue shares at a price below net asset value, such sales would result in an immediate dilution to existing common stockholders, which would include a reduction in the net asset value per share as a result of

Table of Contents

Index to Financial Statements

the issuance. This dilution would also include a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

In addition, if we determined to conduct additional offerings in the future there may be even greater dilution if we determine to conduct such offerings at prices below net asset value. As a result, investors will experience further dilution and additional discounts to the price of our common stock. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect of an offering cannot be predicted. We did not sell any of our securities at a price below net asset value during the year ended December 31, 2015.

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

On February 24, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock. This plan expired on August 24, 2015. On August 27, 2015, our Board of Directors authorized a replacement stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock. We may repurchase shares of our common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in the most recently published financial statements. We expect that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. If we were to repurchase shares at a price above net asset value, such repurchases would result in an immediate dilution to existing common stockholders due to a reduction in the our earnings and assets due to the repurchase that is greater than the reduction in total shares outstanding.

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

On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders of our Convertible Senior Notes may convert their notes into shares of our common stock at any time. Upon conversion of the Convertible Senior Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The current conversion price of the Convertible Senior Notes is approximately \$11.03 per share of common stock, in each case subject to adjustment in certain circumstances. Since the Convertible Senior Notes became convertible, we have made the election to deliver the combination of cash and stock. If we deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders will incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the Convertible Senior Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

Our distribution proceeds may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to stockholders, which will lower their tax basis in their shares.

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

Table of Contents

Index to Financial Statements

USE OF PROCEEDS

Overview

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of the remaining 7,350,000 shares available of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of \$11.22 per share for our common stock on the NYSE as of March 4, 2015 we estimate that the net proceeds of this offering will be approximately \$80,417,660 million after deducting the estimated sales commission payable to JMP Securities and our estimated offering expenses.

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

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

Status of the Offering

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

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

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

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

	NAV ⁽¹⁾	Price Range		Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Dividend per Share
		High	Low			
2014						
First quarter	\$ 10.58	\$ 15.27	\$ 13.24	44.3%	25.1%	\$ 0.310
Second quarter	\$ 10.42	\$ 15.54	\$ 12.75	49.1%	22.4%	\$ 0.310
Third quarter	\$ 10.22	\$ 16.24	\$ 14.16	58.9%	38.6%	\$ 0.310
Fourth quarter	\$ 10.18	\$ 15.82	\$ 13.16	55.4%	29.3%	\$ 0.310
2015						
First quarter	\$ 10.47	\$ 15.27	\$ 13.47	45.8%	28.7%	\$ 0.310
Second quarter	\$ 10.26	\$ 13.37	\$ 11.25	30.4%	9.7%	\$ 0.310
Third quarter	\$ 10.02	\$ 12.23	\$ 9.99	22.0%	0.29%	\$ 0.310
Fourth quarter	\$ 9.94	\$ 12.44	\$ 10.23	25.1%	2.9%	\$ 0.310
2016						
First quarter (through March 4, 2016)	*	\$ 12.39	\$ 10.03	*	*	\$ 0.310

(1) Net asset value per share is generally determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.

* Net asset value has not yet been calculated for this period.

** Cash dividend per share has not yet been determined for this period.

The last reported price for our common stock on March 4, 2016 was \$11.22 per share.

Shares of business development companies may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. At times, our shares of common stock have traded at a premium to net asset value and at times our shares of common stock have traded at a discount to the net assets attributable to those shares. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

Dividends

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

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

Table of Contents**Index to Financial Statements**

order to obtain the tax benefits applicable to RICs, we are required to distribute dividends to our stockholders with respect to each taxable year of an amount at least equal to 90% of our investment company taxable income. We may, in the future, make actual distributions to our stockholders of some or all realized net long-term capital gains in excess of realized net short-term capital losses, or net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

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

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

Table of Contents**Index to Financial Statements**

Date Declared	Record Date	Payment Date	Amount Per Share
May 4, 2015	May 18, 2015	May 25, 2015	0.31
July 29, 2015	August 17, 2015	August 24, 2015	0.31
October 28, 2015	November 16, 2015	November 23, 2015	0.31
February 17, 2016	March 7, 2016	March 14, 2016	0.31
			\$ 11.54

* Dividend paid in cash and stock.

On February 17, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on March 14, 2016 to shareholders of record as of March 7, 2016. This dividend would represent our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividends declared to date to \$11.54 per share.

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

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full fiscal year and distributions paid for the full fiscal year. Of the dividends declared during the fiscal years ended December 31, 2015, 2014, and 2013, 100% were distributions derived from our current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of the tax attributes of our 2016 distributions to stockholders.

We maintain an "opt out" dividend reinvestment plan that provides for reinvestment of our distribution on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board of Directors authorizes, and we declare a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividend automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. During 2015, 2014, and 2013, the Company issued approximately 199,894, 96,976 and 159,000 shares, respectively, of common stock to shareholders in connection with the dividend reinvestment plan.

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

on an actual basis; and

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

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

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

Table of Contents

Index to Financial Statements

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

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.

S-27

Table of Contents

Index to Financial Statements

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

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

Overview

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

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

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

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

We also make investments in qualifying small businesses through our two wholly-owned SBICs. Our SBIC subsidiaries, HT II and HT III, hold approximately \$128.3 million and \$310.8 million in assets, respectively, and accounted for approximately 7.6% and 18.5% of our total assets, respectively, prior to consolidation at December 31, 2015. As of December 31, 2015, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at December 31, 2015, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At December 31, 2015, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

Table of Contents

Index to Financial Statements

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

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

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

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

Portfolio and Investment Activity

The total fair value of our investment portfolio was \$1.2 billion at December 31, 2015 as compared to \$1.0 billion at December 31, 2014.

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

Portfolio Activity

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

Table of Contents**Index to Financial Statements**

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

Our portfolio activity for the years ended December 31, 2015 and 2014 was comprised of the following:

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

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

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

(3) Funded amounts include borrowings on revolving facilities.

We receive payments in our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the year ended December 31, 2015, we received approximately \$503.6 million in aggregate principal repayments. Of the approximately \$503.6 million of aggregate principal repayments, approximately \$115.1 million were scheduled principal payments, and approximately \$388.5 million were early principal repayments related to 45 portfolio companies. Of the approximately \$388.5 million early principal repayments, approximately \$70.7 million were early repayments due to M&A transactions and IPOs related to six portfolio companies. Given the high level of early repayments during the year ended December 31, 2015, we anticipate that early repayment activity and our effective yields will normalize going forward.

Table of Contents**Index to Financial Statements**

Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, escrow receivables and Citigroup warrant participation) as of and for each of the years ended December 31, 2015 and 2014 was as follows:

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

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

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 961,464	80.1%	\$ 740,659	72.6%
Senior Secured Debt	171,732	14.3%	208,345	20.4%
Preferred Stock	35,245	2.9%	57,548	5.6%
Common Stock	32,197	2.7%	14,185	1.4%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

The increase in common stock and the decrease in preferred stock is primarily due to the IPO of Box, Inc. on January 23, 2015 in which all of our preferred shares were converted to common stock in the public portfolio company. Any potential future gain is subject to the price of the shares when we exit the investment.

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

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,167,281	97.2%	\$ 967,803	94.8%
Netherlands	20,112	1.7%	19,913	2.0%
England	8,884	0.8%	34	0.0%
Israel	3,764	0.3%	6,498	0.6%
Canada	595	0.0%	2,314	0.2%
India	2	0.0%	24,175	2.4%

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Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%
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As of December 31, 2015, we held warrants or equity positions in three companies that had filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. All three companies filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that companies that have yet to complete their IPO will do so in a timely manner or at all.

S-31

Table of Contents

Index to Financial Statements

Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$25.0 million, although we may make investments in amounts above or below that range. As of December 31, 2015, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from Prime or LIBOR to approximately 13.0%. In addition to the cash yields received on our debt investments, in some instances, our debt investments may also include any of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees, PIK provisions or prepayment fees which may be required to be included in income prior to receipt.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately \$26.1 million of unamortized fees at December 31, 2015, of which approximately \$23.6 million was included as an offset to the cost basis of our current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2014 we had approximately \$21.9 million of unamortized fees, of which approximately \$17.4 million was included as an offset to the cost basis of our current debt investments and approximately \$4.5 million was deferred contingent upon the occurrence of a funding or milestone.

Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At December 31, 2015 we had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included as an offset to the cost basis of our current debt investments and approximately \$5.3 million was deferred related to expired commitments. At December 31, 2014 we had approximately \$19.3 million in exit fees receivable, of which approximately \$8.4 million was included as an offset to the cost basis of our current debt investments and approximately \$10.9 million was related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to tax as a RIC, this non-cash source of income must be paid out to stockholders with other sources of income in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately \$4.7 million and \$3.3 million in PIK income in the years ended December 31, 2015 and December 31, 2014, respectively.

In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we obtain a negative pledge covering a company's intellectual property. At December 31, 2015, approximately 39.7% of our portfolio company debt investments were secured by a first priority security interest in all of the assets of the portfolio company, including their intellectual property, 49.7% of the debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property, or subject to a negative pledge, 7.9% of our portfolio company debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property and 2.7% of our portfolio company debt investments were subordinated and secured by all of the portfolio company's assets, including intellectual property. At December 31, 2015 we had no equipment only liens on any of our portfolio companies.

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

Table of Contents**Index to Financial Statements**

The core yield on our debt investments, which excludes any benefits from the fees and income related to early loan repayment acceleration of unamortized fees and income as well as prepayment of fees, was 13.0% and 13.6% during the years ended December 31, 2015 and 2014, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time event fees, was 14.3% and 16.8% for the years ended December 31, 2015 and 2014, respectively. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the year, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders.

The total return for our investors was approximately -9.7% and -1.8% during the years ended December 31, 2015 and 2014, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See Note 9 Financial Highlights.

Portfolio Composition

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

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

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

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 284,266	23.7%	\$ 267,618	26.2%
Drug Delivery	164,665	13.7%	88,491	8.7%
Sustainable and Renewable Technology	159,487	13.3%	68,280	6.7%
Software	147,237	12.3%	125,412	12.3%
Media/Content/Info	95,488	7.9%	29,219	2.9%
Medical Devices & Equipment	90,560	7.5%	138,046	13.5%
Internet Consumer & Business Services	88,377	7.4%	69,655	6.8%
Specialty Pharmaceuticals	52,088	4.3%	51,536	5.0%
Communications & Networking	33,213	2.8%	61,433	6.0%
Consumer & Business Products	26,611	2.2%	63,225	6.2%
Semiconductors	22,705	1.9%	5,126	0.5%
Healthcare Services, Other	15,131	1.3%	10,527	1.0%
Surgical Devices	11,185	0.9%	9,915	1.0%
Electronics & Computer Hardware	6,928	0.6%	692	0.1%
Information Services	1,657	0.1%	27,016	2.6%
Biotechnology Tools	719	0.1%	3,721	0.4%
Diagnostic	321	0.0%	825	0.1%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

Table of Contents

Index to Financial Statements

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

For the years ended December 31, 2015 and 2014, our ten largest portfolio companies represented approximately 32.1% and 28.6% of the total fair value of our investments in portfolio companies, respectively. At December 31, 2015 and December 31, 2014, we had two and three investments, respectively, that represented 5% or more of our net assets. At December 31, 2015 and December 31, 2014, we had four and three equity investments representing approximately 53.2% and 61.5%, respectively, of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of December 31, 2015, 89.4% of our debt investments were in a senior secured first lien position, with the remaining 10.6% secured by a senior second lien position or a subordinated lien on all of the portfolio company's assets and approximately 93.7% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR based interest rate floor. As a result, we believe we are well positioned to benefit should market interest rates continue to rise.

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

Our existing warrant holdings would require us to invest approximately \$88.8 million to exercise such warrants as of December 31, 2015. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. Of the warrants that we have monetized since inception, we have realized multiples in the range of approximately 1.02x to 14.93x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

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

Table of Contents**Index to Financial Statements**

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

(in thousands)

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

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2014	Investment Income	Year Ended December 31, 2014		Realized Gain/(Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Gelesis, Inc.	Affiliate	\$ 327	\$	\$ (146)	\$	\$
Optiscan BioMedical, Corp.	Affiliate	6,072		(24)		
Stion Corporation	Affiliate	1,600	1,876	(3,112)		
Total		\$ 7,999	\$ 1,876	\$ (3,282)	\$	\$

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2013	Investment Income	Year Ended December 31, 2013		Realized Gain/(Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Gelesis, Inc.	Affiliate	\$ 473	\$	\$ (1,193)	\$	\$
Optiscan BioMedical, Corp.	Affiliate	4,784	1,933	(225)		
Stion Corporation	Affiliate	5,724	462	593		
Total		\$ 10,981	\$ 2,395	\$ (825)	\$	\$

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

Portfolio Grading

We use an investment grading system, which grades each debt investment on a scale of 1 to 5, to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. See *Business Investment Process Loan and Compliance Administration* in the accompanying prospectus. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of December 31, 2015 and 2014, respectively:

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(in thousands)	December 31, 2015			December 31, 2014		
	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	18	\$ 215,202	19.4%	19	\$ 195,819	21.2%
2	47	759,274	68.4%	45	479,037	51.8%
3	6	44,837	4.0%	16	183,522	19.9%
4	4	34,153	3.1%	6	39,852	4.3%
5	10	56,743	5.1%	8	25,676	2.8%
	85	\$ 1,110,209	100.0%	94	\$ 923,906	100.0%

S-35

Table of Contents

Index to Financial Statements

As of December 31, 2015, our debt investments had a weighted average investment grading of 2.16, as compared to 2.24 at December 31, 2014. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve.

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

At December 31, 2015, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively. Comparatively, at December 31, 2014, we had four debt investments on non-accrual with a cumulative investment cost and fair value of \$28.9 million and \$10.6 million, respectively. In addition, at December 31, 2015, we had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest is on non-accrual. The increase in the cumulative cost and fair value of debt investments on non-accrual between December 31, 2015 and December 31, 2014 is the result of placing three new debt investments on non-accrual status during the period, offset by the liquidation of two debt investments that were on non-accrual at December 31, 2014. During the year ended December 31, 2015, we recognized a realized loss of approximately \$180,000 on the write off of one debt investment that was on non-accrual at December 31, 2014. In addition, we recognized a realized loss of \$1.2 million on the partial write off of one debt investment that is on non-accrual as of December 31, 2015.

Results of Operations

Comparison of periods ended December 31, 2015 and 2014

Investment Income

Interest Income

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

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

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

Table of Contents**Index to Financial Statements**

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

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

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

Fee Income

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

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

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

Operating Expenses

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

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$36.9 million and \$34.0 million for the years ended December 31, 2015 and 2014, respectively. Interest and fee expense for the year ended December 31, 2015 as compared to December 31, 2014 increased primarily due to higher weighted average principal balances outstanding on our Asset Backed Notes, Credit Facilities, 2019 Notes and 2024 Notes (together with the 2019 Notes, the Baby Bonds), slightly offset by a reduction in weighted average principal balances outstanding on our SBA debentures, Convertible Senior Notes and lower debt issuance cost amortization related to our Convertible Senior Notes and Asset Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees and loss on debt extinguishment (long-term liabilities convertible senior notes), of approximately 6.0% and 6.6% for the years ended December 31, 2015 and 2014, respectively. The decrease between comparative periods was primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments and a reduction

Table of Contents

Index to Financial Statements

in non-cash acceleration of debt issuance costs related to our SBA Debentures, Convertible Senior Notes and Asset Backed Notes as compared to the prior period, slightly offset by non-cash accelerations of debt issuance costs due to early pay downs on our Baby Bonds.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses increased to \$16.7 million from \$10.2 million for the years ended December 31, 2015 and 2014, respectively. This increase was primarily due to increased recruiting costs related to strategic hiring objectives, corporate legal expenses and outside consulting services.

Employee Compensation

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

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

Loss on Extinguishment of Convertible Senior Notes

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

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

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

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

Table of Contents**Index to Financial Statements**

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

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

During the year ended December 31, 2015, we recognized net realized gains of approximately \$5.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$12.6 million from the sale of investments in seven portfolio companies, including Box, Inc. (\$3.2 million), Atrenta, Inc. (\$2.6 million), Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Egalet Corporation (\$652,000), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000), and \$1.5 million from subsequent recoveries received on two previously written-off debt investments. These gains were partially offset by gross realized losses of approximately \$7.5 million primarily from the liquidation or write off of our investments in sixteen portfolio companies.

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

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

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

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

Table of Contents**Index to Financial Statements**

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

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

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

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

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

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

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

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

Table of Contents**Index to Financial Statements**

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

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

Income and Excise Taxes

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

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

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

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

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

Comparison of periods ended December 31, 2014 and 2013***Investment Income******Interest Income***

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

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

Table of Contents**Index to Financial Statements**

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

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

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

Fee Income

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

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the years ended December 31, 2014 and 2013, respectively.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Operating expenses totaled approximately \$70.3 million and \$66.6 million during the years ended December 31, 2014 and 2013, respectively.

Interest and Fees on our Borrowings

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

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

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

Table of Contents**Index to Financial Statements***General and Administrative Expenses*

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses increased to \$10.2 million from \$9.3 million for the years ended December 31, 2014 and 2013, respectively. These increases were primarily due to increases in facility rent, marketing, corporate legal expenses and outside consulting services partially offset by a decrease in accounting expenses.

Employee Compensation

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

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

Loss on Extinguishment of Convertible Senior Notes

Upon meeting the stock trading price conversion requirement as set forth in the Indenture, dated April 15, 2011, between us and U.S. Bank National Association, during the three months ended June 30, 2014, the Convertible Senior Notes became convertible on July 1, 2014 and continued to be convertible through December 31, 2014. As of December 31, 2014, holders of approximately \$57.3 million of our Convertible Senior Notes exercised their conversion rights and these Convertible Senior Notes were settled with a combination of cash equal to the outstanding principal amount of the Convertible Senior Notes and approximately 1.5 million shares of the Company's common stock, or \$24.3 million.

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

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

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

A summary of realized gains and losses for the years ended December 31, 2014 and 2013 is as follows:

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

Table of Contents**Index to Financial Statements**

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

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

S-45

Table of Contents

Index to Financial Statements

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

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC Topic 740, Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our qualification and election to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We distributed 100% of our spillover from long term capital gains for our taxable year ended December 31, 2014 to our shareholders during 2015.

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

For the years ended December 31, 2014 and 2013, the net increase in net assets resulting from operations totaled approximately \$71.2 million and approximately \$99.4 million, respectively. These changes are made up of the items previously described.

The basic and fully diluted net change in net assets per common share for the year ended December 31, 2014 were \$1.12 and \$1.10, respectively, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2013 were \$1.67 and \$1.63, respectively.

For the purpose of calculating diluted earnings per share for years ended December 31, 2014 and 2013, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation as our share price was greater than the conversion price of \$11.36 in effect as of December 31, 2014 and \$11.63 as of December 31, 2013 for the Convertible Senior Notes for such periods.

Financial Condition, Liquidity and Capital Resources

Our liquidity and capital resources are derived from our Credit Facilities, SBA debentures, Convertible Senior Notes, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the turnover of our portfolio and from public and private offerings of securities to finance our investment objectives. We may raise additional equity or debt capital through both registered offerings off a shelf registration, At-The-Market, or ATM, and private offerings of securities, by securitizing a portion of our investments or borrowing, including from the SBA through our SBIC subsidiaries.

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

During the year ended December 31, 2014, we sold 650,000 shares of common stock for total accumulated net proceeds of approximately \$9.5 million, all of which is accretive to net asset value. We generally use the net

Table of Contents

Index to Financial Statements

proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of December 31, 2015, approximately 7.35 million shares remained available for issuance and sale under the equity distribution agreement.

On February 24, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock. This plan expired on August 24, 2015. On August 27, 2015, our Board of Directors authorized a replacement stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock. We may repurchase shares of our common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in the most recently published financial statements. We expect that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. During the year ended December 31, 2015, we repurchased 437,006 shares of our common stock at an average price per share of \$10.61 per share and a total cost of approximately \$4.6 million. As of December 31, 2015, approximately \$45.4 million of common stock remains eligible for repurchase under the stock repurchase plan. See Subsequent Events.

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

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

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

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

At December 31, 2015, we had \$195.2 million in available liquidity, including \$95.2 million in cash and cash equivalents. We had available borrowing capacity of approximately \$25.0 million under the Wells Facility and \$75.0 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At December 31, 2015, we had \$118.5 million of cash in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At December 31, 2015, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

Table of Contents

Index to Financial Statements

At December 31, 2015, we had approximately \$9.2 million of restricted cash, which consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized 2021 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations. During the year ended December 31, 2015, we principally funded our operations from (i) cash receipts from interest, dividend and fee income from our investment portfolio and (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments.

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

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

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

As of December 31, 2015, net assets totaled \$717.1 million, with a NAV per share of \$9.94. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of December 31, 2015 our asset coverage ratio under our regulatory requirements as a business development company was 274.8%, excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total leverage when including our SBA debentures was 219.4% at December 31, 2015.

Table of Contents**Index to Financial Statements****Outstanding Borrowings**

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

(in thousands)	December 31, 2015		December 31, 2014	
	Total Available	Carrying Value ⁽¹⁾	Total Available	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 190,200	\$ 190,200
2019 Notes	110,364	110,364	170,364	170,364
2024 Notes	103,000	103,000	103,000	103,000
2017 Asset-Backed Notes			16,049	16,049
2021 Asset-Backed Notes	129,300	129,300	129,300	129,300
Convertible Senior Notes ⁽³⁾	17,604	17,522	17,674	17,345
Wells Facility ⁽⁴⁾	75,000	50,000	75,000	
Union Bank Facility ⁽⁴⁾	75,000		75,000	
Total	\$ 700,468	\$ 600,386	\$ 776,587	\$ 626,258

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

(2) At both December 31, 2015 and December 31, 2014, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.

(3) During the year ended December 31, 2015, holders of approximately \$70,000 of our Convertible Senior Notes exercised their conversion rights. The balance at December 31, 2015 represents the remaining aggregate principal amount outstanding of the Convertible Senior Notes less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total remaining unaccreted discount for the Convertible Senior Notes was approximately \$82,000 at December 31, 2015 and \$329,000 at December 31, 2014.

(4) Availability subject to meeting the borrowing base requirements.

