

Hercules Capital, Inc.
Form 497
January 16, 2018
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**Filed Pursuant to Rule 497
Registration No. 333-214767**

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 16, 2018

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated September 7, 2017)

\$

4.625% Notes due 2022

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. Our investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our warrant and equity-related investments.

We are offering \$_____ in aggregate principal amount of 4.625% Notes due 2022, or the _____ Notes. The Notes will mature on October 23, 2022. We will pay interest on the Notes on April 23 and October 23 of each year, beginning on April 23, 2018.

The Notes offered hereby are a further issuance of the 4.625% notes due 2022 that we issued on October 23, 2017 in the aggregate principal amount of \$150,000,000, or the _____ Existing Notes. The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture (as defined herein) and will have the same terms as the Existing Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the Existing Notes. Upon the issuance of the Notes offered hereby, the outstanding aggregate principal amount of our 4.625% notes due 2022 will be \$_____. Interest on the Notes offered hereby will accrue from October 23, 2017. Unless the context otherwise requires, references herein to the _____ Notes include the Notes offered hereby and the Existing Notes.

We may redeem the Notes in whole or in part at any time or from time to time, at the redemption price set forth under _____ Description of Notes and the Offering _____ Optional Redemption in this prospectus supplement. In addition, holders of the Notes can require us to repurchase the Notes at 100% of their principal amount upon the occurrence of a Change of Control Repurchase Event (as defined herein). The Notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

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

An investment in the Notes involves risks that are described in the Supplementary Risk Factors section beginning on page S-18 in this prospectus supplement and the Risk Factors section beginning on page 14 of the accompanying prospectus.

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

| | Per Note | Total |
|---|----------|-------|
| Public offering price ⁽¹⁾ | % | \$ |
| Sales load (underwriting discounts and commissions) | % | \$ |
| Proceeds to us (before expenses) ⁽²⁾ | % | \$ |

- (1) The public offering price set forth above does not include accrued interest of \$ _____ in the aggregate from October 23, 2017 up to, but not including, the date of delivery of the Notes offered hereby, which will be paid by the purchasers of the Notes offered hereby. On April 23, 2018, we will pay this pre-issuance accrued interest to the holders of the Notes offered hereby.
- (2) Before deducting expenses payable by us related to this offering, estimated at \$ _____. See Underwriting in this prospectus supplement for complete details of underwriters' compensation.

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

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

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about January ____, 2018.

Joint Book-Running Managers

Citigroup

Jefferies

Wells Fargo Securities

The date of this prospectus supplement is January ____, 2018.

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

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

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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. and our wholly-owned subsidiaries.

Our Company

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

As of September 30, 2017, our total assets were approximately \$1.6 billion, of which our investments comprised \$1.4 billion at fair value and \$1.5 billion at cost. Since inception through September 30, 2017, we have made debt and equity commitments of more than \$7.0 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly owned small business investment companies, or SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$107.9 million and \$279.9 million in assets, respectively, and accounted for approximately 5.4% and 13.9% of our total assets, respectively, prior to consolidation at September 30, 2017. At September 30, 2017, we have issued \$190.2 million in Small Business Administration, or SBA, guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

As of September 30, 2017, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 34 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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Organizational Chart

The following chart summarizes our organizational structure as of January 10, 2018. This chart is provided for illustrative purposes only.

Our Market Opportunity

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

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

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

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

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.

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

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

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

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

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

Our Business Strategy

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

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

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

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amortization, cash interest payments, relatively short maturities (typically between 24-48 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment.

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

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

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

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

Recent Developments**Distribution Declaration**

On October 25, 2017, our board of directors, or the Board of Directors, declared a cash distribution of \$0.31 per share. The cash distribution was paid on November 20, 2017 to stockholders of record as of November 13, 2017. This distribution represented our forty-ninth consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$13.71 per share.

Closed and Pending Commitments

As of January 10, 2018, we have:

Closed debt and equity commitments of approximately \$365.5 million to new and existing portfolio companies and funded approximately \$313.8 million subsequent to September 30, 2017.

Pending commitments (signed non-binding term sheets) of approximately \$122.0 million.

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

| Closed Commitments and Pending Commitments (in millions) | | |
|---|---|-------------------|
| January 1 | September 30, 2017 Closed Commitments | \$ 551.4 |
| October 1, 2017 | January 10, 2018 Closed Commitment ^(a) | \$ 365.5 |
| | Pending Commitments (as of January 10, 2018) ^(b) | \$ 122.0 |
| Closed and Pending Commitments as of January 10, 2018 | | \$ 1,038.9 |

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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.

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b. Not all pending commitments (signed non-binding term sheets) are expected to close and they do not necessarily represent any future cash requirements. Strong Originations Momentum Continued in Q4 2017

Closed total new debt and equity commitments of approximately \$330.6 million to twenty five (25) companies including twenty (20) new and five (5) existing portfolio companies in Q4 2017. Closed total new debt and equity commitments of approximately \$882.0 million for the year ended December 31, 2017.

Early loan pay-offs, or unscheduled principal repayments of approximately \$124.2 million, for Q4 2017. Early loan pay-offs for the year ended December 31, 2017 of approximately \$505.6 million.

Existing Notes

On October 23, 2017, we issued \$150.0 million in aggregate principal amount of the Existing Notes. The Existing Notes were issued pursuant to an Indenture, dated October 23, 2017, or the Indenture, between us and U.S. Bank, National Association, as trustee, or the Trustee. The sale of the Existing Notes generated net proceeds to us of approximately \$147.6 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter discounts and commissions of approximately \$1.0 million, were approximately \$1.5 million.

We used the net proceeds from the offering (i) to redeem a portion of our 6.25% notes due 2024, or the 2024 Notes, on November 23, 2017 as described below, (ii) to fund investments in debt and equity securities in accordance with our investment objective and (iii) for working capital and other general corporate purposes.

The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture and will have the same terms as the Existing Notes. See Description of Notes.

Redemption of 2024 Notes

On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of our outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use a portion of the proceeds of this offering to redeem the outstanding 2024 Notes.

Appointment of Directors

On October 25, 2017, our Board of Directors appointed Jorge Titinger and Brad Koenig as directors of the Company. Following their appointment, both Mr. Titinger and Mr. Koenig were each entitled to the applicable annual retainer pursuant to our director compensation arrangements, under terms consistent with those previously disclosed by the Company. They are also entitled to enter an indemnification agreement with the Company.

Mr. Titinger's Board appointment became effective at the time of the 2017 Annual Meeting of Stockholders, or the Annual Meeting, and he filled the position vacated by Susanne Lyons who stepped down at the Annual Meeting. His appointment was ratified at the Annual Meeting as a Class I director for a term expiring in 2020. At the time Mr. Titinger joined the Board of Directors, he was appointed to the Compensation Committee and serves as chairman of such committee.

Mr. Koenig's Board appointment was effective immediately and he will hold office as a Class II director for a term expiring in 2018. Following his appointment to the Board of Directors, Mr. Koenig was appointed to the Audit Committee and Nominating and Corporate Governance Committee, on which he now serves.

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ATM Equity Program Issuances

Between September 30, 2017 and January 10, 2018, we sold 1.0 million shares of our common stock for total accumulated net proceeds of approximately \$13.0 million, including \$118,300 of offering expenses, under the at-the-market, or ATM, equity distribution agreement, dated September 8, 2017, or the Equity Distribution Agreement, with JMP Securities LLC, or JMP. As of January 10, 2018, approximately 10.2 million shares remain available for issuance and sale under the equity ATM program.

Departure of Officer

On October 27, 2017, we and Mark Harris mutually agreed that Mr. Harris would separate from the Company and end his tenure as Chief Financial Officer and Chief Accounting Officer effective November 2, 2017. Mr. Harris' separation did not result from any disagreements with the Company regarding its operations, policies, practices or any issues regarding financial disclosures, accounting or legal matters.

Appointment of Officers

Effective October 31, 2017, the Board of Directors appointed David Lund, our former Chief Financial Officer, as our Interim Chief Financial Officer and Gerard R. Waldt, Jr., our current Controller, as our Interim Chief Accounting Officer.

Asset Acquisition

On November 1, 2017, we, through a wholly owned subsidiary, Bearcub Acquisitions LLC, entered into, and consummated the transactions contemplated by, a definitive asset purchase agreement with Ares Capital Corporation to acquire select venture loan assets for approximately \$125.8 million in cash.