Our net asset value may decline as a result of economic conditions in the United States. Our continued compliance with the covenants under our Credit Facilities, Convertible Senior Notes, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes and SBA debentures depend on many factors, some of which are beyond our control. Material net asset devaluation could have a material adverse effect on our operations and could require us to reduce our borrowings in order to comply with certain covenants, including the ratio of total assets to total indebtedness. We believe that our current cash and cash equivalents, cash generated from operations, and funds available from our Credit Facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Debt financing costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized into the Consolidated Statement of Operations as loan fees over the term of the related debt instrument. Prepaid financing costs, net of accumulated amortization, as of December 31, 2015 and December 31, 2014 were as follows:

(in thousands)	December 31, 2015	December 31, 2014
SBA Debentures	\$ 3,371	\$ 4,038
2019 Notes	2,185	4,352
2024 Notes	2,872	3,205
2017 Asset-Backed Notes		506
2021 Asset-Backed Notes	2,305	3,207
Convertible Senior Notes	44	175
Wells Facility	669	794
Union Bank Facility	229	156
Total	\$ 11,675	\$ 16,433

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

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

At December 31, 2015, we had approximately \$75.4 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, we had approximately \$40.5 million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

We also had approximately \$86.0 million of non-binding term sheets outstanding to eight new and existing companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

As of December 31, 2015, our unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

(in thousands)

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

Table of Contents**Index to Financial Statements****Contractual Obligations**

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

Contractual Obligations ⁽¹⁾⁽²⁾	Total	Payments due by period (in thousands)			After 5 years
		Less than 1 year	1 - 3 years	3 - 5 years	
Borrowings ⁽³⁾⁽⁴⁾	\$ 600,386	\$ 17,522	\$ 129,300	\$ 211,564	\$ 242,000
Operating Lease Obligations ⁽⁵⁾	4,843	1,624	2,924	295	
Total	\$ 605,229	\$ 19,146	\$ 132,224	\$ 211,859	\$ 242,000

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

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

(3) Includes \$190.2 million in borrowings under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the 2024 Notes, \$129.3 million in aggregate principal amount of the 2021 Asset-Backed Notes and \$17.5 million of the Convertible Senior Notes and \$50.0 million in outstanding borrowings on the Wells Facility as of December 31, 2015.

(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes is \$17.6 million less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total remaining unaccreted discount for the Convertible Senior Notes was \$82,000 at December 31, 2015.

(5) Long-Term facility leases.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$1.7 million, \$1.6 million and \$1.1 million during the years ended December 31, 2015, 2014, and 2013, respectively.

Indemnification Agreements

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

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

Borrowings*Long-Term SBA Debentures*

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With our net investment of \$44.0 million in HT II as of December 31, 2015, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of December 31, 2015. As of December 31, 2015, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2015 we held investments in HT II in 32 companies with a fair value of approximately \$79.5 million, accounting for approximately 6.6% of our total portfolio. HT II held approximately \$128.3 million in assets and accounted for approximately 7.6% of our total assets prior to consolidation at December 31, 2015.

Table of Contents**Index to Financial Statements**

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With our net investment of \$74.5 million in HT III as of December 31, 2015, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of December 31, 2015. As of December 31, 2015, HT III has paid commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2015, we held investments in HT III in 44 companies with a fair value of approximately \$255.9 million accounting for approximately 21.3% of our total portfolio. HT III held approximately \$310.8 million in assets and accounted for approximately 18.5% of the Company's total assets prior to consolidation at December 31, 2015.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of December 31, 2015 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the year ended December 31, 2015 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.52%. The average amount of debentures outstanding for the year ended December 31, 2015 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

Table of Contents**Index to Financial Statements**

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 6,969	\$ 7,328
Amortization of debt issuance cost (loan fees)	667	1,036
Total interest expense and fees	\$ 7,636	\$ 8,364

Cash paid for interest expense and fees	\$ 6,942	\$ 8,042
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As of December 31, 2015, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at December 31, 2015, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At December 31, 2015, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We reported the following SBA debentures outstanding on our Consolidated Statement of Assets and Liabilities as of December 31, 2015 and December 31, 2014:

(in thousands) Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	December 31, 2015	December 31, 2014
SBA Debentures:				
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge

2019 Notes

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

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

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On September 24, 2012, we and the 2019 Trustee, entered into the Second Supplemental Indenture to the Base Indenture (the Second Supplemental Indenture), dated as of September 24, 2012, relating to our issuance, offer and sale of \$75.0 million aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately \$72.75 million.

S-53

Table of Contents**Index to Financial Statements**

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

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

As of December 31, 2015 and December 31, 2014, the 2019 Notes payable is comprised of:

(in thousands)	December 31, 2015	December 31, 2014
April 2019 Notes	\$ 64,490	\$ 84,490
September 2019 Notes	45,874	85,874
Carrying Value of 2019 Notes	\$ 110,364	\$ 170,364

April 2019 Notes

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

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

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

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

September 2019 Notes

The September 2019 Notes will mature on September 30, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after September 30, 2015, upon not less than 30 days nor more

Table of Contents**Index to Financial Statements**

than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The September 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on March 30, June 30, September 30 and December 30 of each year, commencing on December 30, 2012, and trade on the NYSE under the trading symbol HTGY.

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

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

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

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 10,899	\$ 11,926
Amortization of debt issuance cost (loan fees)	2,167	967
Total interest expense and fees	\$ 13,066	\$ 12,893
Cash paid for interest expense and fees	\$ 11,132	\$ 11,926

As of December 31, 2015, we were in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes. See Note 4 to our consolidated financial statements for more detail on the 2019 Notes.

2024 Notes

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

Table of Contents**Index to Financial Statements**

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

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

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that we provide financial information to the holders of the 2024 Notes and the 2024 Trustee if we should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of December 31, 2015, we were in compliance with the terms of the Base Indenture, as supplemented by the Third Supplemental Indenture.

At both December 31, 2015 and December 31, 2014, the 2024 Notes had an outstanding principal balance of \$103.0 million.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 6,437	\$ 2,955
Amortization of debt issuance cost (loan fees)	333	153
Total interest expense and fees	\$ 6,770	\$ 3,108
Cash paid for interest expense and fees	\$ 6,437	\$ 1,887

2017 Asset-Backed Notes

On December 19, 2012, we completed a \$230.7 million term debt securitization in connection with which an affiliate of ours made an offer of \$129.3 million in aggregate principal amount of fixed-rate asset-backed notes, (the 2017 Asset-Backed Notes) which were rated A2(sf) by Moody's Investors Service, Inc. The 2017 Asset-Backed Notes were sold by the 2012 Securitization Issuer pursuant to a note purchase agreement, dated as of December 12, 2012, by and among us, the 2012 Trust Depositor, the 2012 Securitization Issuer, and Guggenheim Securities, LLC, as initial purchaser, and were backed by a pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies and serviced by us.

Table of Contents**Index to Financial Statements**

As part of this transaction, we entered into a sale and contribution agreement with the 2012 Trust Depositor under which we have agreed to sell or have contributed to the 2012 Trust Depositor certain senior loans made to certain of our portfolio companies (the 2012 Loans). We have made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2012 Loans as of the date of their transfer to the 2012 Trust Depositor.

At December 31, 2014, the 2017 Asset-Backed Notes had an outstanding principal balance of \$16.0 million. In February 2015, changes in the payment schedule of obligors in the 2017 Asset-Backed Notes collateral pool triggered a rapid amortization event in accordance with the sale and servicing agreement for the 2017 Asset-Backed Notes. Due to this event, the 2017 Asset-Backed Notes were fully repaid as of April 16, 2015.

Interest on the 2017 Asset-Backed Notes was paid, to the extent of funds available, at a fixed rate of 3.32% per annum. For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2017 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 141	\$ 1,628
Amortization of debt issuance cost (loan fees)	506	2,180
Total interest expense and fees	\$ 647	\$ 3,808

Cash paid for interest expense and fees

\$

\$

Under the terms of the 2017 Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2017 Asset-Backed Notes. We segregated these funds and classified them as restricted cash. There was approximately \$1.2 million of restricted cash as of December 31, 2014, funded through interest collections. As the 2017 Asset-Backed Notes were fully repaid as of April 16, 2015 there were no funds segregated as restricted cash related to the 2017 Asset-Backed Notes at December 31, 2015.

2021 Asset-Backed Notes

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

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, we have made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to us. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered

Table of Contents**Index to Financial Statements**

under the Securities Act (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(A)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2(a)(51) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provide by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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

We also serve as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At both December 31, 2015 and December 31, 2014, the 2021 Asset-Backed Notes had an outstanding principal balance of \$129.3 million.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 4,557	\$ 608
Amortization of debt issuance cost (loan fees)	902	117
Total interest expense and fees	\$ 5,459	\$ 725

Cash paid for interest expense and fees	\$ 4,557	\$ 418
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Under the terms of the 2021 Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. We have segregated these funds and classified them as restricted cash. There was approximately \$9.2 million and \$11.5 million of restricted cash as of December 31, 2015 and December 31, 2014, respectively, funded through interest collections. See Note 4 to our consolidated financial statements for more detail on the 2021 Asset-Backed Notes.

Convertible Senior Notes

In April 2011, we issued \$75.0 million in aggregate principal amount of 6.00% convertible senior notes due 2016. During the year ended December 31, 2015, holders of approximately \$70,000 of our Convertible Senior Notes exercised their conversion rights. As of December 31, 2015, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately \$17.5 million.

The Convertible Senior Notes mature on April 15, 2016, unless previously converted or repurchased in accordance with their terms. The Convertible Senior Notes bear interest at a rate of 6.00% per year payable

Table of Contents**Index to Financial Statements**

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

Prior to the close of business on the business day immediately preceding October 15, 2015, holders could convert their Convertible Senior Notes only under certain circumstances set forth in the indenture governing the Convertible Senior Notes. On or after October 15, 2015, until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Senior Notes at any time. Upon conversion, we will pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The conversion rate was initially 84.0972 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately \$11.89 per share of common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the conversion rate is increased for converting holders. As of December 31, 2015, the conversion rate was 90.6580 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$11.03 per share of common stock).

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

The Convertible Senior Notes are accounted for in accordance with ASC Subtopic 470-20 (previously the Financial Accounting Standards Board (FASB) Staff Position No. APB 14- 1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)). In accounting for the Convertible Senior Notes, we estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

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

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

Table of Contents**Index to Financial Statements**

of the debt instrument. The net loss on extinguishment of debt we recorded for the years ended December 31, 2015 and 2014 was approximately \$1,000 and \$1.6 million, respectively. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

As of December 31, 2015 and December 31, 2014, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	December 31, 2015	December 31, 2014
Principal amount of debt	\$ 17,604	\$ 17,674
Original issue discount, net of accretion	(82)	(329)
Carrying value of Convertible Senior Debt	\$ 17,522	\$ 17,345

For the years ended December 31, 2015 and 2014, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 1,007	\$ 2,753
Accretion of original issue discount	246	843
Amortization of debt issuance cost (loan fees)	131	450
Total interest expense and fees	\$ 1,384	\$ 4,046
Cash paid for interest expense and fees	\$ 1,057	\$ 3,465

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the years ended December 31, 2015 and December 31, 2014. Interest expense decreased by approximately \$1.7 million during the year ended December 31, 2015 from the year ended December 31, 2014, due to Convertible Senior Notes settled in the period. As of December 31, 2015, we are in compliance with the terms of the indentures governing the Convertible Senior Notes. See Note 4 to our consolidated financial statements for more detail on the Convertible Senior Notes.

Wells Facility

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC has made commitments of \$75.0 million. The Wells Facility contains an accordion feature, in which we can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo Capital Finance, LLC and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility.

Table of Contents**Index to Financial Statements**

Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the years ended December 31, 2015 and 2014, this non-use fee was approximately \$294,000 and \$380,000, respectively.

The Wells Facility also includes various financial and other covenants applicable to us and our subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require us to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of December 31, 2015, the minimum tangible net worth covenant has increased to \$590.4 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million. The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

We had aggregate draws of \$138.7 million on the available facility during the year ended December 31, 2015 offset by repayments of \$88.7 million. At December 31, 2015 there was \$50.0 million of borrowings outstanding on this facility. At December 31, 2014 there were no borrowings outstanding on this facility.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 578	\$ 198
Amortization of debt issuance cost (loan fees)	361	198
Total interest expense and fees	\$ 939	\$ 198
Cash paid for interest expense and fees	\$ 402	\$

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

Union Bank Facility

We have a \$75.0 million revolving senior secured credit facility with MUFG Union Bank, N.A. (MUFG Union Bank). We originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to \$75.0 million from \$30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. We further amended the Union Bank Facility in November 2015 but the amendment did not result in any material changes to the facility.

LIBOR-based borrowings under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously we paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings under the Union Bank Facility, which are

Table of Contents

Index to Financial Statements

based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced MUFG Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. We continue to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that we may incur.

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

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the years ended December 31, 2015 and 2014, this non-use fee was approximately \$380,000 and \$240,000, respectively. The amount that we may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

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

We have various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that we maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. As of December 31, 2015, the minimum tangible net worth covenant has increased to \$640.1 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million. The Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control.

At December 31, 2015 there were no borrowings outstanding on the Union Bank Facility. See Note 4 to our consolidated financial statements for more detail on the Union Bank Facility.

Citibank Credit Facility

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

During the year ended December 31, 2015, we reduced our realized gain by approximately \$143,000 for Citigroup's participation in the realized gain from the acquisition proceeds we received on equity exercised from warrants that were included in the collateral pool. We recorded an increase in participation liability and a decrease in unrealized appreciation by a net amount of approximately \$11,000 primarily due to appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement offset by the acquisition proceeds we received on our Atlanta, Inc. equity investment. The remaining value of their

Table of Contents**Index to Financial Statements**

participation right on unrealized gains in the related equity investments is approximately \$111,000 as of December 31, 2015 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid Citigroup approximately \$2.2 million under the warrant participation agreement thereby reducing realized gains by this amount. We will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the warrant participation agreement are set to expire between February 2016 and January 2017.

Dividends

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

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

\$ 11.54

* Dividend paid in cash and stock.

S-63

Table of Contents

Index to Financial Statements

On February 17, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on March 14, 2016 to shareholders of record as of March 7, 2016. This dividend will represent our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$11.54 per share.

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

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year. Of the dividends declared during the years ended December 31, 2015, 2014 and 2013, 100% were distributions derived from our current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of the tax attributes of our 2016 distributions to stockholders.

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

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

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

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

Table of Contents

Index to Financial Statements

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

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

Critical Accounting Policies

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

Reclassification

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

Valuation of Investments

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

At December 31, 2015, approximately 90.0% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC 946 and measured in accordance with ASC 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

See *Determination of Net Asset Value* for a discussion of our investment valuation process.

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

- (3) Transfers out of Level 3 during the year ended December 31, 2015 relate to the initial public offerings of Box, Inc., ZP Opco, Inc. (p.k.a. Zosano Pharma, Inc), Neos Therapeutics, Edge Therapeutics Inc., ViewRay, Inc., and Cerecor, Inc. in addition to the exercise of warrants in both Forescout, Inc. and Atrenta, Inc. to preferred stock. Transfers into Level 3 during the year ended December 31, 2015 relate to the acquisition of preferred stock as a result of the exercise of warrants in both Forescout, Inc. and Atrenta, Inc and the conversion of debt to equity in Home Dialysis Plus and Gynesonics.
- (4) Transfers in/out of Level 3 during the year ended December 31, 2014 relate to the conversion of Paratek Pharmaceuticals, Inc., SCI Energy, Inc., Oraya Therapeutics, Inc., and Neuralstem, Inc. debt to equity, the exercise of warrants in Box, Inc and WildTangent, Inc. to equity, the conversion of warrants in Glori Energy, Inc. to equity in the company's reverse public merger, the public merger of Paratek Pharmaceuticals, Inc. with Transcept Pharmaceuticals, Inc. and the initial public offerings of Concert Pharmaceuticals, Inc., Dicerna Pharmaceuticals, Inc., Everyday Health, Inc., Neothetics, Inc., Revance Therapeutics, Inc., and UniQure BV.
- (5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period.
- (6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

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

For the year ended December 31, 2014, approximately \$15.0 million and \$555,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$14.2 million and \$2.8 million in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

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

S-68

Table of Contents

Index to Financial Statements

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

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

(a) The significant unobservable inputs used in the fair value measurement of our securities are hypothetical market yields and premiums/(discounts). The hypothetical market yield is defined as the exit price of an investment in a hypothetical market to hypothetical market participants where buyers and sellers

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are willing participants. The premiums (discounts) relate to company specific characteristics such as underlying investment performance, security liens, and other characteristics of the investment. Significant increases (decreases) in the inputs in isolation may result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Consolidated Schedule of Investments are included in the industries note above as follows:

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

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

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

S-69

Table of Contents

Index to Financial Statements

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

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

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

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

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

Investment Type-Level Three

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

**Total Level Three Warrant and
Equity Investments**

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

S-70

Table of Contents**Index to Financial Statements**

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

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

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

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

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

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

Income Recognition

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

S-71

Table of Contents

Index to Financial Statements

At December 31, 2015, we had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively, compared to four debt investments on non-accrual at December 31, 2014 with a cumulative investment cost and fair value of approximately \$28.9 million and \$10.6 million, respectively. In addition, at December 31, 2015, we had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest is on non-accrual. The increase in the cumulative cost and fair value of debt investments on non-accrual between December 31, 2015 and December 31, 2014 is the result of placing three new debt investments on non-accrual status during the period, offset by the liquidation of two debt investments that were on non-accrual at December 31, 2014. During the year ended December 31, 2015, we recognized a realized loss of approximately \$180,000 on the write off of one debt investment that was on non-accrual at December 31, 2014. In addition, we recognized a realized loss of \$1.2 million on the partial write off of one debt investment that is on non-accrual as of December 31, 2015.

Paid-In-Kind and End of Term Income

Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our ability to be subject to tax as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately \$4.7 million and \$3.3 million in PIK income during the years ended December 31, 2015 and 2014, respectively.

Fee Income

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

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

Equity Offering Expenses

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

Debt Issuance Costs

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

Cash and Cash Equivalents

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

Table of Contents

Index to Financial Statements

Other Assets

Other Assets generally consists of prepaid expenses, deferred financing costs net of accumulated amortization, fixed assets net of accumulated depreciation, deferred revenues and deposits and other assets, including escrow receivable. The escrow receivable balance as of December 31, 2015 was approximately \$3.0 million and was fair valued and held in accordance with ASC 820.

Stock Based Compensation

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

Income Taxes

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

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

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

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

Table of Contents

Index to Financial Statements

Recent Accounting Pronouncements

In February 2015, the FASB issued Accounting Standards Updated (ASU) 2015-02, *Consolidation (Topic 810) Amendments to the Consolidation Analysis* . The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the variable interest entities (VIE) guidance. We currently consolidate all VIEs of which we are the primary beneficiary, thus we do not anticipate a material impact from adopting this standard on our financial statements. ASU 2015-02 is effective for public business entities for annual reporting periods beginning after December 15, 2015.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* , which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability and in August 2015, the FASB issued ASU 2015-15 *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* , which clarifies the application of ASU 2015-03 to debt issuance costs associated with line-of-credit arrangements and allows presentation of debt issuance costs on these instruments as assets that are amortized over the term of the instrument. Adoption of these standards will result in the presentation of our SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There will be no changes to the accounting or presentation of the Wells Facility as debt issuance costs are amortized over the term of the line of credit. ASU 2015-03 and ASU 2015-15 are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015.

Subsequent Events

Dividend Declaration

On February 17, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on March 14, 2016 to shareholders of record as of March 7, 2016. This dividend would represent our forty-second consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$11.54 per share.

Corporate Rebranding

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

Share Repurchase Program

On February 24, 2015, the Board of Directors approved a \$50.0 million open market share repurchase program and on February 17, 2016, the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in our then most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. Subsequent to December 31, 2015 and as of February 22, 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of February 22, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

Table of Contents**Index to Financial Statements***Restricted Stock Award Grants*

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

Closed and Pending Commitments

As of February 22, 2016, we have:

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

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

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

Closed Commitments and Pending Commitments (in millions)

Q1-16 Closed Commitments (as of February 22, 2016) ^(a)	\$ 126.4
Pending Commitments (as of February 22, 2016) ^(b)	143.5
Year to date 2016 Closed and Pending Commitments	\$ 269.9

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

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

Portfolio Company Developments

As of February 22, 2016, we held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

Quantitative and Qualitative Disclosure About Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle funds investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of December 31, 2015, approximately 93.7% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of December 31, 2015, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

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(in thousands)

Basis Point Change	Interest Income	Interest Expense	Net Income
(100)	\$ (2,677)	\$ (200)	\$ (2,477)
100	\$ 8,640	\$ 313	\$ 8,328
200	\$ 19,186	\$ 625	\$ 18,561
300	\$ 30,668	\$ 938	\$ 29,730
400	\$ 42,357	\$ 1,250	\$ 41,107
500	\$ 54,197	\$ 1,563	\$ 52,634

S-75

Table of Contents

Index to Financial Statements

We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations (and foreign currency) by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates (and foreign currencies), they may also limit our ability to participate in the benefits of lower interest rates (and foreign currencies) with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the year ended December 31, 2015, we did not engage in interest rate (or foreign currency) hedging activities.

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including borrowings under our Credit Facilities, SBA debentures, Convertible Senior Notes, 2019 Notes, 2024 Notes and 2021 Asset-Backed Notes that could affect the net increase in net assets resulting from operations, or net income. It also does not assume any repayments from borrowers. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

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

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

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

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

Table of Contents

Index to Financial Statements

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

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

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

Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company's consolidated financial statements, as stated in their report, which is included in this Annual Report on Form 10K.