Management Structure

On May 3, 2017, we filed preliminary proxy materials with the SEC for a special meeting of stockholders to seek approval for a proposed advisory agreement with Hamilton Advisers LLC. However, after receiving feedback from our stockholders, on May 15, 2017, we decided to postpone the proposed special meeting of stockholders indefinitely and formally withdrew the proxy materials containing our proposal seeking stockholder approval of our plans to externalize our management structure to expand our ongoing review process. After evaluating alternatives, we have decided to suspend our review of alternative investment management structures and will remain an internally managed business development company for the foreseeable future.

Portfolio Company Developments

As of January 10, 2018, we held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings and two companies which filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all. In addition, subsequent to September 30, 2017, our portfolio companies announced or completed the following liquidity events:

1. In August 2017, our portfolio companies Cempra, Inc. (NASDAQ: CEMP), a clinical-stage pharmaceutical company focused on developing differentiated anti-infectives for acute care and community settings to meet critical medical needs in the treatment of infectious diseases, and Melinta Therapeutics, Inc., a privately held company focused on discovering, developing, and commercializing novel antibiotics to treat serious bacterial infections, announced that the companies had entered into a

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definitive agreement under which Melinta will merge with a subsidiary of Cemptra. The transaction closed on November 6, 2017. Melinta Therapeutics commenced trading on November 6, 2017 on the NASDAQ Global Market under the symbol MLNT. We committed \$40.0 million in venture debt financing to Cemptra from 2011 to 2014. We initially committed \$30.0 million in venture debt financing to Melinta in December 2014 and held 1,914,448 shares of Preferred Series 4 stock and warrants for 1,382,323 shares of Preferred Series 3 stock as of September 30, 2017.

2. In November 2017, our portfolio company Sonian Inc., a leading provider of public cloud archiving and business insights, was acquired by Barracuda Networks, Inc. (NYSE: CUDA), a leading provider of cloud-enabled security and data protection solutions. Terms of the transaction were not disclosed. We initially committed \$5.5 million in venture debt financing in December 2013 and held warrants for 185,949 shares of Preferred Series C stock as of September 30, 2017.

General Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, Washington, DC, Hartford, CT, and San Diego, CA. We maintain a website on the Internet at www.htgc.com. We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on 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, as amended, or the Exchange Act. This information is available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC's public reference room by calling the SEC at (202) 551-8090. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

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The Offering

This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes under the heading "Description of Notes" in this prospectus supplement and in the accompanying prospectus under the heading "Description of Our Debt Securities" before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes (as amended from time to time, the "indenture").

Issuer Hercules Capital, Inc.

Title of the Securities 4.625% Notes due 2022

Aggregate Principal Amount Being Offered \$

The Notes offered hereby are a further issuance of the Existing Notes. The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture and will have the same terms as the Existing Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the Existing Notes. Upon the issuance of the Notes offered hereby, the outstanding aggregate principal amount of our 4.625% notes due 2022 will be \$.

Initial Public Offering Price % of the aggregate principal amount, plus accrued and unpaid interest from October 23, 2017 up to, but not including, the date of delivery.

Aggregate Accrued Interest \$ of accrued and unpaid interest from October 23, 2017 up to, but not including, the date of delivery.

Interest Rate 4.625%

Yield to Maturity %

Trade Date January , 2018

Settlement Date January , 2018

Date Interest Starts Accruing on the Notes October 23, 2017

Stated Maturity Date October 23, 2022

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Day Count Basis

360-day year of twelve 30-day months

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|-----------------------------------|--|
| Interest Payment Dates | Each April 23 and October 23 commencing April 23, 2018. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment. |
| Regular Record Dates for Interest | Each April 8 and October 8. |
| Specified Currency | U.S. Dollars |
| Place of Payment | New York City or such other office designated by the Trustee |
| Ranking of Notes | The Notes will be our unsecured obligations that rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated, or junior, in right of payment to the Notes. The Notes will not be guaranteed by any of our current or future subsidiaries. The Notes will rank <i>pari passu</i> , or equally, in right of payment with all of our existing and future liabilities that are not so subordinated, or junior. The Notes will effectively rank subordinated, or junior, 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. The Notes will rank structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. |