Changes in Internal Control over Financial Reporting in 2015

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

Table of Contents**Index to Financial Statements****SENIOR SECURITIES**

Information about our senior securities is shown in the following table for the periods as of December 31, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006. The information as of December 31, 2015, 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2015 is attached as an exhibit to the registration statement of which this prospectus is a part. The ⁽⁶⁾ indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

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

Table of Contents**Index to Financial Statements**

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
Senior Convertible Notes			
December 31, 2011	\$ 75,000,000	\$ 10,623	\$ 885
December 31, 2012	\$ 75,000,000	\$ 15,731	\$ 1,038
December 31, 2013	\$ 75,000,000	\$ 16,847	\$ 1,403
December 31, 2014	\$ 17,674,000	\$ 74,905	\$ 1,290
December 31, 2015 ⁽⁶⁾	\$ 17,604,000	\$ 74,847	\$ 1,110
April 2019 Notes			
December 31, 2012	\$ 84,489,500	\$ 13,300	\$ 986
December 31, 2013	\$ 84,489,500	\$ 14,460	\$ 1,021
December 31, 2014	\$ 84,489,500	\$ 15,377	\$ 1,023
December 31, 2015 ⁽⁶⁾	\$ 64,489,500	\$ 20,431	\$ 1,017
September 2019 Notes			
December 31, 2012	\$ 85,875,000	\$ 13,086	\$ 1,003
December 31, 2013	\$ 85,875,000	\$ 14,227	\$ 1,016
December 31, 2014	\$ 85,875,000	\$ 15,129	\$ 1,026
December 31, 2015 ⁽⁶⁾	\$ 45,875,000	\$ 28,722	\$ 1,009
2024 Notes			
December 31, 2014	\$ 103,000,000	\$ 12,614	\$ 1,010
December 31, 2015 ⁽⁶⁾	\$ 103,000,000	\$ 12,792	\$ 1,014
2017 Asset-Backed Notes			
December 31, 2012	\$ 129,300,000	\$ 8,691	\$ 1,000
December 31, 2013	\$ 89,556,972	\$ 13,642	\$ 1,004
December 31, 2014	\$ 16,049,144	\$ 80,953	\$ 1,375
December 31, 2015 ⁽⁶⁾			
2021 Asset-Backed Notes			
December 31, 2014	\$ 129,300,000	\$ 10,048	\$ 1,000
December 31, 2015 ⁽⁶⁾	\$ 129,300,000	\$ 10,190	\$ 996
Total Senior Securities⁽⁷⁾			
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 134,250,000	\$ 3,985	N/A
December 31, 2008	\$ 216,782,000	\$ 2,764	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 170,000,000	\$ 3,478	N/A
December 31, 2011	\$ 310,186,830	\$ 2,409	N/A
December 31, 2012	\$ 599,664,500	\$ 1,874	N/A
December 31, 2013	\$ 559,921,472	\$ 2,182	N/A
December 31, 2014	\$ 626,587,644	\$ 2,073	N/A
December 31, 2015 ⁽⁶⁾	\$ 600,468,500	\$ 2,194	N/A

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

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

(3) Not applicable because senior securities are not registered for public trading.

(4) Issued by HT II, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.

Table of Contents

Index to Financial Statements

- (5) Issued by HT III, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (6) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
- (7) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of December 31, 2015 our asset coverage ratio under our regulatory requirements as a business development company was 274.8% excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.
- (8) As noted in footnote 7 above, the total senior securities and Asset Coverage per Unit shown does not represent the asset coverage ratio requirement under the 1940 Act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. Including our SBA debentures, in accordance with our exemption order from the SEC, our asset coverage ratio as of December 31, 2012 was 296.8%.

S-80

Table of Contents

Index to Financial Statements

SUPPLEMENT TO CERTAIN UNITED STATES INCOME TAX CONSIDERATIONS

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

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

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

Table of Contents

Index to Financial Statements

LEGAL MATTERS

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

EXPERTS

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

AVAILABLE INFORMATION

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

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

Table of Contents

Index to Financial Statements

INDEX TO FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

<u>Report of Independent Registered Public Accounting Firm</u>	S-84
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2015 and December 31, 2014</u>	S-85
<u>Consolidated Statements of Operations for the three years ended December 31, 2015</u>	S-87
<u>Consolidated Statements of Changes in Net Assets for the three years ended December 31, 2015</u>	S-88
<u>Consolidated Statements of Cash Flows for the three years ended December 31, 2015</u>	S-89
<u>Consolidated Schedule of Investments as of December 31, 2015</u>	S-90
<u>Consolidated Schedule of Investments as of December 31, 2014</u>	S-108
<u>Notes to Consolidated Financial Statements</u>	S-129
<u>Schedule 12-14 Investments In and Advances to Affiliates</u>	S-170

S-83

Table of Contents

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Board of Directors and Shareholders of

Hercules Capital, Inc.

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

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

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

/s/ PricewaterhouseCoopers LLP

San Francisco, California

February 25, 2016

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except per share data)

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

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

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

See notes to consolidated financial statements.

S-85

Table of Contents**Index to Financial Statements**

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

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

See notes to consolidated financial statements.

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

(in thousands, except per share data)

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

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Net increase in net assets resulting from operations	\$ 42,916	\$ 71,188	\$ 99,446
Net investment income before investment gains and losses per common share:			
Basic	\$ 1.04	\$ 1.13	\$ 1.22
Change in net assets resulting from operations per common share:			
Basic	\$ 0.60	\$ 1.12	\$ 1.67
Diluted	\$ 0.59	\$ 1.10	\$ 1.63
Weighted average shares outstanding			
Basic	69,479	61,862	58,838
Diluted	69,663	63,225	60,292
Dividends declared per common share:			
Basic	\$ 1.24	\$ 1.24	\$ 1.11
	See notes to consolidated financial statements.		

S-87

Table of ContentsIndex to Financial Statements

HERCULES CAPITAL, INC.

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(dollars and shares in thousands)

	Common Stock			Unrealized Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Undistributed net investment income/ (Distributions in excess of investment income)	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value	Capital in excess of par value					
Balance at December 31, 2012	52,925	\$ 53	\$ 564,508	\$ (7,947)	\$ (36,916)	\$ (3,388)	\$ (342)	\$ 515,968
Net increase (decrease) in net assets resulting from operations				11,545	14,836	73,065		99,446
Public offering, net of offering expenses	8,050	8	95,529					95,537
Issuance of common stock due to stock option exercises	2,019	2	25,245					25,247
Retired shares from net issuance	(1,739)	(2)	(26,112)					(26,114)
Issuance of common stock under restricted stock plan	606	1	(1)					
Retired shares for restricted stock vesting	(183)		(1,878)					(1,878)
Issuance of common stock as stock dividend	159		2,201					2,201
Dividends distributed						(66,454)		(66,454)
Stock-based compensation			6,054					6,054
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(8,952)		6,840	2,112		
Balance at December 31, 2013	61,837	\$ 62	\$ 656,594	\$ 3,598	\$ (15,240)	\$ 5,335	\$ (342)	\$ 650,007
Net increase (decrease) in net assets resulting from operations		\$	\$	\$ (20,674)	\$ 20,112	\$ 71,750	\$	\$ 71,188
Public offering, net of offering expenses	2,111	2	9,007					9,009
Issuance of common stock due to stock option exercises	354		3,955					3,955
Retired shares from net issuance	(277)		(4,564)					(4,564)
Issuance of common stock under restricted stock plan	990	1	(1)					
Retired shares for restricted stock vesting	(397)		(3,292)					(3,292)
Issuance of common stock as stock dividend	97		1,485					1,485
Dividends distributed						(78,562)		(78,562)
Stock-based compensation			9,638					9,638
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(15,589)		9,207	6,382		
Balance at December 31, 2014	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations		\$	\$	\$ (35,732)	\$ 5,147	\$ 73,501	\$	\$ 42,916
Public offering, net of offering expenses	7,591	8	100,084					100,092

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

See notes to consolidated financial statements.

S-88

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

(in thousands)

	For the Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net increase in net assets resulting from operations	\$ 42,916	\$ 71,188	\$ 99,446
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(712,701)	(623,232)	(487,558)
Principal and fee payments received on investments	509,593	503,003	477,535
Proceeds from the sale of investments	17,892	33,432	44,832
Net unrealized depreciation (appreciation) on investments	35,732	20,674	(11,545)
Net realized gain on investments	(5,147)	(20,112)	(14,836)
Accretion of paid-in-kind principal	(4,037)	(2,549)	(3,103)
Accretion of loan discounts	(8,049)	(9,792)	(6,652)
Accretion of loan discount on Convertible Senior Notes	246	843	1,083
Loss on debt extinguishment (Long-term Liabilities - Convertible Senior Notes)	1	1,581	
Payment of loan discount on Convertible Senior Notes	(5)	(4,195)	
Accretion of loan exit fees	(14,947)	(11,541)	(9,251)
Change in deferred loan origination revenue	1,904	(281)	1,409
Unearned fees related to unfunded commitments	(2,064)	(259)	(1,525)
Amortization of debt fees and issuance costs	5,161	5,256	4,044
Depreciation	193	266	252
Stock-based compensation and amortization of restricted stock grants	9,461	9,638	6,054
Change in operating assets and liabilities:			
Interest and fees receivable	213	(490)	672
Prepaid expenses and other assets	4,826	1,351	926
Accounts payable	(639)	271	54
Accrued liabilities	5,090	(1,583)	1,757
Net cash provided by (used in) operating activities	(114,361)	(26,531)	103,594
Cash flows from investing activities:			
Purchases of capital equipment	(187)	(190)	(311)
Reduction of (investment in) restricted cash	3,469	(6,389)	(6,271)
Other long-term assets		25	
Net cash provided by (used in) investing activities	3,282	(6,554)	(6,582)
Cash flows from financing activities:			
Issuance of common stock, net	100,092	9,837	95,120
Repurchase of common stock, net	(4,645)		
Retirement of employee shares	(4,562)	(3,901)	(2,744)
Dividends paid	(84,992)	(77,076)	(64,252)
Issuance of 2024 Notes Payable		103,000	
Issuance of 2021 Asset-Backed Notes		129,300	
Repayments of 2017 Asset-Backed Notes	(16,049)	(73,508)	(39,743)
Repayments of Long-Term SBA Debentures		(34,800)	
Repayments of 2019 Notes	(60,000)		
Borrowings of credit facilities	138,689		
Repayments of credit facilities	(88,689)		
Cash paid for debt issuance costs		(6,669)	
Cash paid for redemption of Convertible Senior Notes	(65)	(53,131)	

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Fees paid for credit facilities and debentures	(620)	(1,219)	(19)
Net cash used in financing activities	(20,841)	(8,167)	(11,638)
Net increase (decrease) in cash and cash equivalents	(131,920)	(41,252)	85,374
Cash and cash equivalents at beginning of period	227,116	268,368	182,994
Cash and cash equivalents at end of period	\$ 95,196	\$ 227,116	\$ 268,368
Supplemental non-cash investing and financing activities:			
Interest paid	\$ 30,527	\$ 25,738	\$ 25,245
Income taxes paid	\$ 973	\$ 133	\$ 85
Dividends Reinvested	\$ 2,446	\$ 1,485	\$ 2,201

See notes to consolidated financial statements.

S-89

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

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

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The Neat Company ⁽⁷⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Consumer & Business Products	Senior	September 2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 15,936	15,545	5,527
		Secured					

Subtotal: 1-5 Years Maturity	35,306	25,186
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Subtotal: Consumer & Business Products (3.55%)*	35,614	25,494
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Drug Delivery

1-5 Years Maturity

AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior	October 2017	Interest rate PRIME + 3.85% or Floor rate of 9.10%	\$ 20,466	\$20,772	\$20,678
		Secured					

Agile Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior	December 2018	Interest rate PRIME + 4.75% or Floor rate of 9.00%	\$ 16,500	16,231	16,107
		Secured					

BIND Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior	July 2018	Interest rate PRIME + 5.10% or Floor rate of 8.35%	\$ 15,000	15,119	15,044
		Secured					

BioQ Pharma Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 10,000	10,180	10,066
		Secured					

	Drug Delivery	Senior	May 2018	Interest rate PRIME + 7.00% or Floor rate of 10.50%	\$ 3,000	2,962	2,962
		Secured					

Total BioQ Pharma Incorporated	\$ 13,000	13,142	13,028
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Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior	June 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 14,573	14,594	14,609
		Secured					

Celsion Corporation ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior	June 2017	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 6,346	6,501	6,544
		Secured					

Dance Biopharm, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior	November 2017	Interest rate PRIME + 7.40% or Floor rate of 10.65%	\$ 2,705	2,776	2,757
		Secured					

Edge Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior	March 2018	Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 5,466	5,431	5,455
		Secured					

Egalet Corporation ⁽¹¹⁾⁽¹³⁾	Drug Delivery	Senior	July 2018	Interest rate PRIME + 6.15% or Floor rate of 9.40%	\$ 15,000	14,967	15,036
		Secured					

See notes to consolidated financial statements.

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

Portfolio Company	Sub-Industry	Type of		Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
		Investment ⁽¹⁾	Secured					
Neos Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾	Drug Delivery	Senior		October 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 10,000	\$ 10,000	\$ 10,007
		Secured						
	Drug Delivery	Senior		October 2017	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 10,000	10,043	9,998
		Secured						
Drug Delivery	Senior		October 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 5,000	4,977	4,957	
	Secured							
Total Neos Therapeutics, Inc.						\$ 25,000	25,020	24,962
Pulmatrix Inc. ⁽⁸⁾⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior		July	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 7,000	6,877	6,856
		Secured		2018				
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽¹⁰⁾⁽¹³⁾	Drug Delivery	Senior		December 2018	Interest rate PRIME + 2.70% or Floor rate of 7.95%	\$ 15,000	14,925	14,781
		Secured						
Subtotal: 1-5 Years Maturity							156,355	155,857
Subtotal: Drug Delivery (21.73%)*							156,355	155,857
Drug Discovery & Development								
1-5 Years Maturity								
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹³⁾	Drug Discovery & Development	Senior		January 2018	Interest rate PRIME + 6.65% or Floor rate of 11.90%	\$ 10,000	10,076	\$9,944
		Secured						
Cerecor, Inc. ⁽¹³⁾	Drug Discovery & Development	Senior		August 2017	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 5,688	5,705	5,740
		Secured						
Cerulean Pharma, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior		July	Interest rate PRIME + 1.55% or Floor rate of 7.30%	\$ 21,000	21,132	21,109
		Secured		2018				
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior		December 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$ 25,000	25,507	25,550
		Secured						
Epirus Biopharmaceuticals, Inc. ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior		April	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 15,000	14,852	14,924
		Secured		2018				

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Genocea Biosciences, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior	January 2019	Interest rate PRIME + 3.75% or Floor rate of 7.25%	\$ 17,000	17,008	16,948
		Secured					
Immune Pharmaceuticals ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior	September 2018	Interest rate PRIME + 6.50% or Floor rate of 10.00%	\$ 4,500	4,374	4,374
		Secured					
Insmed, Incorporated ⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior	January 2018	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 25,000	25,128	24,991
		Secured					
Mast Therapeutics, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior	January 2019	Interest rate PRIME + 5.70% or Floor rate of 8.95%	\$ 15,000	14,808	14,808
		Secured					
Melinta Therapeutics ⁽¹¹⁾⁽¹³⁾	Drug Discovery & Development	Senior	June 2018	Interest rate PRIME + 3.75% or Floor rate of 8.25%	\$ 30,000	29,843	29,703
		Secured					
Merrimack Pharmaceuticals, Inc. ⁽⁹⁾	Drug Discovery & Development	Senior	December 2022	Interest rate FIXED 11.50%	\$ 25,000	25,000	25,000
		Secured					
Neothetics, Inc. (p.k.a. Lithera, Inc) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior	January 2018	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 10,000	9,966	9,940
		Secured					
Neuralstem, Inc. ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 8,335	8,418	8,397
		Secured					
Paratek Pharmaceutcals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%	\$ 20,000	19,828	19,828
		Secured					
uniQure B.V. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior	June 2018	Interest rate PRIME + 5.00% or Floor rate of 10.25%	\$ 20,000	19,956	19,929
		Secured					
XOMA Corporation ⁽⁹⁾⁽¹³⁾⁽¹⁴⁾	Drug Discovery & Development	Senior	September 2018	Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$ 20,000	19,974	19,815
		Secured					
Subtotal: 1-5 Years Maturity						271,575	271,000
Subtotal: Drug Discovery & Development (37.79%)*						271,575	271,000
Electronics & Computer Hardware							
1-5 Years Maturity							
Persimmon Technologies ⁽¹³⁾	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 7,000	6,873	6,873
Subtotal: 1-5 Years Maturity						6,873	6,873
Subtotal: Electronics & Computer Hardware (0.96%)*						6,873	6,873

See notes to consolidated financial statements.

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Sustainable and Renewable Technology Under 1 Year Maturity							
Agrivida, Inc. ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 4,362	\$ 4,587	\$ 4,587
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 3,667	4,106	4,106
Fluidic, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 784	931	931
Polyera Corporation ⁽¹³⁾⁽¹⁴⁾	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 637	890	890
Stion Corporation ⁽⁵⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 2,200	2,200	1,013
Sungevity, Inc. ⁽¹¹⁾	Sustainable and Renewable Technology	Senior Secured	April 2016	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 20,000	20,000	20,000
Subtotal: Under 1 Year Maturity						32,714	31,527
1-5 Years Maturity							
American Superconductor Corporation ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 1,500	1,496	1,484
Amyris, Inc. ⁽⁹⁾⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 17,543	17,543	17,499
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 3,497	3,497	3,488
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 10,960	11,045	11,045
Total Amyris, Inc.					\$ 32,000	32,085	32,032
Modumetal, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$ 1,759	2,062	2,032
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 7,061	7,101	7,080

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Total Modumetal, Inc.					\$ 8,820	9,163	9,112
Polyera Corporation ⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	January 2017	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 1,254	1,455	1,455
Proterra, Inc. ⁽¹⁰⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95% or Floor rate of 10.20%	\$ 25,000	24,995	24,550
Sungevity, Inc. ⁽¹¹⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$ 35,000	34,733	34,773
Tendril Networks ⁽¹³⁾	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,735	14,477
Subtotal: 1-5 Years Maturity						118,662	117,883
Subtotal: Sustainable and Renewable Technology (20.83%)*						151,376	149,410

See notes to consolidated financial statements.

S-92

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10% or Floor rate of 9.35%	\$ 5,000	\$ 4,907	\$ 4,918
InstaMed Communications, LLC ⁽¹³⁾⁽¹⁴⁾	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,048	10,049
Subtotal: 1-5 Years Maturity						14,955	14,967
Subtotal: Healthcare Services, Other (2.09%)*						14,955	14,967
Information Services							
Under 1 Year Maturity							
Eccentex Corporation ⁽¹³⁾⁽¹⁶⁾	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 13	28	28
InXpo, Inc. ⁽¹³⁾⁽¹⁴⁾	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 1,589	1,624	1,624
Subtotal: Under 1 Year Maturity						1,652	1,652
Subtotal: Information Services (0.23%)*						1,652	1,652
Internet Consumer & Business Services							
Under 1 Year Maturity							
NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹⁴⁾	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%	\$ 381	373	
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%	\$ 45	45	
Total NetPlenish						\$ 426	418
Subtotal: Under 1 Year Maturity							418
1-5 Years Maturity							
Aria Systems, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%	\$ 18,101	17,850	17,673
						\$ 2,021	1,995

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	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%			
Total Aria Systems, Inc.					\$ 20,122	19,845	19,645
One Planet Ops Inc. (p.k.a. Reply! Inc.) ⁽⁷⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25% or Floor rate of 7.50%	\$ 6,321	5,811	5,811
	Internet Consumer & Business Services	Senior Secured	March 2019	PIK Interest 2.00%	\$ 2,129	2,129	55
Total One Planet Ops Inc. (p.k.a. Reply! Inc.)					\$ 8,450	7,940	5,866
ReachLocal ⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50% or Floor rate of 11.75%	\$ 25,000	24,868	24,769
Tapjoy, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 20,000	19,598	19,514

S-93

See notes to consolidated financial statements.

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Tectura Corporation ⁽⁷⁾⁽¹²⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 6,468	6,468	4,851
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 8,170	8,170	6,128
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 563	563	422
	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	5,000	3,750
Total Tectura Corporation					\$ 20,201	20,201	15,151
Subtotal: 1-5 Years Maturity						92,452	84,945
Subtotal: Internet Consumer & Business Services (11.85%)*						92,870	84,945
Media/Content/Info Under 1 Year Maturity							
Zoom Media Group, Inc.	Media/Content/Info	Senior Secured	January 2016	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 5,060	5,060	5,060
Subtotal: Under 1 Year Maturity						5,060	5,060
1-5 Years Maturity							
Machine Zone, Inc. ⁽¹²⁾	Media/Content/Info	Senior Secured	May 2018	Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00%	\$ 90,729	88,730	88,101
Subtotal: 1-5 Years Maturity						88,730	88,101
Subtotal: Media/Content/Info (12.99%)*						93,790	93,161
Medical Devices & Equipment Under 1 Year Maturity							
Medrobotics Corporation ⁽¹³⁾⁽¹⁴⁾		Senior Secured			\$ 576	\$ 735	\$ 735

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	Medical Devices & Equipment		March 2016	Interest rate PRIME + 7.85% or Floor rate of 11.10%			
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) ⁽¹³⁾	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 292	700	700
Subtotal: Under 1 Year Maturity						1,435	1,435
1-5 Years Maturity							
Amedica Corporation ⁽⁸⁾⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20% or Floor rate of 12.45%	\$ 17,051	17,642	17,350
Aspire Bariatrics, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%	\$ 7,000	6,771	6,739
Avedro, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 12,500	12,391	12,201

S-94

See notes to consolidated financial statements.

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Flowonix Medical Incorporated ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 6.50% or Floor rate of 10.00%	\$ 15,000	\$ 15,071	\$ 14,974
Gamma Medica, Inc. ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 4,000	4,009	3,989
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00% or Floor rate of 10.50%	\$ 5,009	5,380	3,764
Quanterix Corporation ⁽¹⁰⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75% or Floor rate of 8.00%	\$ 9,661	9,718	9,659
SynergEyes, Inc. ⁽¹³⁾⁽¹⁴⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 4,263	4,516	4,464
Subtotal: 1-5 Years Maturity						75,498	73,140
Subtotal: Medical Devices & Equipment (10.40%)*						76,933	74,575
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Senior Secured	July 2016	Interest rate PRIME + 4.75% or Floor rate of 8.00%	\$ 5,000	5,000	5,000
Subtotal: Under 1 Year Maturity						5,000	5,000
1-5 Years Maturity							
Achronix Semiconductor Corporation ⁽¹³⁾⁽¹⁴⁾	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 5,000	5,027	4,999
Aquantia Corporation	Semiconductors	Senior Secured	February 2017	Interest rate PRIME + 2.95% or Floor rate of 6.20%	\$ 5,001	5,001	5,001
Avnera Corporation ⁽¹⁰⁾⁽¹³⁾	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 7,500	7,498	7,568
Subtotal: 1-5 Years Maturity						17,526	17,568

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Subtotal: Semiconductors (3.15%)* 22,526 22,568

Software

Under 1 Year Maturity

Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁶⁾	Software	Senior Secured	December 2015	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 3,300	3,465	3,465
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,335	1,350	875
Neos, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	May 2016	Interest rate PRIME + 6.75% or Floor rate of 10.50%	\$ 729	895	895
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Senior Secured	August 2016	Interest rate PRIME + 2.25% or Floor rate of 6.50%	\$ 5,511	5,511	5,511

Subtotal: Under 1 Year Maturity 11,221 10,746

See notes to consolidated financial statements.

S-95

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
1-5 Years Maturity							
Actifio, Inc. ⁽¹²⁾	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,263	\$ 30,019	\$ 29,712
Clickfox, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 5,475	5,490	5,490
Druva, Inc. ⁽¹⁰⁾⁽¹³⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60% or Floor rate of 7.85%	\$ 12,000	12,080	12,034
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 11,082	11,174	7,245
Message Systems, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 17,500	17,103	17,013
	Software	Senior Secured	February 2017	Interest rate PRIME + 2.75% or Floor rate of 6.00%	\$ 1,618	1,618	1,616
Total Message Systems, Inc. RedSeal Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25% or Floor rate of 6.50%	\$ 19,118	18,721	18,629
	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 3,000	3,000	2,987
Total RedSeal Inc. Soasta, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25% or Floor rate of 5.50%	\$ 8,000	8,006	7,966
	Software	Senior Secured			\$ 3,500	3,432	3,419
	Software	Senior Secured			\$ 15,000	14,699	14,646

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			February 2018	Interest rate PRIME + 4.75% or Floor rate of 8.00%			
Total Soasta, Inc.					\$ 18,500	18,131	18,065
Touchcommerce, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00% or Floor rate of 10.25%	\$ 12,000	11,853	11,721
Subtotal: 1-5 Years Maturity						115,474	110,862
Subtotal: Software (16.96%)*						126,695	121,608
Specialty Pharmaceuticals							

See notes to consolidated financial statements.

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

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

See notes to consolidated financial statements.

S-97

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

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

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Subtotal: Drug Delivery (0.75%)*

3,674

5,402

Drug Discovery & Development

Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	167,864	842	212
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	399
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	379
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,695
Dynavax Technologies ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	483
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	618
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	1,178
Inotek Pharmaceuticals Corporation ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	43

See notes to consolidated financial statements.

S-98

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	\$ 1,000	\$ 1,284
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,026
Paratek Pharmaceutcals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,450
Subtotal: Drug Discovery & Development (1.36%)*					14,635	9,767
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	13
Subtotal: Electronics & Computer Hardware (0.00%)*					34	13
Sustainable and Renewable Technology						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	6
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	455
SCIEnergy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	
Sungevity, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,912
Subtotal: Sustainable and Renewable Technology (1.03%)*					8,176	7,373
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	244
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	264
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	249
Total Lightspeed POS, Inc.				428,707	500	513
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	349
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	248
Total Oportun (p.k.a. Progress Financial)				306,153	500	597

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Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	9,023	93		
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	28	
Taptera, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	454,545	150	99	
Subtotal: Internet Consumer & Business Services (0.21%)*					1,433	1,481	
Medical Devices & Equipment							
AtriCure, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	266	155	
Flownix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,953	

See notes to consolidated financial statements.

S-99

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Common Stock	198,202	\$	\$ 1,005
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	1,051
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	1,012
Total Gelesis, Inc.				581,038	925	3,068
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	208
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	189
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	500
Total Medrobotics Corporation				374,703	905	897
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	565
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	169
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,927
Total Optiscan Biomedical, Corp.				63,216,799	8,912	6,661
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	266
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	543
Subtotal: Medical Devices & Equipment (1.89%)*					14,535	13,543
Software						
Box, Inc. ⁽³⁾⁽¹⁴⁾	Software	Equity	Common Stock	1,287,347	5,653	17,957
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,031
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,368
	Software	Equity	Preferred Series E	80,587	131	350
Total ForeScout Technologies, Inc.				399,686	529	1,718
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Equity	Preferred Series E	669,173	963	1,016

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WildTangent, Inc. ⁽¹⁴⁾	Software	Equity	Preferred Series 3	100,000	402	190
Subtotal: Software (3.07%)*					8,905	21,991
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	32
	Surgical Devices	Equity	Preferred Series C	656,538	282	46
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	637
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	422
Total Gynesonics, Inc.				5,652,395	1,673	1,137

See notes to consolidated financial statements.

S-100

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	\$ 1,100	\$ 154
	Surgical Devices	Equity	Preferred Series C	119,999	300	96
	Surgical Devices	Equity	Preferred Series D	260,000	650	521
	Surgical Devices	Equity	Preferred Series F	100,200	500	471
Total Transmedics, Inc.			569,160	2,550	1,242	
Subtotal: Surgical Devices (0.33%)*					4,223	2,379
Total: Equity Investments (9.40%)*					59,217	67,442
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc. ⁽¹⁴⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	187
Subtotal: Biotechnology Tools (0.03%)*					323	187
Communications & Networking						
Intelepeer, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	62
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	375
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	236
SkyCross, Inc. ⁽¹⁴⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	53
Subtotal: Communications & Networking (0.10%)*					1,271	726
Consumer & Business Products						
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	2
Intelligent Beauty, Inc. ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	214
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	651

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Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A-1	150,212	24	10
Nasty Gal ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	20
The Neat Company ⁽¹⁴⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.13%)*					1,946	897
Diagnostic						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) ⁽³⁾⁽¹⁴⁾	Diagnostic	Warrant	Common Stock	333,333	244	17
Subtotal: Diagnostic (0.00%)*					244	17

See notes to consolidated financial statements.

S-101

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**

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

CONSOLIDATED SCHEDULE OF INVESTMENTS**December 31, 2015****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	176,730	\$ 786	\$ 238
Agile Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	180,274	730	680
BIND Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	152,586	488	6
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	423
Celator Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	210,675	138	59
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	20
Dance Biopharm, Inc. ⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	43,813	74	55
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	78,595	390	417
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,217
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	70,833	285	275
Pulmatrix Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	25,150	116	12
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽³⁾	Drug Delivery	Warrant	Common Stock	72,379	266	4
Subtotal: Drug Delivery (0.47%)*					4,296	3,406
Drug Discovery & Development						
ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	295	98
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	608,696	194	216
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	10
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	171,901	369	90
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	5
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	368
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	292,398	165	59
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	55
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	11
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	92
Immune Pharmaceuticals ⁽³⁾		Warrant	Common Stock	214,853	164	40

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	Drug Discovery & Development					
Mast Therapeutics, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	1,524,389	203	215
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	130
Nanotherapeutics, Inc. ⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,762
Neotherics, Inc. (p.k.a. Lithera, Inc) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	2
Neuralstem, Inc. ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	12

See notes to consolidated financial statements.

S-102

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	21,467	\$ 129	\$ 36
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	183
XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁴⁾	Drug Discovery & Development	Warrant	Common Stock	181,268	279	115
Subtotal: Drug Discovery & Development (0.49%)*					6,551	3,499
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	42
Subtotal: Electronics & Computer Hardware (0.01%)*					52	42
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	38
Alphabet Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	159
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	82
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	6
Calera, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	176
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	43
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	152
GreatPoint Energy, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	10
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	397,931	37	50
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 1	145,811	50	

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Total SCIEnergy, Inc.				676,622	231	
Scifiniti (p.k.a. Integrated Photovoltaics, Inc.) ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	82	48
Solexel, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	466
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	569
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	525
Total Sungevity, Inc.				52,472,222	1,445	1,094

See notes to consolidated financial statements.

S-103

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	\$ 299	\$
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	188	242
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	85
Trilliant, Inc. ⁽¹⁴⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	53
Subtotal: Sustainable and Renewable Technology (0.38%)*					7,686	2,704
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽¹⁴⁾	Healthcare Services, Other	Warrant	Common Stock	419,020	157	164
Subtotal: Healthcare Services, Other (0.02%)*					157	164
Information Services						
Cha Cha Search, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	46,874	82	3
InXpo, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,032,416	74	
Total InXpo, Inc.				1,680,816	172	2
RichRelevance, Inc. ⁽¹⁴⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.00%)*					410	5
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	88
Blurb, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	148
CashStar, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	34
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,104
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾		Warrant	Preferred Series C	245,610	20	82

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	Internet Consumer & Business Services					
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	104
Prism Education Group, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ReachLocal ⁽³⁾	Internet Consumer & Business Services	Warrant	Common Stock	300,000	155	290
ShareThis, Inc. ⁽¹⁴⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	93
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	8
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.27%)*					3,151	1,951
Media/Content/Info						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	143,626	1,802	2,086
Rhapsody International, Inc. ⁽¹⁴⁾	Media/Content/Info	Warrant	Common Stock	715,755	384	218
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	23
Subtotal: Media/Content/Info (0.32%)*					2,534	2,327

See notes to consolidated financial statements.

S-104

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

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	1,548,387	\$ 459	\$ 31
Aspire Bariatrics, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	236
Avedro, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	142
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	110,947	203	428
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	144
Gelesis, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	262
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	244
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	19
NinePoint Medical, Inc. ⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	119
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	312

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Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	63
Total Oraya Therapeutics, Inc.				1,633,038	742	63
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	298
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	115,618	156	60
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. ⁽³⁾⁽¹⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	84
Subtotal: Medical Devices & Equipment (0.34%)*					6,564	2,442

See notes to consolidated financial statements.

S-105

Table of ContentsIndex to Financial Statements

HERCULES CAPITAL, INC.

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁴⁾	Semiconductors	Warrant	Preferred Series C	360,000	\$ 160	\$ 27
	Semiconductors	Warrant	Preferred Series D-1	500,000	6	6
Total Achronix Semiconductor Corporation				860,000	166	33
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	39
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	47	65
Subtotal: Semiconductors (0.02%)*					217	137
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	210
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁴⁾	Software	Warrant	Preferred Series B	413,433	258	625
Clickfox, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	1,038,563	330	362
	Software	Warrant	Preferred Series C	592,019	730	272
	Software	Warrant	Preferred Series C-A	46,109	13	16
Total Clickfox, Inc.				1,676,691	1,073	650
Hillcrest Laboratories, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	1,865,650	55	138
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹⁴⁾	Software	Warrant	Preferred Series E	614,333	16	
Message Systems, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series B	408,011	334	497
Mobile Posse, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	396,430	130	59
Neos, Inc. ⁽¹⁴⁾	Software	Warrant	Common Stock	221,150	22	113
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	55
Poplicus, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	2,595,230		110
Soasta, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	410,800	691	561
Sonian, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series C	185,949	106	39
Touchcommerce, Inc. ⁽¹⁴⁾	Software	Warrant	Preferred Series E	2,282,968	446	581
Subtotal: Software (0.51%)*					3,601	3,638
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	660,377	729	435
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
Subtotal: Specialty Pharmaceuticals (0.06%)*					1,036	435
Surgical Devices						
Gynesonics, Inc. ⁽¹⁴⁾	Surgical Devices	Warrant	Preferred Series C	180,480	75	12

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	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	223
Total Gynesonics, Inc.				1,756,445	395	235
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	224	2
	Surgical Devices	Warrant	Preferred Series D	175,000	100	170
	Surgical Devices	Warrant	Preferred Series F	16,476	3	3
Total Transmedics, Inc.				231,912	327	175
Subtotal: Surgical Devices (0.06%)*					722	410
Total: Warrant Investments (3.21%)*					40,761	22,987
Total Investments (167.42%)*					\$ 1,252,281	\$ 1,200,638

See notes to consolidated financial statements.

S-106

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(dollars in thousands)

* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$29.3 million, \$81.4 million and \$52.1 million respectively. The tax cost of investments is \$1.3 billion.
- (3) Except for warrants in 37 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at December 31, 2015 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 5% but not more than 25% of the company's voting securities.
- (6) Control investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board. There were no control investments at December 31, 2015.
- (7) Debt is on non-accrual status at December 31, 2015, and is therefore considered non-income producing. Note that at December 31, 2015, only the PIK interest is on non-accrual for the Company's debt investment in Skycross, Inc and only the \$2.1 million PIK loan is on non-accrual for the Company's debt investment in One Planet Ops Inc. (p.k.a. Reply! Inc.).
- (8) Denotes that all or a portion of the debt investment is convertible debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility.
- (12) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or payment-in-kind, interest and is net of repayments.
- (13) Denotes that all or a portion of the debt investment includes an exit fee receivable. This fee ranges from 0.8% to 17.1% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (14) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly-owned SBIC subsidiaries.
- (15) The stated Maturity Date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) Repayment of debt investment is delinquent of the contractual maturity date as of December 31, 2015.

See notes to consolidated financial statements.

S-107

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Debt Investments							
Biotechnology Tools							
1-5 Years Maturity							
Labcyte, Inc. ⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Biotechnology Tools	Senior Secured	June 2016	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 2,695	\$ 2,869	\$ 2,869
Subtotal: 1-5 Years Maturity						2,869	2,869
Subtotal: Biotechnology Tools (0.44%)*						2,869	2,869
Communications & Networking 1-5 Years Maturity							
OpenPeak, Inc. ⁽¹⁰⁾⁽¹²⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,889	13,193	13,193
SkyCross, Inc. ⁽¹²⁾⁽¹³⁾	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 9.70% or Floor rate of 12.95%	\$ 22,000	21,580	20,149
Spring Mobile Solutions, Inc. ⁽¹⁰⁾⁽¹²⁾	Communications & Networking	Senior Secured	November 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 18,840	18,928	19,116
Subtotal: 1-5 Years Maturity						53,701	52,458
Subtotal: Communications & Networking (7.96%)*						53,701	52,458
Consumer & Business Products 1-5 Years Maturity							
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹²⁾⁽¹³⁾	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 5,000	4,912	4,884
	Consumer & Business Products	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 216	89	89
Total Antenna79 (p.k.a. Pong Research Corporation)					\$ 5,216	5,001	4,973
Fluc, Inc. ⁽⁸⁾	Consumer & Business Products	Convertible Senior Note	March	Interest rate FIXED 4.00%	\$ 100	100	100

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			2017				
IronPlanet, Inc. ⁽¹²⁾	Consumer & Business Products	Senior Secured	November	Interest rate PRIME + 6.20% or Floor rate of 9.45%	\$ 37,500	36,345	36,345
The Neat Company ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Consumer & Business Products	Senior Secured	September	Interest rate PRIME + 7.75% or Floor rate of 11.00%, PIK Interest			
			2017	1.00%	\$ 20,061	19,422	19,422
Subtotal: 1-5 Years Maturity						60,868	60,840
Subtotal: Consumer & Business Products (9.23%)*						60,868	60,840

See notes to consolidated financial statements.

S-108

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Drug Delivery							
Under 1 Year Maturity							
Revanche Therapeutics, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	\$ 2,098	\$ 2,458	\$ 2,458
	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	\$ 210	246	246
Total Revanche Therapeutics, Inc.					\$ 2,308	2,704	2,704
Subtotal: Under 1 Year Maturity						2,704	2,704
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85% or Floor rate of 9.10%	\$ 25,000	24,831	24,969
BIND Therapeutics, Inc. ⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	September 2016	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 3,274	3,343	3,228
BioQuiddity Incorporated ⁽¹²⁾	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 7,500	7,439	7,439
Celator Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 10,000	9,927	9,899
Celsion Corporation ⁽¹⁰⁾⁽¹²⁾	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 10,000	9,858	10,027
Dance Biopharm, Inc. ⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40% or Floor rate of 10.65%	\$ 3,905	3,871	3,864
Edge Therapeutics, Inc. ⁽¹²⁾	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 5.95% or Floor rate of 10.45%	\$ 3,000	2,847	2,847
Neos Therapeutics, Inc. ⁽¹²⁾⁽¹³⁾	Drug Delivery	Senior Secured	October 2018	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 5,000	4,916	4,916

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		2017				
	Drug Delivery	Senior Secured	October	Interest rate FIXED 9.00%		
			2017		\$ 10,000	10,010 10,063
Total Neos Therapeutics, Inc.					\$ 15,000	14,926 14,979
Zosano Pharma, Inc. (10)(12)	Drug Delivery	Senior Secured	June	Interest rate PRIME + 6.80% or Floor rate of 12.05%		
			2017		\$ 4,000	3,894 3,881
Subtotal: 1-5 Years Maturity						80,936 81,133
Subtotal: Drug Delivery (12.72%)*						83,640 83,837

See notes to consolidated financial statements.

S-109

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Drug Discovery & Development Under 1 Year Maturity							
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	December 2015	Interest rate PRIME + 7.15% or Floor rate of 11.90%	\$ 11,611	\$ 11,611	\$ 11,611
Concert Pharmaceuticals, Inc. ⁽¹⁰⁾	Drug Discovery & Development	Senior Secured	October 2015	Interest rate PRIME + 3.25% or Floor rate of 8.50%	\$ 7,175	7,142	7,142
Subtotal: Under 1 Year Maturity						18,753	18,753
1-5 Years Maturity							
ADMA Biologics, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	December 2017	Interest rate PRIME + 5.5% or Floor rate of 8.75%, PIK Interest 1.95%	\$ 5,000	4,879	4,933
	Drug Discovery & Development	Senior Secured	December 2017	Interest rate PRIME + 3.00% or Floor rate of 8.75%, PIK Interest 1.95%	\$ 10,153	10,032	10,144
Total ADMA Biologics, Inc.					\$ 15,153	14,911	15,077
Aveo Pharmaceuticals, Inc. ⁽⁹⁾⁽¹⁰⁾⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 6.65% or Floor rate of 11.90%	\$ 10,000	9,766	9,766

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Celladon Corporation ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	February	Interest rate PRIME +			
			2018	5.00% or Floor rate of			
				8.25%	\$ 10,000	10,022	10,022
Cempra, Inc. ⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	April	Interest rate PRIME +			
			2018	6.30% or Floor rate of			
				9.55%	\$ 18,000	18,020	18,560
Cerecor Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	August	Interest rate PRIME +			
			2017	6.30% or Floor rate of			
				9.55%	\$ 7,500	7,374	7,374
Cleveland BioLabs, Inc. ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	January	Interest rate PRIME +			
			2017	6.10% or Floor rate of			
				9.35%	\$ 1,883	1,883	1,920
CTI BioPharma Corp. (pka Cell Therapeutics, Inc.) ⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	October	Interest rate PRIME +			
			2016	6.75% or Floor rate of	\$ 4,584	4,584	4,712
				10.00%			
			October	Interest rate PRIME +			
			2016	9.00% or Floor rate of			
	12.25%	\$ 13,890	13,890	14,279			
Total CTI BioPharma Corp. (pka Cell Therapeutics, Inc.)					\$ 18,474	18,474	18,991

See notes to consolidated financial statements.

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Dynavax Technologies ⁽⁹⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 10,000	\$ 9,897	\$ 9,897
Epirus Biopharmaceuticals, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 7,500	7,308	7,308
Genocea Biosciences, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 2.25% or Floor rate of 7.25%	\$ 12,000	11,814	11,814
Insmed, Incorporated ⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 25,000	24,854	24,854
Melinta Therapeutics ⁽¹²⁾	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 5.00% or Floor rate of 8.25%	\$ 20,000	19,272	19,272
Merrimack Pharmaceuticals, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	November 2016	Interest rate PRIME + 5.30% or Floor rate of 10.55%	\$ 40,000	40,578	40,677
Neothetics, Inc. (pka Lithera, Inc) ⁽¹²⁾⁽¹³⁾	Drug Discovery &	Senior	January	Interest rate PRIME +	\$ 10,000	9,751	9,697

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	Development	Secured	2018	5.75% or Floor rate of			
				9.00%			
Neuralstem, Inc. ⁽¹²⁾⁽¹³⁾	Drug Discovery & Development	Senior	April	Interest rate PRIME +			
		Secured	2017	6.75% or Floor rate of			
				10.00%	\$ 9,489	9,333	9,333
uniQure B.V. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹²⁾	Drug Discovery & Development	Senior	June	Interest rate PRIME +			
		Secured	2018	5.00% or Floor rate of			
				10.25%	\$ 15,000	14,890	14,798
	Drug Discovery & Development	Senior	June	Interest rate PRIME +			
		Secured	2018	5.25% or Floor rate of			
				10.25%	\$ 5,000	4,962	4,931
Total Uniqure B.V.					\$ 20,000	19,852	19,729
Subtotal: 1-5 Years Maturity						233,109	234,291
Subtotal: Drug Discovery & Development (38.41%)*						251,862	253,044
Electronics & Computer Hardware							
1-5 Years Maturity							
Plures Technologies, Inc. ⁽⁷⁾⁽¹¹⁾	Electronics & Computer Hardware	Senior Secured	October	Interest rate LIBOR +			
			2016	8.75% or Floor rate of			
				12.00%, PIK Interest			
				4.00%	\$ 267	180	
Subtotal: 1-5 Years Maturity						180	
Subtotal: Electronics & Computer Hardware (0.00%)*						180	
Sustainable and Renewable Technology⁽¹⁶⁾							

See notes to consolidated financial statements.