As of September 30, 2017, our total consolidated indebtedness was approximately \$744.2 million, which included:

approximately \$258.5 million of the 2024 Notes; approximately \$230.0 million in aggregate principal amount of 4.375% convertible notes due 2022 (the 2022 Convertible Notes).

indebtedness and other obligations of any of our subsidiaries, including, without limitation, the indebtedness of HT II and HT III, borrowings under the \$120.0 million revolving senior credit facility with Wells Fargo Capital Finance, LLC, or the Wells Facility, borrowings under the \$75.0 million revolving senior secured credit facility with MUFG Union Bank, N.A., or the Union Bank Facility, and together with the Wells Facility, the Credit Facilities, and approximately \$65.5 million of fixed rate asset-backed notes, or the 2021 Asset-Backed Notes, each as of September 30, 2017. Note that there were no borrowings outstanding under the Wells Facility or Union Bank Facility as of September 30, 2017.

We expect to use a portion of the proceeds of this offering to repurchase or redeem the outstanding 2024 Notes, see Use of Proceeds. After giving effect to the issuance of the Notes offered hereby and assuming the proceeds therefrom are used to repurchase or redeem the outstanding 2024 Notes, our total consolidated indebtedness would have been approximately \$ million aggregate principal amount outstanding as of September 30, 2017. See Capitalization. Upon the issuance of the Notes offered hereby, the

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outstanding aggregate principal amount of our 4.625% Notes due 2022 will be \$.

Denominations We will issue the Notes in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Business Day Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City, or in such other place of payment designated by the Trustee, are authorized or required by law or executive order to close.

Optional Redemption We may redeem some or all of the Notes at any time, or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on the Notes to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using the applicable Treasury Rate plus 45 basis points, plus, in each case, accrued and unpaid interest to the redemption date; *provided*, however, that if we redeem any Notes on or after September 23, 2022 (the date falling one month prior to the maturity date of the Notes), the redemption price for the Notes will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

You may be prevented from exchanging or transferring the Notes when they are subject to redemption.

If we are redeeming less than all of the Notes, the particular Notes to be redeemed will be selected in accordance with the applicable procedures of the Trustee and, so long as the Notes are registered to The Depository Trust Company or its nominee, DTC; *provided*, however, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than \$2,000. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes or portions of the Notes called for redemption.

Sinking Fund The Notes will not be subject to any sinking fund. A sinking fund is a reserve fund accumulated over a period of time for the retirement of debt.

Offer to Purchase upon a Change of Control Repurchase Event If a Change of Control Repurchase Event occurs prior to maturity, holders will have the right, at their option, to require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.

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Defeasance and Covenant Defeasance

The Notes are subject to defeasance by us, which means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and/or U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel as described herein under Description of Notes Satisfaction and Discharge; Defeasance, we can legally release ourselves from all payment and other obligations on the Notes.

The Notes are subject to covenant defeasance by us, which means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and/or U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel as described herein under Description of Notes Satisfaction and Discharge; Defeasance, we will be released from some of the restrictive covenants in the indenture.

Form of Notes

The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. Except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations which are participants in DTC.

Trustee, Paying Agent and Security Registrar

U.S. Bank National Association

Other Covenants

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

We agree that for the period of time during which the Notes are outstanding, we will not violate, whether or not we are subject to, Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to any exemptive relief granted to us by the SEC (even if we are no longer subject to the 1940 Act). Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. See Risk Factor Risks Related to our Business Structure Legislation may allow us to incur additional leverage, in the accompanying prospectus.

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

Events of Default

If an event of default (as described herein under Description of Notes) on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest, may be declared immediately due and payable, subject to conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events involving us.

No Established Trading Market

We cannot assure you that an active and liquid market for the Notes will be established or maintained following the issuance of the Notes offered hereby. The Existing Notes are not and the Notes offered hereby will not be listed on any securities exchange or quoted on any automated dealer quotation system. Although the underwriters have informed us that they intend to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market making activities at any time without notice. See Underwriting. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Global Clearance and Settlement Procedures

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

Further Issuances

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

Use of Proceeds

We estimate that the net proceeds we receive from the sale of the \$ million aggregate principal amount of Notes in this offering will be approximately \$ million after deducting the underwriting discount of approximately \$ payable by us and estimated offering expenses of approximately \$ payable by us. We expect to use the net proceeds from this offering (i) to repurchase or redeem the

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outstanding 2024 Notes, (ii) to fund investments in debt and equity securities in accordance with our investment objective, and (iii) for other general corporate purposes.