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Under 1 Year Maturity							
Glori Energy, Inc. ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior	June	Interest rate PRIME +			
		Secured	2015	6.75% or Floor rate of			
				10.00%	\$ 1,778	\$ 2,042	\$ 2,042
Scifiniti (pka Integrated Photovoltaics, Inc.) ⁽¹³⁾	Sustainable and Renewable Technology	Senior	February	Interest rate PRIME +	\$	227	227
		Secured	2015	7.38% or Floor rate of			
				10.63%	227		
Stion Corporation ⁽⁵⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior	February	Interest rate PRIME +			
		Secured	2015	8.75% or Floor rate of			
				12.00%	\$ 2,954	2,993	1,600
TAS Energy, Inc. ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable Technology	Senior	December	Interest rate PRIME +			
		Secured	2015	7.75% or Floor rate of			
				11.00%	\$ 6,901	7,091	7,091
Subtotal: Under 1 Year Maturity						12,353	10,960
1-5 Years Maturity							
Agrivida, Inc. ⁽¹²⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior	December	Interest rate PRIME +			
		Secured	2016	6.75% or Floor rate of			
				10.00%	\$ 4,921	5,013	4,923
American Superconductor Corporation ⁽¹⁰⁾⁽¹²⁾	Sustainable and Renewable	Senior	March	Interest rate PRIME +	\$ 1,500	1,446	1,446
		Secured	2017				

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	Technology			7.75% or Floor rate of			
				11.00%			
	Sustainable and Renewable Technology	Senior	November	Interest rate PRIME +			
		Secured	2016	7.25% or Floor rate of			
				11.00%	\$ 7,667	7,847	7,847
Total American Superconductor Corporation Amyris, Inc.⁽⁹⁾⁽¹²⁾					\$ 9,167	9,293	9,293
	Sustainable and Renewable Technology	Senior	February	Interest rate PRIME +			
		Secured	2017	6.25% or Floor rate of			
				9.50%	\$ 25,000	25,000	25,170
	Sustainable and Renewable Technology	Senior	February	Interest rate PRIME +			
		Secured	2017	5.25% or Floor rate of			
				8.50%	\$ 5,000	5,000	5,034
Total Amyris, Inc. Fluidic, Inc.⁽¹⁰⁾⁽¹²⁾					\$ 30,000	30,000	30,204
	Sustainable and Renewable Technology	Senior	March	Interest rate PRIME +			
		Secured	2016	8.00% or Floor rate of			
				11.25%	\$ 3,674	3,747	3,721
Modumetal, Inc.⁽¹²⁾	Sustainable and Renewable Technology	Senior	March	Interest rate PRIME +			
		Secured	2017	8.70% or Floor rate of			
				11.95%	\$ 3,000	2,991	2,991
Polyera Corporation⁽¹²⁾⁽¹³⁾	Sustainable and Renewable Technology	Senior	June	Interest rate PRIME +			
		Secured	2016	6.75% or Floor rate of			
				10.00%	\$ 3,654	3,818	3,810
Subtotal: 1-5 Years Maturity						54,862	54,942
Subtotal: Sustainable and Renewable Technology⁽¹⁶⁾ (10.00%)*						67,215	65,902

See notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Healthcare Services, Other							
1-5 Years Maturity							
Chromadex Corporation ⁽¹²⁾⁽¹³⁾	Healthcare Services, Other	Senior	April	Interest rate PRIME +			
		Secured	2018	4.70% or Floor rate of			
				7.95%	\$ 2,500	\$ 2,407	\$ 2,407
InstaMed Communications, LLC ⁽¹³⁾	Healthcare Services, Other	Senior	March	Interest rate PRIME +			
		Secured	2018	6.75% or Floor rate of			
				10.00%	\$ 5,000	5,041	5,041
MDEverywhere, Inc. ⁽¹⁰⁾⁽¹²⁾	Healthcare Services, Other	Senior	January	Interest rate LIBOR +			
		Secured	2018	9.50% or Floor rate of			
				10.75%	\$ 3,000	2,962	2,962
Subtotal: 1-5 Years Maturity						10,410	10,410
Subtotal: Healthcare Services, Other (1.58%)*						10,410	10,410
Information Services							
Under 1 Year Maturity							
Eccentex Corporation ⁽¹⁰⁾⁽¹²⁾	Information Services	Senior	May	Interest rate PRIME +			
		Secured	2015	7.00% or Floor rate of			
				10.25%	\$ 204	218	184
Subtotal: Under 1 Year Maturity						218	184

1-5 Years Maturity

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INMOBI Inc. ⁽⁴⁾⁽⁹⁾⁽¹¹⁾⁽¹²⁾	Information Services	Senior	December	Interest rate PRIME +			
		Secured	2016	7.00% or Floor rate of			
				10.25%	\$ 9,612	9,283	9,283
	Information Services	Senior	December	Interest rate PRIME +			
		Secured	2017	5.75% or Floor rate of			
				9.00%, PIK Interest			
				2.50%	\$ 15,013	14,820	14,820
Total INMOBI Inc.					\$ 24,625	24,103	24,103
InXpo, Inc. ⁽¹²⁾⁽¹³⁾	Information Services	Senior	July	Interest rate PRIME +			
		Secured	2016	7.75% or Floor rate of			
				10.75%	\$ 2,057	2,073	1,976
Subtotal: 1-5 Years Maturity						26,176	26,079
Subtotal: Information Services (3.99%)*						26,394	26,263
Internet Consumer & Business Services							
Under 1 Year Maturity							
Gazelle, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior	December	Interest rate PRIME +	\$	1,231	1,231
		Secured	2015	6.50% or Floor rate of			
				9.75%	1,231		
NetPlenish ⁽⁷⁾⁽⁸⁾⁽¹³⁾	Internet Consumer & Business Services	Convertible Senior Note	April	Interest rate FIXED	\$	89	
			2015	10.00%		89	

See notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
	Internet Consumer & Business Services	Senior	September	Interest rate FIXED	\$ 381	\$ 373	\$
		Secured	2015	10.00%			
Total NetPlenish Reply! Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾					\$ 470	462	
	Internet Consumer & Business Services	Senior	September	Interest rate PRIME +			
		Secured	2015	6.88% or Floor rate of 10.13%, PIK Interest 2.00%	\$ 7,615	7,757	4,322
	Internet Consumer & Business Services	Senior	September	Interest rate PRIME +			
		Secured	2015	7.25% or Floor rate of 11.00%, PIK Interest 2.00%	\$ 1,680	1,749	955
Total Reply! Inc.					\$ 9,295	9,506	5,277
Tectura Corporation ⁽⁷⁾⁽¹¹⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior	May	Interest rate LIBOR +	\$	563	121
		Secured	2014	10.00% or Floor rate of 13.00%	563		
	Internet Consumer & Business Services	Senior	May	Interest rate LIBOR + 8.00% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 9,070	9,070	1,511
	Internet Consumer & Business Services	Senior	May	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	5,000	1,074
	Internet Consumer & Business	Senior	May	Interest rate LIBOR + 10.00% or Floor rate of 13.00%			

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	Services	Secured	2014		\$ 6,468	6,468	1,390
Total Tectura Corporation					\$ 21,101	21,101	4,096
Subtotal: Under 1 Year Maturity						32,300	10,604

1-5 Years Maturity

Education Dynamics, LLC ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	March 2016	Interest rate LIBOR + 12.5% or Floor rate of 12.50%, PIK Interest 1.50%	\$ 20,563	20,546	20,559
Gazelle, Inc. ⁽¹¹⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	July 2017	Interest rate PRIME + 7.00% or Floor rate of 10.25%, PIK Interest 2.50%	\$ 13,712	13,498	13,498
Just Fabulous, Inc. ⁽¹⁰⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	February 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$	14,468	14,768
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾	Internet Consumer & Business Services	Senior Secured	May 2018	Interest rate PRIME + 3.25% or Floor rate of 6.50%	\$ 15,000	1,985	1,994
						2,000	

See notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Reply! Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	February 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 2.00%	\$ 2,721	\$ 2,658	\$ 1,548
Tapjoy, Inc. ⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 3,000	\$ 2,921	\$ 2,921
WaveMarket, Inc. ⁽¹²⁾	Internet Consumer & Business Services	Senior Secured	March 2017	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 300	\$ 303	\$ 303
Subtotal: 1-5 Years Maturity						56,379	55,591
Subtotal: Internet Consumer & Business Services (10.05%)*						88,679	66,195
Media/Content/Info							
Under 1 Year Maturity							
Zoom Media Group, Inc. ⁽¹⁰⁾⁽¹¹⁾	Media/Content/Info	Senior Secured	December 2015	Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 3.75%	\$ 2,510	2,466	2,466
	Media/Content/Info	Senior Secured	December 2015	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 5,060	5,002	5,002
Total Zoom Media Group, Inc.					\$ 7,570	7,468	7,468
Subtotal: Under 1 Year Maturity						7,468	7,468
1-5 Years Maturity							
Rhapsody International, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹³⁾	Media/Content/Info	Senior Secured	April 2018	Interest rate PRIME + 5.25% or Floor rate of 9.00%, PIK interest of 1.50%	\$ 20,206	19,750	19,579
Subtotal: 1-5 Years Maturity						19,750	19,579

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Subtotal: Media/Content/Info (4.11%)* 27,218 27,047

Medical Devices & Equipment

Under 1 Year Maturity

Baxano Surgical, Inc. ⁽⁷⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	February 2015	Interest rate FIXED 12.50%	\$	86	80
						100	
Home Dialysis Plus, Inc. ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate FIXED 8.00%	\$	500	500
						500	
Oraya Therapeutics, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate PRIME + 5.50% or Floor rate of 10.25%, PIK Interest 1.00%	\$	6,174	6,146
							6,146

Subtotal: Under 1 Year Maturity 6,732 6,726

See notes to consolidated financial statements.

S-115

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
1-5 Years Maturity							
America Corporation ⁽⁸⁾⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$ 20,000	\$ 19,704	\$ 19,902
Avedro, Inc. ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	December 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 7,500	7,247	7,247
Baxano Surgical, Inc. ⁽⁷⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 12.50%	\$ 7,113	7,040	6,405
Flowonix Medical Incorporated ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 5.25% or Floor rate of 10.00%	\$ 15,000	14,675	14,675
Gamma Medica, Inc. ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 4,000	3,874	3,874
Home Dialysis Plus, Inc. ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	October 2017	Interest rate PRIME + 6.35% or Floor rate of 9.60%	\$ 15,000	14,780	14,780
InspireMD, Inc. ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 8,818	8,897	6,486
Medrobotics Corporation ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85% or Floor rate of 11.10%	\$ 2,680	2,765	2,755
nContact Surgical, Inc. ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	November 2018	Interest rate PRIME + 9.25% or Floor rate of 9.25%	\$ 10,000	9,735	9,735
NetBio, Inc. ⁽¹⁰⁾	Medical Devices & Equipment	Senior Secured	August 2017	Interest rate PRIME + 5.00% or Floor rate of 11.00%	\$ 4,870	4,669	4,718
NinePoint Medical, Inc. ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January 2016	Interest rate PRIME + 5.85% or Floor rate of 9.10%	\$ 3,241	3,357	3,342
Quanterix Corporation ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	November 2017	Interest rate PRIME + 2.75% or Floor rate of 8.00%	\$ 5,000	4,930	4,911
SonaCare Medical, LLC (pka US HIFU, LLC) ⁽¹⁰⁾⁽¹²⁾	Medical Devices & Equipment	Senior Secured	April	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 875	1,200	1,209

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				2016			
SynergEyes, Inc. ⁽¹²⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	January	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 5,000	5,034	4,983
ViewRay, Inc. ⁽¹¹⁾⁽¹³⁾	Medical Devices & Equipment	Senior Secured	June	Interest rate PRIME + 7.00% or Floor rate of 10.25%, PIK			
			2017	Interest 1.50%	\$ 15,220	14,920	14,973
Subtotal: 1-5 Years Maturity						122,827	119,995
Subtotal: Medical Devices & Equipment (19.23%)*						129,559	126,721
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation	Semiconductors	Senior Secured	January	Interest rate PRIME + 10.60% or Floor rate of 13.85%			
			2015		\$ 95	95	95
Subtotal: Under 1 Year Maturity						95	95

See notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
1-5 Years Maturity							
Avnera Corporation ⁽¹⁰⁾⁽¹²⁾	Semiconductors	Senior Secured	April 2017	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 5,000	\$ 4,983	\$ 4,990
Subtotal: 1-5 Years Maturity						4,983	4,990
Subtotal: Semiconductors (0.77%)*						5,078	5,085
Software							
Under 1 Year Maturity							
CareCloud Corporation ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	July 2015	Interest rate PRIME + 1.40% or Floor rate of 4.65%	\$ 3,000	2,968	2,968
Clickfox, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	July 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 2,000	2,000	2,000
Mobile Posse, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	June 2015	Interest rate PRIME + 2.00% or Floor rate of 5.25%	\$ 1,000	993	988
Touchcommerce, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	January 2015	Interest rate PRIME + 2.25% or Floor rate of 6.50%	\$ 3,811	3,811	3,805
Subtotal: Under 1 Year Maturity						9,772	9,761
1-5 Years Maturity							
CareCloud Corporation ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	December 2017	Interest rate PRIME + 3.25% or Floor rate of 6.50%	\$ 208	204	201
	Software	Senior Secured	July 2017	Interest rate PRIME + 5.50% or Floor rate of 8.75%	\$ 10,000	9,839	9,740
	Software	Senior Secured	January 2018	Interest rate PRIME + 1.70% or Floor rate of 4.95%	\$ 3,000	2,929	2,884

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Total CareCloud Corporation Clickfox, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	December 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 13,208	12,972	12,825
JumpStart Games, Inc. (p.k.a Knowledge Adventure, Inc.) ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 6,000	6,010	5,948
						11,771	11,709
	Software	Senior Secured	October 2016	Interest rate PRIME + 8.25% or Floor rate of 11.50%		11,750	
					\$ 1,356	1,332	1,332
Total JumpStart Games, Inc. (p.k.a Knowledge Adventure, Inc.)					\$ 13,106	13,103	13,041
Mobile Posse, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	December 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 2,950	2,943	2,972
Neos Geosolutions, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	May 2016	Interest rate PRIME + 5.75% or Floor rate of 10.50%	\$ 2,332	2,454	2,444
Poplicus, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 1,500	1,504	1,487

See notes to consolidated financial statements.

S-117

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Soasta, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	February 2018	Interest rate PRIME + 4.75% or Floor rate of 8.00%	\$ 15,000	\$ 14,367	\$ 14,367
	Software	Senior Secured	February 2018	Interest rate PRIME + 2.25% or Floor rate of 5.50%	\$ 3,500	3,353	3,353
Total Soasta, Inc. Sonian, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	July 2017	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 5,500	5,450	5,436
StrongView Systems, Inc. ⁽¹²⁾	Software	Senior Secured	December 2017	Interest rate PRIME + 6.00% or Floor rate of 9.25%, PIK Interest 3.00%	\$ 10,000	9,779	9,779
Touchcommerce, Inc. ⁽¹²⁾⁽¹³⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 6.00% or Floor rate of 10.25%	\$ 5,000	4,903	4,953
Subtotal: 1-5 Years Maturity						76,838	76,605
Subtotal: Software (13.11%)*						86,610	86,366
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Cranford Pharmaceuticals, LLC ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	August 2015	Interest rate LIBOR + 8.25% or Floor rate of 9.50%	\$ 2,000	1,977	1,986
Subtotal: Under 1 Year Maturity						1,977	1,986
1-5 Years Maturity							
Alimera Sciences, Inc. ⁽¹⁰⁾	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65% or Floor rate of 10.90%	\$ 35,000	34,138	33,429
Cranford Pharmaceuticals, LLC ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Specialty Pharmaceuticals	Senior Secured	February 2017	Interest rate LIBOR + 9.55% or Floor rate of 10.80%, PIK Interest 1.35%	\$ 15,644	15,595	15,465

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Subtotal: 1-5 Years Maturity						49,733	48,894	
Subtotal: Specialty Pharmaceuticals (7.72%)*						51,710	50,880	
Surgical Devices								
Under 1 Year Maturity								
Transmedics, Inc. ⁽¹⁰⁾⁽¹²⁾	Surgical Devices	Senior Secured	November 2015	Interest rate FIXED		\$ 6,061	5,989	5,989
Subtotal: Under 1 Year Maturity						5,989	5,989	
Subtotal: Surgical Devices (0.91%)*						5,989	5,989	
Total Debt Investments (140.23%)*						951,982	923,906	

See notes to consolidated financial statements.

S-118

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

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

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

See notes to consolidated financial statements.

S-119

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Sustainable and Renewable Technology⁽¹⁶⁾						
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	\$ 165	\$ 76
SCIEnergy, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 1	385,000	761	22
Subtotal: Sustainable and Renewable Technology⁽¹⁶⁾ (0.01%)*					926	98
Information Services						
Good Technology Corporation (pka Visto Corporation) ⁽¹³⁾	Information Services	Equity	Common Stock	500,000	603	605
Subtotal: Information Services (0.09%)*					603	605
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	265
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	23,003	250	260
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
Progress Financial	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	233
Taptera, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	454,545	150	162
Subtotal: Internet Consumer & Business Services (0.14%)*					918	920
Media/Content/Info						
Everyday Health, Inc. (pka Waterfront Media, Inc.) ⁽³⁾	Media/Content/Info	Equity	Common Stock	97,060	1,000	1,432
Subtotal: Media/Content/Info (0.22%)*					1,000	1,432
Medical Devices & Equipment						
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,614
Gelesis, Inc. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Equity	LLC Interest	674,208	425	181
	Medical Devices & Equipment	Equity	LLC Interest	675,676	500	114
	Medical Devices & Equipment	Equity	LLC interests (Common)	674,208		31

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Total Gelesis, Inc.				2,024,092	925	326
Medrobotics Corporation ⁽¹³⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	149
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	167
Total Medrobotics Corporation				210,769	405	316
Novasys Medical, Inc.			Preferred Series			
	Medical Devices & Equipment	Equity	D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	455
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	138
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,260
Total Optiscan Biomedical, Corp				63,216,799	8,912	5,853
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	
Subtotal: Medical Devices & Equipment (1.23%)*					13,242	8,109

See notes to consolidated financial statements.

S-120

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****(FORMERLY KNOWN AS HERCULES TECHNOLOGY GROWTH CAPITAL, INC.)****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Software						
Atrenta, Inc.	Software	Equity	Preferred Series C	1,196,845	\$ 986	\$ 1,745
	Software	Equity	Preferred Series D	635,513	508	1,109
Total Atrenta, Inc				1,832,358	1,494	2,854
Box, Inc. ⁽¹³⁾⁽¹⁴⁾	Software	Equity	Preferred Series B	271,070	251	5,747
	Software	Equity	Preferred Series C	589,844	872	12,506
	Software	Equity	Preferred Series D	158,133	500	3,352
	Software	Equity	Preferred Series D-1	186,766	1,694	3,960
	Software	Equity	Preferred Series D-2	220,751	2,001	4,680
	Software	Equity	Preferred Series E	38,183	500	810
Total Box, Inc				1,464,747	5,818	31,055
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	519
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	228
WildTangent, Inc. ⁽¹³⁾	Software	Equity	Preferred Series 3	100,000	402	228
Subtotal: Software (5.31%)*					8,470	34,963
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc. ⁽¹³⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	101
	Surgical Devices	Equity	Preferred Series C	656,538	282	186
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	1,073
Total Gynesonics, Inc.				2,866,993	1,244	1,360
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	353
	Surgical Devices	Equity	Preferred Series C	119,999	300	180
	Surgical Devices	Equity	Preferred Series D	260,000	650	1,071
Total Transmedics, Inc.				468,960	2,050	1,604

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Subtotal: Surgical Devices (0.45%)* 3,294 2,964

Total: Equity Investments (10.89%)* 44,463 71,733

Warrant Investments

Biotechnology Tools

Labcyte, Inc. ⁽¹³⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	354
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Subtotal: Biotechnology Tools (0.05%)* 323 354

Communications & Networking

Intelepeer, Inc. ⁽¹³⁾	Communications & Networking	Warrant	Preferred Series C	117,958	102	18
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OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	104
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PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	45
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See notes to consolidated financial statements.

S-121

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	\$ 95	\$ 844
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	183
SkyCross, Inc. ⁽¹³⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	426
Subtotal: Communications & Networking (0.25%)*					1,271	1,620
Consumer & Business Products						
Antenna79 (p.k.a. Pong Research Corporation) ⁽¹³⁾	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	202
Intelligent Beauty, Inc. ⁽¹³⁾	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	327
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,077	1,067
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A	99,286	24	21
The Neat Company ⁽¹³⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	451
Subtotal: Consumer & Business Products (0.31%)*					1,924	2,068
Diagnostic						
Navidea Biopharmaceuticals, Inc. (pka Neoprobe) ⁽³⁾⁽¹³⁾	Diagnostic	Warrant	Common Stock	333,333	244	75
Subtotal: Diagnostic (0.01%)*					244	75
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹³⁾	Drug Delivery	Warrant	Common Stock	176,730	786	420
Alexza Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	37,639	645	
BIND Therapeutics, Inc. ⁽³⁾⁽¹³⁾	Drug Delivery	Warrant	Common Stock	71,359	367	6
BioQuiddity Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	1
Celator Pharmaceuticals, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	158,006	107	67
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	248
Dance Biopharm, Inc. ⁽¹³⁾	Drug Delivery	Warrant	Preferred Series A	97,701	74	109
Edge Therapeutics, Inc.	Drug Delivery	Warrant	Preferred Series C-1	107,526	390	217
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,108
Neos Therapeutics, Inc. ⁽¹³⁾	Drug Delivery	Warrant	Preferred Series C	170,000	285	235
Revance Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	53,511	557	64
Zosano Pharma, Inc. ⁽¹⁴⁾	Drug Delivery	Warrant	Common Stock	31,674	164	179
Subtotal: Drug Delivery (0.40%)*					4,398	2,654
Drug Discovery & Development						

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ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	295	366
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	608,696	194	107

See notes to consolidated financial statements.

S-122

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**

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

CONSOLIDATED SCHEDULE OF INVESTMENTS**December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Cerecor Inc.	Drug Discovery & Development	Warrant	Preferred Series B	625,208	\$ 70	\$ 47
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	156,250	105	10
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	164
Coronado Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	43
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	207
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	188
Horizon Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	3,735	52	4
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,151,936	604	590
Nanotherapeutics, Inc. ⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,421
Neothetics, Inc. (pka Lithera, Inc) ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	122
Neuralstem, Inc. ⁽³⁾⁽¹³⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	71
Paratek Pharmaceuticals, Inc. (p.k.a Transcept Pharmaceuticals, Inc) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	5,121	87	10
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	184
Subtotal: Drug Discovery & Development (0.54%)*					5,359	3,534
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	10
Subtotal: Electronics & Computer Hardware (0.00%)*					12	10
Sustainable and Renewable Technology⁽¹⁶⁾						
Agrivida, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	186
Alphabet Energy, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	81	135
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	588,235	39	40
Brightsource Energy, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series 1	174,999	780	213
Calera, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	256
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C	59,665	102	60

See notes to consolidated financial statements.

S-123

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	\$ 275	\$ 135
GreatPoint Energy, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	161,575	69	228
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 1	145,811	50	
Total SCIEnergy, Inc.	Sustainable and Renewable Technology			676,622	231	
Scifiniti (pka Integrated Photovoltaics, Inc.) ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	82	65
Solexel, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	666
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2154	1,378	
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series F	428,571	299	157
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	107
Trilliant, Inc. ⁽¹³⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	161	32
Subtotal: Sustainable and Renewable Technology⁽¹⁶⁾ (0.35%)*					6,421	2,280
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽¹³⁾	Healthcare Services, Other	Warrant	Common Stock	419,020	156	106
MDEverywhere, Inc.	Healthcare Services, Other	Warrant	Common Stock	129	94	11
Subtotal: Healthcare Services, Other (0.02%)*					250	117
Information Services						
Cha Cha Search, Inc. ⁽¹³⁾	Information Services	Warrant	Preferred Series G	48,232	58	20
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	42,187	74	72
InXpo, Inc. ⁽¹³⁾	Information Services	Warrant	Preferred Series C	648,400	98	26
	Information Services	Warrant	Preferred Series C-1	740,832	58	30

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Total InXpo, Inc.				1,389,232	156	56
RichRelevance, Inc. ⁽¹³⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.02%)*					386	148
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹³⁾	Internet Consumer &					
	Business Services	Warrant	Preferred Series B	218,684	299	79
	Internet Consumer &					
	Business Services	Warrant	Preferred Series C	234,280	636	173
Total Blurb, Inc.				452,964	935	252
CashStar, Inc. ⁽¹³⁾	Internet Consumer &					
	Business Services	Warrant	Preferred Series C-2	727,272	130	83
Gazelle, Inc. ⁽¹³⁾	Internet Consumer &					
	Business Services	Warrant	Preferred Series A-1	991,288	158	185
Just Fabulous, Inc.	Internet Consumer &					
	Business Services	Warrant	Preferred Series B	206,184	1,101	1,490
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer &					
	Business Services	Warrant	Preferred Series C	24,561	20	60

See notes to consolidated financial statements.