Governing Law

The Notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.

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FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus supplement and the accompanying prospectus, as well as in future oral and written statements by management of Hercules Capital, Inc., 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 expressions. Important assumptions include 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 current and future management structure;

our future operating results;

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

the impact of investments that we expect to make;

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

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

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

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

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

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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 distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus supplement and the accompanying prospectus, please see the discussion under **Supplementary Risk Factors** in this prospectus supplement and **Risk Factors** in the accompanying prospectus. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus supplement.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus supplement 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, or the Securities Act.

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INDUSTRY AND MARKET DATA

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

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Table of ContentsIndex 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 2016, 2015, 2014, 2013, and 2012 and the financial statement of operations data for fiscal years 2016, 2015, 2014, 2013, and 2012 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, but not all of which are presented in this prospectus supplement. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the nine months ended September 30, 2017 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

| (in thousands, except per share amounts) | For the Nine Months Ended September 30 (unaudited) | | For the Year Ended December 31, | | | | |
|---|--|------------------|---------------------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Investment income: | | | | | | | |
| Interest | \$ 125,802 | \$ 116,047 | \$ 158,727 | \$ 140,266 | \$ 126,618 | \$ 123,671 | \$ 87,603 |
| Fees | 14,880 | 11,532 | 16,324 | 16,866 | 17,047 | 16,042 | 9,917 |
| Total investment income | 140,682 | 127,579 | 175,051 | 157,132 | 143,665 | 139,713 | 97,520 |
| Operating expenses: | | | | | | | |
| Interest | 28,046 | 23,306 | 32,016 | 30,834 | 28,041 | 30,334 | 19,835 |
| Loan fees | 5,500 | 3,698 | 5,042 | 6,055 | 5,919 | 4,807 | 3,917 |
| General and administrative | 12,362 | 12,095 | 16,106 | 16,658 | 10,209 | 9,354 | 8,108 |
| Employee Compensation: | | | | | | | |
| Compensation and benefits | 17,276 | 15,637 | 22,500 | 20,713 | 16,604 | 16,179 | 13,326 |
| Stock-based compensation | 5,573 | 5,616 | 7,043 | 9,370 | 9,561 | 5,974 | 4,227 |
| Total employee compensation | 22,849 | 21,253 | 29,543 | 30,083 | 26,165 | 22,153 | 17,553 |
| Total operating expenses | 68,757 | 60,352 | 82,707 | 83,630 | 70,334 | 66,648 | 49,413 |
| Other income (loss) | | | 8,000 | (1) | (1,581) | | |
| Net investment income | 71,925 | 67,227 | 100,344 | 73,501 | 71,750 | 73,065 | 48,107 |
| Net realized gain (loss) on investments | (26,929) | 3,427 | 4,576 | 5,147 | 20,112 | 14,836 | 3,168 |
| Net change in unrealized appreciation (depreciation) on investments | 15,637 | (16,072) | (36,217) | (35,732) | (20,674) | 11,545 | (4,516) |
| Total net realized and unrealized gain (loss) | (11,292) | (12,645) | (31,641) | (30,585) | (562) | 26,381 | (1,348) |
| Net increase in net assets resulting from operations | \$ 60,633 | \$ 54,582 | \$ 68,703 | \$ 42,916 | \$ 71,188 | \$ 99,446 | \$ 46,759 |
| Change in net assets per common share (basic) | \$ 0.73 | \$ 0.74 | \$ 0.91 | \$ 0.60 | \$ 1.12 | \$ 1.67 | \$ 0.93 |
| Distributions declared per common share | \$ 0.93 | \$ 0.93 | \$ 1.24 | \$ 1.24 | \$ 1.24 | \$ 1.11 | \$ 0.95 |

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| (in thousands, except per share amounts) | For the Nine Months Ended September 30 (unaudited) | | | For the Year Ended December 31, | | | |
|--|--|--------------|--------------|---------------------------------|--------------|------------|------------|
| | 2017 | 2016 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Balance sheet data: | | | | | | | |
| Investments, at value | \$ 1,417,114 | \$ 1,320,610 | \$ 1,423,942 | \$ 1,200,638 | \$ 1,020,737 | \$ 910,295 | \$ 906,300 |
| Cash and cash equivalents | 140,568 | 69,012 | 13,044 | 95,196 | 227,116 | 268,368 | 182,994 |
| Total assets | 1,582,997 | 1,419,424 | 1,464,204 | 1,334,761 | 1,299,223 | 1,221,715 | 1,123,643 |
| Total liabilities | 746,713 | 665,835 | 676,260 | 617,627 | 640,359 | 571,708 | 607,675 |
| Total net assets | 836,284 | 753,589 | 787,944 | 717,134 | 658,864 | 650,007 | 515,968 |
| Other Data: | | | | | | | |
| Total debt investments, at value | 1,300,068 | 1,224,121 | 1,328,803 | 1,110,209 | 923,906 | 821,988 | 827,540 |
| Total warrant investments, at value | 32,729 | 27,738 | 27,485 | 22,987 | 25,098 | 35,637 | 29,550 |
| Total equity investments, at value | 84,317 | 68,751 | 67,654 | 67,442 | 71,733 | 52,670 | 49,210 |
| Unfunded Commitments ⁽²⁾ | 46,302 | 73,865 | 59,683 | 75,402 | 147,689 | 69,091 | 19,265 |
| Net asset value per share ⁽¹⁾ | \$ 10.00 | \$ 9.86 | \$ 9.90 | \$ 9.94 | \$ 10.18 | \$ 10.51 | \$ 9.75 |

(1) Based on common shares outstanding at period end.

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

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2016 and the quarters ending March 31, 2017, June 30, 2017 and September 30, 2017. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

| (in thousands, except per share data) | For the Quarter Ended (unaudited) | | |
|---|--------------------------------------|------------------|-------------------|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 |
| Total investment income | \$ 45,865 | \$ 48,452 | \$ 46,365 |
| Net investment income before investment gains and losses | 23,973 | 25,275 | 22,678 |
| Net increase (decrease) in net assets resulting from operations | 33,072 | 33,149 | (5,588) |
| Change in net assets per common share (basic) | \$ 0.40 | \$ 0.40 | \$ (0.07) |

| (in thousands, except per share data) | For the Quarter Ended | | | |
|---|-----------------------|------------------|-----------------------|----------------------|
| | March 31, 2016 | June 30, 2016 | September 30, 2016 | December 31, 2016 |
| Total investment income | \$ 38,939 | \$ 43,538 | \$ 45,102 | \$ 47,472 |
| Net investment income before investment gains and losses | 20,097 | 23,354 | 23,776 | 33,117 |
| Net increase (decrease) in net assets resulting from operations | 14,295 | 9,475 | 30,812 | 14,121 |
| Change in net assets per common share (basic) | \$ 0.20 | \$ 0.13 | \$ 0.41 | \$ 0.18 |

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

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SUPPLEMENTARY RISK FACTORS

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

Risks Related to the Notes

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

The Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of September 30, 2017, we had no outstanding borrowings under our Union Bank Facility, which is secured by debt investments in our portfolio companies and related assets, and no outstanding borrowings under our Wells Facility, which is secured by loans in the borrowing base for the Wells Facility.

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

The Notes are obligations exclusively of Hercules Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A significant portion of the indebtedness required to be consolidated on our balance sheet is held through our SBIC subsidiaries. For example, at September 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources in the accompanying prospectus for more detail on the SBA-guaranteed debentures.

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

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As of September 30, 2017, we had no outstanding borrowings under our Wells Facility, no outstanding borrowings under our Union Bank Facility and approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, HT II and HT III. All of such indebtedness would be structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

The indenture governing the Notes contains limited protection for holders of the Notes.

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

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

pay distributions on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;

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

enter into transactions with affiliates;

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

make investments; or

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

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

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

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Certain of our current debt instruments include more protections for their holders than the indenture and the Notes. See [Risk Factors](#). In addition to regulatory requirements that restrict our ability to raise capital, our Credit Facilities and the 2024 Notes contain various covenants which, if not complied with, could accelerate

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repayment under the facility or require us to repurchase the 2024 Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions in the accompanying prospectus. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for, and trading levels and prices of, the Notes.