S-124

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Prism Education Group, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	\$ 43	\$
Progress Financial	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	63
Reply! Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	137,225	320	
ShareThis, Inc. ⁽¹³⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	282
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	430,485	263	125
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.39%)*					3,646	2,540
Media/Content/Info						
Mode Media Corporation ⁽¹³⁾	Media/Content/Info	Warrant	Preferred Series D	407,457	482	
Rhapsody International, Inc. ⁽¹³⁾	Media/Content/Info	Warrant	Common Stock	715,755	385	358
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	382
Subtotal: Media/Content/Info (0.11%)*					1,215	740
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹³⁾	Medical Devices & Equipment	Warrant	Common Stock	516,129	459	
Avedro, Inc. ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series D	1,308,451	401	553
Baxano Surgical, Inc. ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	882,353	439	
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	66,568	203	228
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	196
Gelesis, Inc. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Warrant	LLC Interest	263,688	78	1
Home Dialysis Plus, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	587
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	168,351	242	12
Medrobotics Corporation ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	182
MELA Sciences, Inc. ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	401	1

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nContact Surgical, Inc	Medical Devices & Equipment	Warrant	Preferred Series D-1	201,439	266	450
NetBio, Inc.	Medical Devices & Equipment	Warrant	Common Stock	2,568	408	60
NinePoint Medical, Inc. ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	204

See notes to consolidated financial statements.

S-125

Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	\$ 2	\$
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	219
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	
Total Oraya Therapeutics, Inc.				1,633,038	742	
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	69,371	104	164
SonaCare Medical, LLC (pka US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
ViewRay, Inc. ⁽¹³⁾	Medical Devices & Equipment	Warrant	Preferred Series C	312,500	333	359
Subtotal: Medical Devices & Equipment (0.49%)*					6,761	3,216
Semiconductors						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	160	9
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	102,958	14	32
Subtotal: Semiconductors (0.01%)*					174	41
Software						
Atrenta, Inc.	Software	Warrant	Preferred Series D	392,670	120	359
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹³⁾	Software	Warrant	Preferred Series B	413,433	258	482
Clickfox, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series B	1,038,563	330	783
	Software	Warrant	Preferred Series C	592,019	730	555
	Software	Warrant	Preferred Series C-A	46,109	14	35
Total Clickfox, Inc.				1,676,691	1,074	1,373
Daegis Inc. (pka Unify Corporation) ⁽³⁾⁽¹³⁾	Software	Warrant	Common Stock	718,860	1,434	5

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ForeScout Technologies, Inc.	Software	Warrant	Preferred Series E	80,587	41	74
Hillcrest Laboratories, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series E	1,865,650	54	106
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹³⁾	Software	Warrant	Preferred Series E	614,333	15	8
Mobile Posse, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series C	396,430	130	66
Neos Geosolutions, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series 3	221,150	22	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	34
Soasta, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series E	410,800	691	1,014
Sonian, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series C	185,949	106	72

See notes to consolidated financial statements.

S-126

Table of ContentsIndex to Financial Statements**HERCULES CAPITAL, INC.**(FORMERLY KNOWN AS **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**)**CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2014****(dollars in thousands)**

Portfolio Company	Sub-Industry	Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
StrongView Systems, Inc.	Software	Warrant	Preferred Series C	551,470	\$ 169	\$ 218
SugarSync, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series CC	332,726	78	78
	Software	Warrant	Preferred Series DD	107,526	34	26
Total SugarSync, Inc.				440,252	112	104
Touchcommerce, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series E	992,595	252	164
White Sky, Inc. ⁽¹³⁾	Software	Warrant	Preferred Series B-2	124,295	54	4
Subtotal: Software (0.62%)*					4,753	4,083
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	285,016	728	656
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	308	
Subtotal: Specialty Pharmaceuticals (0.10%)*					1,036	656
Surgical Devices						
Gynesonics, Inc. ⁽¹³⁾	Surgical Devices	Warrant	Preferred Series C	180,480	74	48
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	562
Total Gynesonics, Inc.				1,756,445	394	610
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	
	Surgical Devices	Warrant	Preferred Series D	175,000	100	352
Total Transmedics, Inc.				215,436	325	352
Subtotal: Surgical Devices (0.15%)*					719	962
Total Warrant Investments (3.81%)*					38,892	25,098
Total Investments (154.92%)*					\$ 1,035,337	\$ 1,020,737

* Value as a percent of net assets

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

(2)

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

- (3) Except for warrants in twenty-nine publicly traded companies and common stock in thirteen publicly traded companies, all investments are restricted at December 31, 2014 and were valued at fair value as determined in good faith by the Audit Committee of the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 5% but not more than 25% of the company's voting securities.
- (6) Control investment as defined under the Investment Company Act of 1940, as amended, in which Hercules owns at least 25% of the voting securities of the company or has greater than 50% representation on its board. There were no control investments at December 31, 2014.
- (7) Debt is on non-accrual status at December 31, 2014, and is therefore considered non-income producing.
- (8) Denotes that all or a portion of the debt investment is convertible senior debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitizations (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment principal includes accumulated PIK, or paid-in-kind, interest and is net of repayments.
- (12) Denotes that all or a portion of the debt investment includes an exit fee receivable.
- (13) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly-owned SBIC subsidiaries.

See notes to consolidated financial statements.

S-127

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2014

(dollars in thousands)

- (14) Subsequent to December 31, 2014, this company completed an initial public offering. Note that the December 31, 2014 fair value does not reflect any potential impact of the conversion of our preferred shares to common shares which may include reverse splits associated with the offering.
- (15) The stated Maturity Date for the Tectura assets reflects the last extension of the forbearance period on these loans. The borrower loans remain outstanding and management is continuing to work with the borrower to satisfy the obligations. The Company's investment team and Investment Committee continue to closely monitor developments at the borrower company.
- (16) In the Company's quarterly and annual reports filed with the commission prior to this Annual Report on Form 10-K for the year ended December 31, 2014, the Company referred to this industry sector as Energy Technology.

See notes to consolidated financial statements.

S-128

Table of Contents**Index to Financial Statements****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Description of Business and Basis of Presentation**

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

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

Reclassification

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

Valuation of Investments

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

At December 31, 2015, approximately 90.0% of the Company's total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's investments are carried at fair value in accordance with the 1940 Act and ASC 946 and measured in accordance with ASC 820. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

(in thousands)	Balance January 1, 2015	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Purchases ⁽⁵⁾	Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance December 31, 2015

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Senior Debt	\$ 923,906	\$ (2,295)	\$ (12,930)	\$ 699,555	\$	\$ (505,274)	\$	\$ (566)	\$ 1,102,396
Preferred Stock	57,548	2,598	(1,539)	15,076	(4,542)		685	(34,581)	35,245
Common Stock	1,387	(298)	743		(305)				1,527
Warrants	21,923	(3,849)	(4,749)	5,311	1,220			(1,291)	18,565
Escrow Receivable	3,598	71		511	(1,032)	(181)			2,967
Total	\$ 1,008,362	\$ (3,773)	\$ (18,475)	\$ 720,453	\$ (4,659)	\$ (505,455)	\$ 685	\$ (36,438)	\$ 1,160,700

S-132

Table of Contents**Index to Financial Statements**

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

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

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

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

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

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

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

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

For the year ended December 31, 2014, approximately \$15.0 million and \$555,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$14.2 million and \$2.8 million in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

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

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

S-134

Table of Contents**Index to Financial Statements**

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

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

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

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

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

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

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

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

S-135

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

S-136

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

Debt Investments

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

In making a good faith determination of the value of the Company's investments, the Company generally starts with the cost basis of the investment, which includes the value attributed to the original issue discount (OID), if any, and payment-in-kind (PIK) interest or other receivables which have been accrued to principal as earned. The Company then applies the valuation methods as set forth below.

S-137

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

Equity-Related Securities and Warrants

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

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

Table of Contents**Index to Financial Statements**

reviews the valuation of its portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date.

Portfolio Composition

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

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

(in thousands)

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

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2014	Investment Income	Year Ended December 31, 2014		Realized Gain/ (Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Gelesis, Inc.	Affiliate	\$ 327	\$	\$ (146)	\$	\$
Optiscan BioMedical, Corp.	Affiliate	6,072		(24)		
Stion Corporation	Affiliate	1,600	1,876	(3,112)		
Total		\$ 7,999	\$ 1,876	\$ (3,282)	\$	\$

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2013	Investment Income	Year Ended December 31, 2013		Realized Gain/ (Loss)
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation)	
Gelesis, Inc.	Affiliate	\$ 473	\$	\$ (1,193)	\$	\$
Optiscan BioMedical, Corp.	Affiliate	4,784	1,933	(225)		
Stion Corporation	Affiliate	5,724	462	593		

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Total	\$	10,981	\$	2,395	\$	(825)	\$		\$
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During the year ended December 31, 2015, changes to the capitalization structure of the portfolio company Gelesis, Inc. reduced the Company's investment below the threshold for classification as an affiliate investment.

S-139

Table of Contents**Index to Financial Statements**

A summary of the composition of the Company's investment portfolio as of December 31, 2015 and December 31, 2014 at fair value is shown as follows:

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 961,464	80.1%	\$ 740,659	72.6%
Senior Secured Debt	171,732	14.3%	208,345	20.4%
Preferred Stock	35,245	2.9%	57,548	5.6%
Common Stock	32,197	2.7%	14,185	1.4%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

The increase in common stock and the decrease in preferred stock is primarily due to the IPO of Box, Inc. on January 23, 2015 in which all of the Company's preferred shares were converted to common stock in the public portfolio company. Any potential future gain is subject to the price of the shares when the Company exits the investment.

A summary of the Company's investment portfolio, at value, by geographic location as of December 31, 2015 and December 31, 2014 is shown as follows:

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,167,281	97.2%	\$ 967,803	94.8%
Netherlands	20,112	1.7%	19,913	2.0%
England	8,884	0.8%	34	0.0%
Israel	3,764	0.3%	6,498	0.6%
Canada	595	0.0%	2,314	0.2%
India	2	0.0%	24,175	2.4%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

The following table shows the fair value the Company's portfolio by industry sector at December 31, 2015 and December 31, 2014:

(in thousands)	December 31, 2015		December 31, 2014	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 284,266	23.7%	\$ 267,618	26.2%
Drug Delivery	164,665	13.7%	88,491	8.7%
Sustainable and Renewable Technology	159,487	13.3%	68,280	6.7%
Software	147,237	12.3%	125,412	12.3%
Media/Content/Info	95,488	7.9%	29,219	2.9%
Medical Devices & Equipment	90,560	7.5%	138,046	13.5%
Internet Consumer & Business Services	88,377	7.4%	69,655	6.8%
Specialty Pharmaceuticals	52,088	4.3%	51,536	5.0%
Communications & Networking	33,213	2.8%	61,433	6.0%

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Consumer & Business Products	26,611	2.2%	63,225	6.2%
Semiconductors	22,705	1.9%	5,126	0.5%
Healthcare Services, Other	15,131	1.3%	10,527	1.0%
Surgical Devices	11,185	0.9%	9,915	1.0%
Electronics & Computer Hardware	6,928	0.6%	692	0.1%
Information Services	1,657	0.1%	27,016	2.6%
Biotechnology Tools	719	0.1%	3,721	0.4%
Diagnostic	321	0.0%	825	0.1%
Total	\$ 1,200,638	100.0%	\$ 1,020,737	100.0%

S-140

Table of Contents

Index to Financial Statements

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

Portfolio Activity

During the year ended December 31, 2015, the Company funded investments in debt securities and equity investments totaling approximately \$694.1 million and \$18.6 million, respectively. During the year ended December 31, 2015, the Company converted approximately \$566,000 of debt to equity in two portfolio companies. During the year ended December 31, 2015, the Company converted approximately \$330,000 of warrants to equity in three portfolio companies.

During the year ended December 31, 2014, the Company funded investments in debt securities and equity investments totaling approximately \$611.0 million and \$10.3 million, respectively. The Company converted approximately \$2.2 million of debt to equity in four portfolio companies in the year ended December 31, 2014.

During the year ended December 31, 2015, the Company recognized net realized gains of approximately \$5.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$12.6 million primarily from the sale of investments in seven portfolio companies, including Box, Inc. (\$3.2 million), Atrenta, Inc. (\$2.6 million), Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Egalet Corporation (\$652,000), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000), and \$1.5 million from subsequent recoveries received on two previously written-off debt investments. These gains were partially offset by gross realized losses of approximately \$7.5 million primarily from the liquidation or write off of the Company's investments in sixteen portfolio companies.

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

Investment Collateral

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At December 31, 2015, approximately 39.7% of the Company's portfolio company debt investments were secured by a first priority security interest in all of the assets of the portfolio company, including their intellectual property, 49.7% of the Company's portfolio company debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property, or subject to a negative pledge, 7.9% of the Company's portfolio company debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property and 2.7% of the Company's portfolio company debt investments were subordinated secured by all of the portfolio company's assets, including intellectual property. At December 31, 2015 the Company had no equipment only liens on any of the Company's portfolio companies.

Income Recognition

The Company records interest income on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan

Table of Contents**Index to Financial Statements**

becomes 90 days or more past due, or if management otherwise does not expect that principal, interest, and other obligations due will be collected in full, management will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or management believes the portfolio company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection.

At December 31, 2015, the Company had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively, compared to four debt investments on non-accrual at December 31, 2014 with a cumulative investment cost and fair value of approximately \$28.9 million and \$10.6 million, respectively. In addition, at December 31, 2015, the Company had one debt investment with an investment cost and fair value of approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest is on non-accrual. The increase in the cumulative cost and fair value of debt investments on non-accrual between December 31, 2015 and December 31, 2014 is the result of placing three new debt investments on non-accrual status during the period, offset by the liquidation of two debt investments that were on non-accrual at December 31, 2014. During the year ended December 31, 2015, the Company recognized a realized loss of approximately \$180,000 on the write off of one debt investment that was on non-accrual at December 31, 2014. In addition, the Company recognized a realized loss of \$1.2 million on the partial write off of one debt investment that is on non-accrual as of December 31, 2015.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the years ended December 31, 2015 and December 31, 2014.

Paid-In-Kind and End of Term Income

Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$4.7 million and \$3.3 million in PIK income in the years ended December 31, 2015 and 2014, respectively.

In addition, the Company may also be entitled to an end-of-term payment that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At December 31, 2015, the Company had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included as an offset to the cost basis of our current debt investments and approximately \$5.3 million was deferred related to expired commitments. At December 31, 2014 the Company had approximately \$19.3 million in exit fees receivable, of which approximately \$8.4 million was included as an offset to the cost basis of our current debt investments and approximately \$10.9 million was related to expired commitments.

To maintain the Company's status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though the cash has not yet been collected. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments.

Fee Income

Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio

Table of Contents**Index to Financial Statements**

companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$26.1 million of unamortized fees at December 31, 2015, of which approximately \$23.6 million was included as an offset to the cost basis of our current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2014 the Company had approximately \$21.9 million of unamortized fees, of which approximately \$17.4 million was included as an offset to the cost basis of our current debt investments and approximately \$4.5 million was deferred contingent upon the occurrence of a funding or milestone.

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

Equity Offering Expenses

The Company's offering costs are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing. Debt issuance costs are recognized as prepaid expenses and amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method. Prepaid financing costs, net of accumulated amortization, were as follows as of December 31, 2015 and December 31, 2014.

(in thousands)	December 31, 2015	December 31, 2014
SBA Debentures	\$ 3,371	\$ 4,038
2019 Notes	2,185	4,352
2024 Notes	2,872	3,205
2017 Asset-Backed Notes		506
2021 Asset-Backed Notes	2,305	3,207
Convertible Senior Notes	44	175
Wells Facility	669	794
Union Bank Facility	229	156
Total	\$ 11,675	\$ 16,433

Cash and Cash Equivalents

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

Other Assets

Other Assets generally consists of prepaid expenses, deferred financing costs net of accumulated amortization, fixed assets net of accumulated depreciation, deferred revenues and deposits and other assets, including escrow receivable. The escrow receivable balance as of December 31, 2015 was approximately \$3.0 million and was fair valued and held in accordance with ASC 820.

Table of Contents

Index to Financial Statements

Stock Based Compensation

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

Income Taxes

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

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes dividends in a timely manner to its stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding years (the *Excise Tax Avoidance Requirements*). The Company will not be subject to excise taxes on amounts on which the Company is required to pay corporate income tax (such as retained net capital gains).

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

The Company intends to distribute approximately \$8.2 million of spillover earnings from ordinary income for the taxable year ended December 31, 2015 to the Company's shareholders in 2016. The Company distributed 100% of its spillover from long term capital gains for the taxable year ended December 31, 2014 to the Company's shareholders in 2015.

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

Table of Contents

Index to Financial Statements

Earnings Per Share (EPS)

Basic EPS is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and restricted stock for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable pursuant to stock options and to restricted stock for which future service is required as a condition to the delivery of the underlying common stock.

Comprehensive Income

The Company reports all changes in comprehensive income in the Consolidated Statement of Operations. Comprehensive income is equal to net increase in net assets resulting from operations.

Dividends

Dividends and distributions to common stockholders are approved by the Board of Directors on a quarterly basis and the dividend payable is recorded on the ex-dividend date.

The Company maintains an opt out dividend reinvestment plan that provides for reinvestment of the Company's distribution on behalf of the Company's stockholders, unless a stockholder elects to receive cash. As a result, if the Company's Board of Directors authorizes, and the Company declares a cash dividend, then the Company's stockholders who have not opted out of the Company's dividend reinvestment plan will have their cash dividend automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash dividends. During 2015, 2014, and 2013, the Company issued approximately 199,894, 96,976, and 159,000 shares, respectively, of common stock to shareholders in connection with the dividend reinvestment plan.

Segments

The Company lends to and invests in portfolio companies in various technology-related industries, including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment.

Recent Accounting Pronouncements

In February 2015, the FASB issued Accounting Standards Update (ASU) 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis . The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The Company currently consolidates all VIEs of which it is the primary beneficiary, thus the Company does not anticipate a material impact from adopting this standard on its financial statements. ASU 2015-02 is effective for public business entities for annual reporting periods beginning after December 15, 2015.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs , which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability and in August 2015, the FASB issued ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements , which clarifies the application of ASU

Table of Contents**Index to Financial Statements**

2015-03 to debt issuance costs associated with line-of-credit arrangements and allows presentation of debt issuance costs on these instruments as assets that are amortized over the term of the instrument. Adoption of these standards will result in the presentation of the Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. There will be no changes to the accounting or presentation of the Wells Facility as debt issuance costs are amortized over the term of the line of credit. ASU 2015-03 and ASU 2015-15 are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015.

3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables including escrow receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes, the April 2019 Notes, the September 2019 Notes (together with the April 2019 Notes, the 2019 Notes), the 2024 Notes, 2021 Asset-Backed Notes, and the SBA debentures, as each term is defined herein, as sources of liquidity remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. At December 31, 2015, the April 2019 Notes were trading on the New York Stock Exchange (NYSE) for \$25.42 per share at par value, the September 2019 Notes were trading on the NYSE for \$25.23 per share at par value and the 2024 Notes were trading on the NYSE for \$25.34 per share at par value. The par value at underwriting for each of these notes was \$25.00 per share. Based on market quotations on or around December 31, 2015, the Convertible Senior Notes were quoted for 1.110 per dollar at par value and the 2021 Asset-Backed Notes were quoted for 0.996 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately \$194.1 million, compared to the carrying amount of \$190.2 million as of December 31, 2015. The fair value of the outstanding borrowings under the Wells Facility at December 31, 2015 is equal to its transaction price as the Company renegotiated the terms of the agreement with Wells Fargo Capital Finance, LLC in December 2015.

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

The liabilities of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's liabilities at December 31, 2015 and December 31, 2014.

(in thousands)

Description ⁽¹⁾	December 31, 2015	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 19,540	\$	\$ 19,540	\$
Wells Facility	50,000			50,000
2021 Asset-Backed Notes	128,775		128,775	
April 2019 Notes	65,573		65,573	
September 2019 Notes	46,297		46,297	
2024 Notes	104,401		104,401	
SBA Debentures	194,121			194,121
Total	\$ 608,707	\$	\$ 364,586	\$ 244,121

S-146

Table of Contents**Index to Financial Statements**

(in thousands)

Description	December 31, 2014	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Convertible Senior Notes	\$ 22,799	\$	\$ 22,799	\$
2017 Asset-Backed Notes	22,068			22,068
2021 Asset-Backed Notes	129,300		129,300	
April 2019 Notes	86,450		86,450	
September 2019 Notes	88,073		88,073	
2024 Notes	104,071		104,071	
SBA Debentures	191,779			191,779
Total	\$ 644,540	\$	\$ 430,693	\$ 213,847

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

4. Borrowings***Outstanding Borrowings***

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

(in thousands)	December 31, 2015		December 31, 2014	
	Total Available	Carrying Value ⁽¹⁾	Total Available	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 190,200	\$ 190,200
2019 Notes	110,364	110,364	170,364	170,364
2024 Notes	103,000	103,000	103,000	103,000
2017 Asset-Backed Notes			16,049	16,049
2021 Asset-Backed Notes	129,300	129,300	129,300	129,300
Convertible Senior Notes ⁽³⁾	17,604	17,522	17,674	17,345
Wells Facility ⁽⁴⁾	75,000	50,000	75,000	
Union Bank Facility ⁽⁴⁾	75,000		75,000	
Total	\$ 700,468	\$ 600,386	\$ 776,587	\$ 626,258

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

(2) At both December 31, 2015 and December 31, 2014, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.

(3) During the year ended December 31, 2015, holders of approximately \$70,000 of the Company's Convertible Senior Notes exercised their conversion rights. The balance at December 31, 2015 represents the remaining aggregate principal amount outstanding of the Convertible Senior Notes less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total remaining unaccreted discount for the Convertible Senior Notes was approximately \$82,000 at December 31, 2015 and \$329,000 at December 31, 2014.

(4) Availability subject to the Company meeting the borrowing base requirements.

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of December 31, 2015, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of December 31, 2015. As of December 31, 2015, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As

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of December 31, 2015, the Company held investments in HT II in 32 companies with a fair value of approximately \$79.5 million, accounting for approximately 6.6% of the Company's total portfolio. HT II held approximately \$128.3 million in assets and accounted for approximately 7.6% of the Company's total assets prior to consolidation at December 31, 2015.

S-147

Table of Contents**Index to Financial Statements**

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of December 31, 2015, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of December 31, 2015. As of December 31, 2015, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2015, the Company held investments in HT III in 44 companies with a fair value of approximately \$255.9 million, accounting for approximately 21.3% of the Company's total portfolio. HT III held approximately \$310.8 million in assets and accounted for approximately 18.5% of the Company's total assets prior to consolidation at December 31, 2015.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of December 31, 2015 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the year ended December 31, 2015 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.52%. The average amount of debentures outstanding for the year ended December 31, 2015 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

Table of Contents**Index to Financial Statements**

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 6,969	\$ 7,328
Amortization of debt issuance cost (loan fees)	667	1,036
Total interest expense and fees	\$ 7,636	\$ 8,364

Cash paid for interest expense and fees	\$ 6,942	\$ 8,042
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As of December 31, 2015, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at December 31, 2015, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At December 31, 2015, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

The Company reported the following SBA debentures outstanding on its Consolidated Statement of Assets and Liabilities as of December 31, 2015 and December 31, 2014:

(in thousands)

Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	December 31, 2015	December 31, 2014
SBA Debentures:				
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge

2019 Notes

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

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

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On September 24, 2012, the Company and the 2019 Trustee, entered into the Second Supplemental Indenture to the Base Indenture (the Second Supplemental Indenture), dated as of September 24, 2012, relating to the Company's issuance, offer and sale of \$75.0 million aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately \$72.75 million.

S-149

Table of Contents**Index to Financial Statements**

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

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

As of December 31, 2015 and December 31, 2014, the 2019 Notes payable is comprised of:

(in thousands)	December 31, 2015	December 31, 2014
April 2019 Notes	\$ 64,490	\$ 84,490
September 2019 Notes	45,874	85,874
Carrying Value of 2019 Notes	\$ 110,364	\$ 170,364

April 2019 Notes

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

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

The Base Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants requiring the Company's compliance with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the April 2019 Notes and the 2019 Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934, as amended (the Exchange Act). These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the First Supplemental Indenture. The Base Indenture provides for customary events of default and further provides that the 2019 Trustee or the holders of 25% in aggregate principal amount of the outstanding April 2019 Notes in a series may declare such April 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

Table of Contents**Index to Financial Statements***September 2019 Notes*

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

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

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

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

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 10,899	\$ 11,926
Amortization of debt issuance cost (loan fees)	2,167	967
Total interest expense and fees	\$ 13,066	\$ 12,893
Cash paid for interest expense and fees	\$ 11,132	\$ 11,926

As of December 31, 2015, the Company was in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes.

2024 Notes

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and

Table of Contents**Index to Financial Statements**

the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated net proceeds of approximately \$99.9 million.

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

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

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of December 31, 2015, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

At both December 31, 2015 and December 31, 2014, the 2024 Notes had an outstanding principal balance of \$103.0 million.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 6,437	\$ 2,955
Amortization of debt issuance cost (loan fees)	333	153
Total interest expense and fees	\$ 6,770	\$ 3,108
Cash paid for interest expense and fees	\$ 6,437	\$ 1,887

2017 Asset-Backed Notes

On December 19, 2012, the Company completed a \$230.7 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of fixed-

Table of Contents**Index to Financial Statements**

rate asset-backed notes (the 2017 Asset-Backed Notes), which were rated A2(sf) by Moody's Investors Service, Inc. The 2017 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2012-1 pursuant to a note purchase agreement, dated as of December 12, 2012, by and among the Company, Hercules Capital Funding Trust 2012-1, LLC as trust depositor (the 2012 Trust Depositor), Hercules Capital Funding Trust 2012-1 as issuer (the 2012 Securitization Issuer), and Guggenheim Securities, LLC, as initial purchaser, and were backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and serviced by the Company.

As part of this transaction, the Company entered into a sale and contribution agreement with the 2012 Trust Depositor under which the Company has agreed to sell or have contributed to the 2012 Trust Depositor certain senior loans made to certain of the Company's portfolio companies (the 2012 Loans). The Company made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2012 Loans as of the date of their transfer to the 2012 Trust Depositor.

At December 31, 2014, the 2017 Asset-Backed Notes had an outstanding principal balance of \$16.0 million. In February 2015, changes in the payment schedule of obligors in the 2017 Asset-Backed Notes collateral pool triggered a rapid amortization event in accordance with the sale and servicing agreement for the 2017 Asset-Backed Notes. Due to this event, the 2017 Asset-Backed Notes were fully repaid as of April 16, 2015.

Interest on the 2017 Asset-Backed Notes was paid, to the extent of funds available, at a fixed rate of 3.32% per annum. For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2017 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 141	\$ 1,628
Amortization of debt issuance cost (loan fees)	506	2,180
Total interest expense and fees	\$ 647	\$ 3,808

Cash paid for interest expense and fees	\$	\$
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Under the terms of the 2017 Asset Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2017 Asset-Backed Notes. The Company segregated these funds and classified them as restricted cash. There was approximately \$1.2 million of restricted cash as of December 31, 2014, funded through interest collections. As the 2017 Asset-Backed Notes were fully repaid as of April 16, 2015 there were no funds segregated as restricted cash related to the 2017 Asset-Backed Notes at December 31, 2015.

2021 Asset-Backed Notes

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

Table of Contents**Index to Financial Statements**

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(A)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2(a)(51) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provide by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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

The Company also serves as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At both December 31, 2015 and December 31, 2014, the 2021 Asset-Backed Notes had an outstanding principal balance of \$129.3 million.

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 4,557	\$ 608
Amortization of debt issuance cost (loan fees)	902	117
Total interest expense and fees	\$ 5,459	\$ 725

Cash paid for interest expense and fees	\$ 4,557	\$ 418
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Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has

Table of Contents**Index to Financial Statements**

segregated these funds and classified them as restricted cash. There was approximately \$9.2 million and \$11.5 million of restricted cash as of December 31, 2015 and December 31, 2014, respectively, funded through interest collections.

Convertible Senior Notes

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible senior notes due 2016 (the *Convertible Senior Notes*). During the year ended December 31, 2015, holders of approximately \$70,000 of the Company's *Convertible Senior Notes* exercised their conversion rights. As of December 31, 2015, the carrying value of the *Convertible Senior Notes*, comprised of the aggregate principal amount outstanding less the remaining unaccreted discount initially recorded upon issuance of the *Convertible Senior Notes*, is approximately \$17.5 million.

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

Prior to the close of business on the business day immediately preceding October 15, 2015, holders could convert their *Convertible Senior Notes* only under certain circumstances set forth in the indenture governing the *Convertible Senior Notes*. On or after October 15, 2015, until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their *Convertible Senior Notes* at any time. Upon conversion, the Company will pay or deliver, as the case may be, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The conversion rate was initially 84.0972 shares of common stock per \$1,000 principal amount of *Convertible Senior Notes* (equivalent to an initial conversion price of approximately \$11.89 per share of common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the conversion rate is increased for converting holders. As of December 31, 2015, the conversion rate was 90.6580 shares of common stock per \$1,000 principal amount of *Convertible Senior Notes* (equivalent to an adjusted conversion price of approximately \$11.03 per share of common stock).

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

The *Convertible Senior Notes* are accounted for in accordance with ASC Subtopic 470-20 (previously FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*). In accounting for the *Convertible Senior Notes*, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the *Convertible Senior Notes* were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the *Convertible Senior Notes* was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

Table of Contents**Index to Financial Statements**

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

The Company recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount on Notes converted during the period. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt the Company recorded for the years ended December 31, 2015 and 2014 was approximately \$1,000 and \$1.6 million, respectively. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

As of December 31, 2015 and December 31, 2014, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	December 31, 2015	December 31, 2014
Principal amount of debt	\$ 17,604	\$ 17,674
Original issue discount, net of accretion	(82)	(329)
Carrying value of Convertible Senior Debt	\$ 17,522	\$ 17,345

For the years ended December 31, 2015 and 2014, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 1,007	\$ 2,753
Accretion of original issue discount	246	843
Amortization of debt issuance cost (loan fees)	131	450
Total interest expense and fees	\$ 1,384	\$ 4,046
Cash paid for interest expense and fees	\$ 1,057	\$ 3,465

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the years ended December 31, 2015 and December 31, 2014. Interest expense decreased by approximately \$1.7 million during the year ended December 31, 2015 from the year ended December 31, 2014, due to Convertible Senior Notes settled in the period. As of December 31, 2015, the Company is in compliance with the terms of the indentures governing the Convertible Senior Notes.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly-owned subsidiary, Hercules Funding II LLC (Hercules Funding II), entered into an Amended and Restated Loan and Security Agreement (the Wells

Table of Contents

Index to Financial Statements

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC has made commitments of \$75.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the years ended December 31, 2015 and 2014, this non-use fee was approximately \$294,000 and \$380,000, respectively.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of December 31, 2015, the minimum tangible net worth covenant has increased to \$590.4 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million. The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

The Company had aggregate draws of \$138.7 million on the available facility during the year ended December 31, 2015 offset by repayments of \$88.7 million. At December 31, 2015 there was \$50.0 million of borrowings outstanding on this facility. At December 31, 2014 there were no borrowings outstanding on this facility.

Table of Contents**Index to Financial Statements**

For the years ended December 31, 2015 and 2014, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Interest expense	\$ 578	\$
Amortization of debt issuance cost (loan fees)	361	198
Total interest expense and fees	\$ 939	\$ 198
Cash paid for interest expense and fees	\$ 402	\$

Union Bank Facility

The Company has a \$75.0 million revolving senior secured credit facility (the Union Bank Facility) with MUFG Union Bank, N.A. (MUFG Union Bank). The Company originally entered into the Union Bank Facility on February 10, 2010 but, following several amendments, amended and restated the Union Bank Facility on August 14, 2014. The amendment and restatement extends the maturity date of the Union Bank Facility to August 1, 2017, increases the size of the Union Bank Facility to \$75.0 million from \$30.0 million, and adjusts the interest rate for LIBOR borrowings under the Union Bank Facility. The Company further amended the Union Bank Facility in November 2015 but the amendment did not result in any material changes to the facility.

LIBOR-based borrowings by the Company under the Union Bank Facility will bear interest at a rate per annum equal to LIBOR plus 2.25% with no floor, whereas previously the Company paid a per annum interest rate on such borrowings equal to LIBOR plus 2.50% with a floor of 4.00%. Other borrowings by the Company under the Union Bank Facility, which are based on a reference rate instead of LIBOR, will continue to bear interest at a rate per annum equal to the reference rate (which is the greater of the federal funds rate plus 1.00% and a periodically announced MUFG Union Bank index rate) plus the greater of (i) 4.00% minus the reference rate and (ii) 1.00%. The Company continues to have the option of determining which type of borrowing to request under the Union Bank Facility. Subject to certain conditions, the amendment also removes a previous ceiling on the amount of certain unsecured indebtedness that the Company may incur.

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

The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the years ended December 31, 2015 and 2014, this non-use fee was approximately \$380,000 and \$240,000, respectively. The amount that the Company may borrow under the Union Bank Facility is determined by applying an advance rate to eligible loans. The Union Bank Facility generally requires payment of monthly interest on loans based on a reference rate and at the end of a one, two, or three-month period, as applicable, for loans based on LIBOR. All outstanding principal is due upon maturity.

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

The Company has various financial and operating covenants required by the Union Bank Facility. These covenants require, among other things, that the Company maintain certain financial ratios, including liquidity, asset coverage, and debt service coverage, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$550.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after June 30, 2014. As of December 31, 2015, the minimum tangible net worth covenant has increased to \$640.1 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million. The

Table of Contents

Index to Financial Statements

Union Bank Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control.

At December 31, 2015 there were no borrowings outstanding on the Union Bank Facility.

Citibank Credit Facility

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

During the year ended December 31, 2015, the Company reduced its realized gain by approximately \$143,000 for Citigroup's participation in the realized gain from the acquisition proceeds the Company received on equity exercised from warrants that were included in the collateral pool. The Company recorded an increase in participation liability and a decrease in unrealized appreciation by a net amount of approximately \$11,000 primarily due to appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement offset by the acquisition proceeds the Company received on its Atrenta, Inc. equity investment. The remaining value of their participation right on unrealized gains in the related equity investments is approximately \$111,000 as of December 31, 2015 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately \$2.2 million under the warrant participation agreement thereby reducing realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between February 2016 and January 2017.

5. Income Taxes

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

To qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing dividends of an amount at least equal 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, to its stockholders. We, among other things, have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal income taxes. However, depending on the level of taxable income earned in a taxable year, we may choose to carry forward taxable income in excess of current taxable year dividend distributions into the next taxable year and pay a 4% excise tax on such taxable income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current taxable year distributions, we will accrue excise tax, if any, on estimated excess taxable income as taxable income is earned.

Table of Contents**Index to Financial Statements**

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. Permanent differences may also result from the classification of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. During the year ended December 31, 2015 and 2014, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to accelerated revenue recognition for income tax purposes, respectively, as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Undistributed net investment income (distributions in excess of investment income)	\$ (994)	\$ 6,382
Accumulated realized gains	\$ 8,767	\$ 9,207
Additional paid-in capital	\$ (7,773)	\$ (15,589)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long-term capital gains or a combination thereof. The tax character of distributions paid for the year ended December 31, 2015 was ordinary income in the amount of \$70.6 million and long term capital gains in the amount of \$15.3 million. The tax character of distributions paid for the year ended December 31, 2014 was ordinary income in the amount of \$73.2 million.

The aggregate gross unrealized appreciation of the Company's investments over cost for federal income tax purposes was \$29.3 million and \$46.1 million as of December 31, 2015 and 2014, respectively. The aggregate gross unrealized depreciation of the Company's investments under cost for federal income tax purposes was \$81.4 million and \$63.4 million as of December 31, 2015 and 2014, respectively. The net unrealized depreciation over cost for federal income tax purposes was \$52.1 million and \$17.3 million as of December 31, 2015 and 2014, respectively. The aggregate cost of securities for federal income tax purposes was \$1.3 billion and \$1.0 billion as of December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Statements of Assets and Liabilities by temporary book/tax differences primarily arising from the treatment of loan related yield enhancements.

(in thousands)	Year Ended December 31,	
	2015	2014
Accumulated Capital Gains	\$ 7,962	\$ 16,663
Other Temporary Differences	4,117	1,795
Undistributed Ordinary Income	236	
Unrealized Depreciation	(47,498)	(16,891)
Components of Distributable Earnings	\$ (35,183)	\$ 1,567

The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes.

Based on an analysis of the Company's tax position, there are no uncertain tax positions that met the recognition or measurement criteria. The Company is currently not undergoing any tax examinations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The 2012-2014 federal tax years for the Company remain subject to examination by the IRS. The 2011-2014 state tax years for the Company remain subject to examination by the state taxing authorities.

Table of Contents**Index to Financial Statements****6. Shareholders' Equity.**

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

During the year ended December 31, 2014, the Company sold 650,000 shares of common stock for total accumulated net proceeds of approximately \$9.5 million, all of which is accretive to net asset value. The Company has not sold any shares of common stock under this agreement during the year ended December 31, 2015. The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of December 31, 2015, approximately 7.35 million shares remain available for issuance and sale under the equity distribution agreement.

On February 24, 2015, the Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. This plan expired on August 24, 2015. On August 27, 2015, the Board of Directors authorized a replacement stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in the most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. During the year ended December 31, 2015, the Company repurchased 437,006 shares of its common stock at an average price per share of \$10.61 per share and a total cost of approximately \$4.6 million. As of December 31, 2015, approximately \$45.4 million of common stock remains eligible for repurchase under the stock repurchase plan. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for further information on the repurchases made during the period. See Note 14 Subsequent Events.

The Company anticipates that the manner, timing, and amount of any share purchases will be determined by management based upon the evaluation of market conditions, stock price, and additional factors in accordance with regulatory requirements. Pursuant to the 1940 Act, the Company is required to notify shareholders when such a program is initiated or implemented. The repurchase program does not require the Company to acquire any specific number of shares and may be extended, modified, or discontinued at any time.

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

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

The Company has issued stock options for common stock subject to future issuance, of which 622,171 and 695,672 were outstanding at December 31, 2015 and December 31, 2014, respectively.

Table of Contents**Index to Financial Statements****7. Equity Incentive Plan**

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7.0 million shares of common stock. On June 1, 2011, stockholders approved an amended and restated plan and provided an increase of 1.0 million shares, authorizing the Company to issue 8.0 million shares of common stock under the 2004 Plan. At the Company's 2015 Annual Meeting of stockholders on July 7, 2015, the Company's stockholders voted to approve an amendment to the 2004 Equity Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder by 4.0 million shares.

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

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

A summary of the restricted stock activity under the Company's 2006 and 2004 Plans for each of the three periods ended December 31 2015, 2014, and 2013 is as follows:

	2006 Plan	2004 Plan
Outstanding at December 31, 2012	36,668	1,819,041
Granted		607,001
Cancelled		(30,264)
Outstanding at December 31, 2013	36,668	2,395,778
Granted	8,333	981,550
Cancelled		(152,277)
Outstanding at December 31, 2014	45,001	3,225,051
Granted	19,999	656,341
Cancelled		(312,564)
Outstanding at December 31, 2015	65,000	3,568,828

In 2015, 2014, and 2013, the Company granted approximately 676,340, 989,883 and 607,001 shares, respectively, of restricted stock pursuant to the Plans. All restricted stock grants under the 2004 Plan made prior to March 4, 2013 will continue to vest on a monthly basis following their one year anniversary over the succeeding 36 months. During 2012, the Compensation Committee adopted a policy that provided for awards with different vesting schedules for short and long-term awards. Under the 2004 Plan, restricted stock awarded subsequent to March 3, 2013 will vest subject to continued employment based on two vesting schedules: short-

Table of Contents**Index to Financial Statements**

term awards vest one-half on the one year anniversary of the date of the grant and quarterly over the succeeding 12 months, and long-term awards vest one-fourth on the one year anniversary of the date of grant and quarterly over the succeeding 36 months. No restricted stock was granted pursuant to the 2004 Plan prior to 2009. See Note 14 Subsequent Events.

The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the years ended December 31, 2015, 2014, and 2013 was approximately \$9.2 million, \$13.7 million and \$7.7 million, respectively based on the grant date close price and vesting period of each grant. During the years ended December 31, 2015, 2014, and 2013 the Company expensed approximately \$9.2 million, \$9.2 million and \$5.6 million of compensation expense related to restricted stock, respectively. As of December 31, 2015, there was approximately \$8.4 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average period of 1.77 years.

The following table summarizes the activities for the Company's unvested restricted stock for the years ended December 31, 2015, 2014, and 2013:

	Unvested Restricted Stock Awards	
	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested at December 31, 2012	899,789	\$ 10.73
Granted	607,001	\$ 12.72
Vested	(440,629)	\$ 10.59
Forfeited	(30,264)	\$ 11.24
Unvested at December 31, 2013	1,035,897	\$ 11.94
Granted	989,883	\$ 13.82
Vested	(570,723)	\$ 12.00
Forfeited	(152,277)	\$ 12.82
Unvested at December 31, 2014	1,302,780	\$ 13.23
Granted	676,340	\$ 13.67
Vested	(816,484)	\$ 13.26
Forfeited	(312,564)	\$ 13.16
Unvested at December 31, 2015	850,072	\$ 13.59

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company's common stock to pay for the exercise price and applicable taxes with respect to an option exercise (net issuance exercise). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of the Company's stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make a cash payment at the time of option exercise or to pay taxes on restricted stock.

Table of Contents**Index to Financial Statements**

The following table summarizes the common stock options activities under the Company's 2006 and 2004 Plans for each of the three periods ended December 31, 2015, 2014, and 2013:

	Common Stock Options	Weighted Average Exercise Price
Shares Outstanding at December 31, 2012	2,574,749	\$ 12.00
Granted	443,500	\$ 14.51
Exercised	(2,003,988)	\$ 12.38
Forfeited	(115,338)	\$ 10.38
Expired	(65,000)	\$ 13.30
Shares Outstanding at December 31, 2013	833,923	\$ 12.53
Granted	426,000	\$ 15.54
Exercised	(353,547)	\$ 10.76
Forfeited	(208,344)	\$ 14.80
Expired	(2,360)	\$ 13.78
Shares Outstanding at December 31, 2014	695,672	\$ 14.58
Granted	163,500	\$ 12.68
Exercised	(36,331)	\$ 10.81
Forfeited	(190,006)	\$ 14.83
Expired	(10,664)	\$ 13.21
Shares Outstanding at December 31, 2015	622,171	\$ 14.25
Shares Expected to Vest at December 31, 2015	471,057	\$ 14.25

The following table summarizes stock options outstanding and exercisable at December 31, 2015:

(Dollars in thousands, except exercise price)

Range of exercise prices	Number of shares	Options outstanding			Number of shares	Options exercisable		
		Weighted average remaining contractual life	Aggregate Intrinsic value	Weighted average exercise price		Weighted average remaining contractual life	Aggregate Intrinsic value	Weighted average exercise price
\$9.25 - \$14.02	213,644	6.36	\$ 151,114	\$ 12.06	59,643	3.81	\$ 86,279	\$ 10.76
\$14.60 - \$16.34	408,527	5.44		\$ 15.40	230,874	5.11		\$ 15.36
\$9.25 - \$16.34	622,171	5.76	\$ 151,114	\$ 14.25	290,517	4.84	\$ 86,279	\$ 14.42

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant. At December 31, 2015, options for approximately 290,517 shares were exercisable at a weighted average exercise price of approximately \$14.42 per share with weighted average of remaining contractual term of 4.84 years.

The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the years ended December 31, 2015, 2014, and 2013 was approximately \$57,000, \$211,000 and \$1.1 million, respectively. During the years ended December 31, 2015, 2014, and 2013, approximately \$265,000, \$395,000 and \$422,000, of share-based cost due to stock option grants was expensed, respectively. As of December 31, 2015, there was \$232,000 of total unrecognized compensation costs related to stock options. These costs are expected to be

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recognized over a weighted average period of 1.25 years.

The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for each of the three periods ended December 31, 2015, 2014, and 2013 is as follows:

	Year Ended December 31,		
	2015	2014	2013
Expected Volatility	18.94%	19.90%	46.90%
Expected Dividends	10%	10%	10%
Expected term (in years)	4.5	4.5	4.5
Risk-free rate	1.08% - 1.70%	1.21% - 1.66%	0.56% - 1.63%

S-164

Table of Contents**Index to Financial Statements****8. Earnings Per Share**

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

(in thousands, except per share data)	Year Ended December 31,		
	2015	2014	2013
Numerator			
Net increase in net assets resulting from operations	\$ 42,916	\$ 71,188	\$ 99,446
Less: Dividends declared-common and restricted shares	(87,438)	(78,562)	(66,454)
Undistributed earnings	(44,522)	(7,374)	32,992
Undistributed earnings-common shares	(44,522)	(7,374)	32,992
Add: Dividend declared-common shares	85,959	76,953	65,123
Numerator for basic and diluted change in net assets per common share	\$ 41,437	\$ 69,579	\$ 98,115
Denominator			
Basic weighted average common shares outstanding	69,479	61,862	58,838
Common shares issuable	184	1,363	1,454
Weighted average common shares outstanding assuming dilution	69,663	63,225	60,292
Change in net assets per common share			
Basic	\$ 0.60	\$ 1.12	\$ 1.67
Diluted	\$ 0.59	\$ 1.10	\$ 1.63

In the table above, unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents are treated as participating securities for calculating earnings per share.

For the purpose of calculating diluted earnings per share for year ended December 31, 2015, the dilutive effect of the Convertible Senior Notes under the treasury stock method is included in this calculation because the Company's share price was greater than the conversion price in effect (\$11.03 as of December 31, 2015 and \$11.36 as of December 31, 2014) for the Convertible Senior Notes for such period.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the years ended December 31, 2015, 2014, and 2013, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was approximately 627,483, 727,733 and 1,835,880 shares, respectively.

Effective as of April 6, 2015, the Company amended its charter to increase the number of shares of common stock it is authorized to issue from 100 million to 200 million. The Company effected the increase in authorized shares by filing Articles of Amendment with the State Department of Assessments and Taxation of Maryland. At December 31, 2015, the Company was authorized to issue 200 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

Table of Contents**Index to Financial Statements****9. Financial Highlights**

Following is a schedule of financial highlights for the three years ended December 31, 2015.

	Year Ended December 31,		
	2015	2014	2013
Per share data ⁽¹⁾ :			
Net asset value at beginning of period	\$ 10.18	\$ 10.51	\$ 9.75
Net investment income	1.06	1.16	1.24
Net realized gain on investments	0.07	0.32	0.25
Net unrealized appreciation (depreciation) on investments	(0.51)	(0.33)	0.20
Total from investment operations	0.62	1.15	1.69
Net increase (decrease) in net assets from capital share transactions ⁽¹⁾	0.26	(0.37)	0.10
Distributions of net investment income ⁽⁶⁾	(1.26)	(1.27)	(1.13)
Stock-based compensation expense included in investment income ⁽²⁾	0.14	0.16	0.10
Net asset value at end of period	\$ 9.94	\$ 10.18	\$ 10.51
Ratios and supplemental data:			
Per share market value at end of period	\$ 12.19	\$ 14.88	\$ 16.40
Total return ⁽³⁾	(9.70%)	(1.75%)	58.49%
Shares outstanding at end of period	72,118	64,715	61,837
Weighted average number of common shares outstanding	69,479	61,862	58,838
Net assets at end of period	\$ 717,134	\$ 658,864	\$ 650,007
Ratio of total expense to average net assets ⁽⁴⁾	11.55%	10.97%	11.06%
Ratio of net investment income before investment gains and losses to average net assets ⁽⁴⁾	10.15%	10.94%	12.12%
Portfolio turnover rate ⁽⁵⁾	46.34%	56.15%	56.05%
Average debt outstanding	\$ 615,198	\$ 535,127	\$ 580,053
Weighted average debt per common share	\$ 8.85	\$ 8.65	\$ 9.86

- (1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.
- (2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the years ended December 31, 2015, 2014 and 2013 equals the change in the ending market value over the beginning of the period price per share plus dividends paid per share during the period, divided by the beginning price assuming the dividend is reinvested on the date of the distribution.
- (4) All ratios are calculated based on weighted average net assets for the relevant period.
- (5) The portfolio turnover rate for the years ended December 31, 2015, 2014 and 2013 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period.
- (6) Includes dividends on unvested shares.

10. Commitments and Contingencies

The Company's commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments as of December 31, 2015 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, our credit agreements contain customary lending provisions which allow us relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the Company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company's disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.

At December 31, 2015, the Company had approximately \$75.4 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. In addition, the Company had approximately \$40.5

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million of unavailable commitments to portfolio companies due to milestone and other covenant restrictions.

S-166

Table of Contents**Index to Financial Statements**

The Company also had approximately \$86.0 million of non-binding term sheets outstanding at December 31, 2015. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent the Company's future cash requirements.

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

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$1.7 million, \$1.6 million and \$1.1 million, during the years ended December 31, 2015, 2014, and 2013, respectively. The following table shows the Company's contractual obligations as of December 31, 2015:

	Total	Payments due by period (in thousands)			
		Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Contractual Obligations⁽¹⁾⁽²⁾					
Borrowings ⁽³⁾⁽⁴⁾	\$ 600,386	\$ 17,522	\$ 129,300	\$ 211,564	\$ 242,000
Operating Lease Obligations ⁽⁵⁾	4,843	1,624	2,924	295	
Total	\$ 605,229	\$ 19,146	\$ 132,224	\$ 211,859	\$ 242,000

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) The Company also has a warrant participation agreement with Citigroup. See Note 4 to the Company's consolidated financial statements.

(3) Includes \$190.2 million in borrowings under the SBA debentures, \$110.4 million of the 2019 Notes, \$103.0 million of the 2024 Notes, \$129.3 million in aggregate principal amount of the 2021 Asset-Backed Notes, \$17.5 million of the Convertible Senior Notes and \$50.0 million in outstanding borrowings on the Wells Facility as of December 31, 2015.

(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes is \$17.6 million less the remaining unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total remaining unaccreted discount for the Convertible Senior Notes was \$82,000 at December 31, 2015.

(5) Long-Term facility leases.

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

11. Indemnification

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

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

Table of Contents**Index to Financial Statements****12. Concentrations of Credit Risk**

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

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

For the years ended December 31, 2015 and December 31, 2014, the Company's ten largest portfolio companies represented approximately 32.1% and 28.6% of the total fair value of the Company's investments in portfolio companies, respectively. At December 31, 2015 and December 31, 2014, the Company had two and three investments, respectively, that represented 5% or more of the Company's net assets. At December 31, 2015, the Company had four equity investments representing approximately 53.2% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of the Company's equity investments. At December 31, 2014, the Company had three equity investments which represented approximately 61.5% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of such investments.

13. Selected Quarterly Data (Unaudited)

The following tables set forth certain quarterly financial information for each of the last eight quarters ended December 31, 2015. This information was derived from the Company's unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any further quarter.

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

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

14. Subsequent Events*Dividend Declaration*

On February 17, 2016 the Board of Directors declared a cash dividend of \$0.31 per share to be paid on March 14, 2016 to shareholders of record as of March 7, 2016. This dividend would represent the Company's forty-second consecutive dividend declaration since the Company's initial public offering, bringing the total cumulative dividend declared to date to \$11.54 per share.

Table of Contents

Index to Financial Statements

Corporate Rebranding

On February 25, 2016, the Company changed its name to Hercules Capital, Inc. , from Hercules Technology Growth Capital, Inc. The Company will continue to trade on the New York Stock Exchange under the HTGC ticker symbol.

Share Repurchase Program

On February 24, 2015, the Board of Directors approved a \$50.0 million open market share repurchase program and on February 17, 2016, the Board of Directors extended the program until August 23, 2016. The Company may repurchase shares of its common stock in the open market, including block purchases, at prices that may be above or below the net asset value as reported in our then most recently published financial statements. The Company expects that the share repurchase program will be in effect until August 23, 2016, or until the approved dollar amount has been used to repurchase shares. Subsequent to December 31, 2015 and as of February 22, 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. As of February 22, 2016, approximately \$40.6 million of common stock remains eligible for repurchase under the stock repurchase plan.

Restricted Stock Award Grants

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

Portfolio Company Developments

As of February 22, 2016, the Company held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the Jumpstart Our Business Startups Act of 2012. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

Table of ContentsIndex to Financial Statements

Schedule 12-14

HERCULES CAPITAL, INC.

(FORMERLY HERCULES TECHNOLOGY GROWTH CAPITAL, INC.)

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

As of and for the year ended December 31, 2015

(in thousands)

Portfolio Company	Investment ⁽¹⁾	Amount of Interest Credited to Income ⁽²⁾	As of December 31, 2014 Fair Value ⁽⁵⁾	Gross Additions ⁽³⁾	Gross Reductions ⁽⁴⁾	As of December 31, 2015 Fair Value
Affiliate Investments						
Optiscan BioMedical, Corp.	Preferred Stock	\$	\$ 5,853	\$ 808	\$	\$ 6,661
	Preferred Warrants		219	93		312
Stion Corporation	Senior Debt	347	1,600		(587)	1,013
Total Control and Affiliate Investments		\$ 347	\$ 7,672	\$ 901	\$ (587)	\$ 7,986

- (1) Stock and warrants are generally non-income producing and restricted. The principal amount for debt is shown in the Consolidated Schedule of Investments as of December 31, 2015.
- (2) Represents the total amount of interest or dividends credited to income for the year an investment was an affiliate or control investment.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation.
- (5) Note that as of December 31, 2014, Gelesis was classified as an affiliate investment on Consolidated Statement of Assets and Liabilities. During the year ended December 31, 2015, changes to the capitalization structure of the portfolio company occurred that reduced the Company's investment below the threshold for classification as an affiliate investment. As such the investment has been removed from this disclosure.

S-170

Table of Contents

Index to Financial Statements

\$500,000,000

Common Stock

Preferred Stock

Warrants

Subscription Rights

Debt Securities

This prospectus relates to the offer, from time to time, in one or more offerings or series, up to \$500,000,000 of shares of our common stock, par value \$0.001 per share, preferred stock, par value \$0.001 per share, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities, which we refer to, collectively, as the securities. The preferred stock, debt securities, subscription rights and warrants offered hereby may be convertible or exchangeable into shares of our common stock. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale, including auctions. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

We may offer shares of common stock at a discount to net asset value per share in certain circumstances. On July 7, 2015, our common stockholders voted to allow us to issue common stock at a price below net asset value per share effective for a period expiring on the earlier of July 7, 2016 or the 2016 annual meeting of our common stockholders. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of net asset value per share. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In the event we offer common stock, the offering price per share will not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the holders of the majority of our voting securities and approval of our board of directors, or (3) under such circumstances as the Securities and Exchange Commission may permit. See Risk Factors for more information.

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

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

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol HTGC. On September 28, 2015, the last reported sale price of a share of our common stock on the NYSE, was \$10.34. The net asset value per share of our common stock at June 30, 2015 (the last date prior to the date of this prospectus on which we determined net asset value) was \$10.26.

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

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

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

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

The date of this prospectus is November 3, 2015

Table of Contents**Index to Financial Statements**

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.

TABLE OF CONTENTS

	Page
<u>Summary</u>	1
<u>Fees and Expenses</u>	7
<u>Selected Consolidated Financial Data</u>	9
<u>Risk Factors</u>	11
<u>Forward-Looking Statements</u>	51
<u>Use of Proceeds</u>	53
<u>Price Range of Common Stock and Distributions</u>	54
<u>Ratio of Earnings to Fixed Charges</u>	58
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	59
<u>Business</u>	115
<u>Portfolio Companies</u>	128
<u>Senior Securities</u>	153
<u>Management</u>	156
<u>Corporate Governance</u>	163
<u>Executive Compensation</u>	172
<u>Control Persons and Principal Stockholders</u>	194
<u>Certain Relationships and Related Transactions</u>	196
<u>Certain United States Federal Income Tax Considerations</u>	197
<u>Regulation</u>	206
<u>Determination of Net Asset Value</u>	212
<u>Sales of Common Stock Below Net Asset Value</u>	216
<u>Dividend Reinvestment Plan</u>	221
<u>Description of Capital Stock</u>	222
<u>Description of Our Preferred Stock</u>	229
<u>Description of Our Subscription Rights</u>	231
<u>Description of Warrants</u>	233
<u>Description of Our Debt Securities</u>	235
<u>Plan of Distribution</u>	248
<u>Brokerage Allocation and Other Practices</u>	250
<u>Custodian, Transfer and Dividend Paying Agent and Registrar</u>	250
<u>Legal Matters</u>	250
<u>Experts</u>	250
<u>Available Information</u>	251
<u>Index to Financial Statements</u>	F-1

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Table of Contents

Index to Financial Statements

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, we may offer, from time to time, up to \$500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities on the terms to be determined at the time of the offering. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Please carefully read this prospectus and any such supplements together with the additional information described under **Where You Can Find Additional Information** in the **Summary** and **Risk Factors** sections before you make an investment decision.

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

Table of Contents

Index to Financial Statements

SUMMARY

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

Our Company

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related industries, including technology, biotechnology, life science and energy and renewables technology, at all stages of development. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally-managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. We have qualified as and have elected to be treated for tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of June 30, 2015, our total assets were approximately \$1.4 billion, of which our investments comprised \$1.2 billion at fair value and \$1.3 billion at cost. Since inception through June 30, 2015, we have made debt and equity commitments of over \$5.5 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company, or SBIC, subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III. At June 30, 2015, we have issued approximately \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in this prospectus for additional information regarding our SBIC subsidiaries.

As of June 30, 2015, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 33 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

Table of Contents

Index to Financial Statements

The following chart shows the ownership structure and relationship of certain entities with us.

Our Market Opportunity

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

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

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

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

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

Table of Contents

Index to Financial Statements

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.

Table of Contents

Index to Financial Statements

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

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

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

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

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

Dividend Reinvestment Plan

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

Taxation

Effective January 1, 2006, we elected to be treated for tax purposes as a RIC under the Code. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends, which allows us to reduce or eliminate our corporate level tax. See Certain United States Federal Income Tax Considerations. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. There is no assurance that we will meet these tests and be able to maintain our RIC status. If we do not qualify as a RIC, we would be taxed as a C corporation.

Use of Proceeds

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

Table of Contents

Index to Financial Statements

Leverage

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

Distributions

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

Principal Risk Factors

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

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

Certain Anti-Takeover Provisions

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

General Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, McLean, VA and Radnor,

Table of Contents

Index to Financial Statements

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

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

Table of Contents**Index to Financial Statements****FEES AND EXPENSES**

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

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Sales load (as a percentage of offering price) ⁽¹⁾	%
Offering expenses	%(2)
Dividend reinvestment plan fees	%(3)
Total stockholder transaction expenses (as a percentage of the public offering price)	%(4)
Annual Expenses (as a percentage of net assets attributable to common stock):⁽⁵⁾	
Operating expenses	6.18%(6)(7)
Interest and fees paid in connection with borrowed funds	5.20%(8)
Total annual expenses	11.38%(9)

- (1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement to this prospectus will disclose the applicable sales load.
- (2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement to this prospectus will disclose the estimated offering expenses.
- (3) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan .
- (4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
- (5) Net assets attributable to common stock equals the weighted average net assets for the six-month period ended June 30, 2015, which is approximately \$712.7 million.
- (6) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the six-months ended June 30, 2015, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. This percentage for the year ended December 31, 2014 was 5.55%. See Management s Discussion and Analysis and Results of Operations, Management, and Compensation of Executive Officers and Directors .
- (7) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.
- (8) Interest and fees paid in connection with borrowed funds represents our estimated interest, fees and credit facility expenses by annualizing our actual interest, fees and credit facility expenses incurred for the six-months ended June 30, 2015, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the 2024 Notes, the 2017 Asset-Backed Notes, the 2021 Asset-Backed Notes and the SBA debentures, each of which is defined herein. This percentage for the year ended December 31, 2014 was 5.42%.
- (9) Total annual expenses is the sum of operating expenses, and interest and fees paid in connection with borrowed funds. This percentage for the year ended December 31, 2014 was 10.97%. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

Table of Contents

Index to Financial Statements

Example

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return	\$ 110	\$ 311	\$ 487	\$ 841

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

Table of Contents**Index to Financial Statements****SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2014, 2013, 2012, 2011 and 2010 and the financial statement of operations data for fiscal 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the six months ended June 30, 2015 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

(in thousands, except per share amounts)	For the Six Months Ended June 30, (unaudited)		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
Investment income:							
Interest	\$ 65,800	\$ 61,382	\$ 126,618	\$ 123,671	\$ 87,603	\$ 70,346	\$ 54,700
Fees	4,820	8,389	17,047	16,042	9,917	9,509	4,774
Total investment income	70,620	69,771	143,665	139,713	97,520	79,855	59,474
Operating expenses:							
Interest	15,425	13,682	28,041	30,334	19,835	13,252	8,572
Loan fees	3,093	3,167	5,919	4,807	3,917	2,635	1,259
General and administrative	7,687	4,587	10,209	9,354	8,108	7,992	7,086
Employee Compensation:							
Compensation and benefits	9,653	7,454	16,604	16,179	13,326	13,260	10,474
Stock-based compensation	4,987	4,026	9,561	5,974	4,227	3,128	2,709
Total employee compensation	14,640	11,480	26,165	22,153	17,553	16,388	13,183
Total operating expenses	40,845	32,916	70,334	66,648	49,413	40,267	30,100
Loss on debt extinguishment (Long-term Liabilities - Convertible Senior Notes)	(1)		(1,581)				
Net investment income	29,774	36,855	71,750	73,065	48,107	39,588	29,374
Net realized gain (loss) on investments	2,058	7,343	20,112	14,836	3,168	2,741	(26,382)
Net increase (decrease) in unrealized appreciation (depreciation) on investments	(7,162)	(8,822)	(20,674)	11,545	(4,516)	4,607	1,990
Total net realized and unrealized gain (loss)	(5,104)	(1,479)	(562)	26,381	(1,348)	7,348	(24,392)
Net increase in net assets resulting from operations	\$ 24,670	\$ 35,376	\$ 71,188	\$ 99,446	\$ 46,759	\$ 46,936	\$ 4,982
Change in net assets per common share (basic)	\$ 0.35	\$ 0.57	\$ 1.12	\$ 1.67	\$ 0.93	\$ 1.08	\$ 0.12
Cash dividends declared per common share	\$ 0.62	\$ 0.62	\$ 1.24	\$ 1.11	\$ 0.95	\$ 0.88	\$ 0.80

Table of Contents**Index to Financial Statements**

(in thousands, except per share amounts)	For the Six Months Ended June 30, (unaudited)			For the Years Ended December 31,			
	2015	2014	2014	2013	2012	2011	2010
Balance sheet data:							
Investments, at value	\$ 1,238,655	\$ 991,345	\$ 1,020,737	\$ 910,295	\$ 906,300	\$ 652,870	\$ 472,032
Cash and cash equivalents	115,987	116,008	227,116	268,368	182,994	64,474	107,014
Total assets	1,396,553	1,149,473	1,299,223	1,221,715	1,123,643	747,394	591,247
Total liabilities	652,862	490,564	640,359	571,708	607,675	316,353	178,716
Total net assets	743,691	658,909	658,864	650,007	515,968	431,041	412,531
Other Data:							
Total debt investments, at value	1,137,619	898,030	923,906	821,988	827,540	585,767	401,618
Total warrant investments, at value	29,842	23,036	25,098	35,637	29,550	30,045	23,690
Total equity investments, at value	71,194	70,279	71,733	52,670	49,210	37,058	46,724
Unfunded Commitments	413,935	229,318	339,014	150,986	61,851	168,196	117,200
Net asset value per share ⁽¹⁾	\$ 10.26	\$ 10.42	\$ 10.18	\$ 10.51	\$ 9.75	\$ 9.83	\$ 9.50

(1) Based on common shares outstanding at period end

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

(in thousands, except per share data)	For the Quarter Ended (unaudited)	
	June 30, 2015	March 31, 2015
Total investment income	\$ 38,125	\$ 32,494
Net investment income before investment gains and losses	16,781	12,993
Net increase (decrease) in net assets resulting from operations	2,752	21,919
Change in net assets per common share (basic)	\$ 0.35	\$ 0.33

(in thousands, except per share data)	Quarter Ended			
	3/31/2014	6/30/2014	9/30/2014	12/31/2014
Total investment income	\$ 35,770	\$ 34,001	\$ 37,019	\$ 36,875
Net investment income before investment gains and losses	18,304	18,551	18,995	15,899
Net increase (decrease) in net assets resulting from operations	22,185	13,191	15,177	20,635
Change in net assets per common share (basic)	\$ 0.36	\$ 0.21	\$ 0.24	\$ 0.32

(in thousands, except per share data)	Quarter Ended			
	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Total investment income	\$ 30,957	\$ 34,525	\$ 41,021	\$ 33,210
Net investment income before investment gains and losses	15,032	17,610	21,560	18,864
Net increase (decrease) in net assets resulting from operations	16,689	20,879	36,981	24,897
Change in net assets per common share (basic)	\$ 0.30	\$ 0.34	\$ 0.61	\$ 0.40

Table of Contents

Index to Financial Statements

RISK FACTORS

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

Risks Related to our Business Structure

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

Table of Contents**Index to Financial Statements**

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

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

Our secured credit facilities with Wells Fargo Capital Finance LLC (the Wells Facility) and MUFG Union Bank, N.A. (the Union Bank Facility, and together with the Wells Facility, our Credit Facilities) our Convertible Senior Notes, our 2019 Notes, our 2024 Notes, our 2017 Asset-Backed Notes and our 2021 Asset-Backed Notes (as each term is defined below) contain financial and operating covenants that could restrict our business activities, including our ability to declare dividends if we default under certain provisions.

As of June 30, 2015, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$49.6 million in aggregate principal amount of our Wells Facility, approximately \$17.6 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes), approximately \$150.4 million in aggregate principal amount of 7.00% notes due 2019 (the 2019 Notes), approximately \$103.0 million in aggregate principal amount of 6.25% notes due 2024 (the 2024 Notes), and approximately \$129.3 million in aggregate principal amount of fixed rate asset-backed notes issued in November 2014 (the 2021 Asset-Backed Notes) in connection with our \$237.4 million debt securitization (the 2014 Debt Securitization). As of June 30, 2015, we did not have any outstanding borrowings under our Union Bank Facility.

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

As a business development company, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. As of December 31, 2014 our asset coverage ratio under our regulatory requirements as a business development company was 250.8% excluding our SBIC debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio.

Table of Contents

Index to Financial Statements

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

	Annual Return on Our Portfolio (Net of Expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to stockholder ⁽¹⁾	(24.04%)	(14.65%)	(5.26%)		