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

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

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

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

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

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

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

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

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

We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.

Upon the occurrence of a Change of Control Repurchase Event, as defined in the indenture that governs the Notes, as supplemented, subject to certain conditions, we will be required to offer to repurchase all outstanding Notes at 100% of their principal amount, plus accrued and unpaid interest. The source of funds for that purchase of Notes will be our available cash or cash generated from our operations or other potential sources, including borrowings, investment repayments, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of Notes tendered. The terms of certain of our and our subsidiaries' financing arrangements provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under the our and our subsidiaries' financing arrangements at that time and to terminate the financing arrangements. In addition, the indenture governing our 2022 Convertible Notes contains a provision that would require us to offer to purchase the 2022 Convertible Notes upon the occurrence

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of a fundamental change. A failure to purchase any tendered 2022 Convertible Notes would constitute an event of default under the indenture for the 2022 Convertible Notes, which would, in turn, constitute a default under the Credit Facilities and the indenture. Our and our subsidiaries future debt instruments may also contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our and our subsidiaries future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the Notes and/or our other debt. See Description of Notes Offer to Repurchase Upon a Change of Control Repurchase Event.

We cannot assure you that an active trading market for the Notes will be established or maintained, which could limit the market price of the Notes or your ability to sell them.

We cannot assure you that an active and liquid market for the Notes will be established or maintained. Although the underwriters have informed us that they intend to continue to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market making activities at their sole discretion at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. The liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally or other factors. Accordingly, we cannot assure you that an active trading market for the Notes will be established or maintained, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. If an active trading market is not established or maintained, the market price and liquidity of the Notes may be adversely affected. The Notes are not listed on any securities exchange or quoted on any automated dealer quotation system, and we do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system.

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

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agencies if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

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

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes and the 2021 Asset-Backed Notes or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with

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the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Wells Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the Wells Facility or Union Bank Facility or the required holders of our 2024 Notes prior to their redemption, 2022 Convertible Notes, 2021 Asset-Backed Notes or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Wells Facility, Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes, the 2021 Asset-Backed Notes or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Wells Facility or Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes, the 2021 Asset-Backed Notes or other debt, as applicable, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Wells Facility and the Union Bank Facility, could proceed against the collateral securing the debt. Because the Wells Facility and the Union Bank Facility have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Wells Facility, Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes or the 2021 Asset-Backed Notes or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. See [Specific Terms of the Notes and the Offering](#) in this prospectus supplement.

FATCA withholding may apply to payments to certain foreign entities.

Payments made under the Notes to a foreign financial institution or non-financial foreign entity (including such an institution or entity acting as an intermediary) may be subject to a U.S. withholding tax of 30% under U.S. Foreign Account Tax Compliance Act provisions of the Code (commonly referred to as [FATCA](#)). This U.S. withholding tax generally applies to payments of interest on the Notes as well as, after December 31, 2018, to any payments of gross proceeds (including principal payments) from the sale, redemption, retirement or other disposition of the Notes, unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Depending upon the status of a holder and the status of an intermediary through which any Notes are held, the holder could be subject to this 30% U.S. withholding tax in respect of any interest paid on the Notes as well as any proceeds from the sale, redemption, retirement or other disposition of the Notes. Persons located in jurisdictions that have entered into an intergovernmental agreement with the United States to implement FATCA may be subject to different rules. You should consult your own tax advisors regarding FATCA and how it may affect your investment in the Notes. See [Certain United States Federal Income Tax Considerations](#) [Taxation of Note Holders](#) [FATCA](#) in this prospectus supplement for further information.

Significant U.S. federal tax legislation was recently enacted and the impact of this new legislation on the Company, on holders of the Notes, and on entities in which the Company may invest is uncertain.

Significant U.S. federal tax reform legislation was recently enacted that, among many other changes, permanently reduces the maximum federal corporate income tax rate, reduces the maximum individual income tax rate (effective for taxable years 2018 through 2025), restricts the deductibility of business interest expense, changes the rules regarding the calculation of net operating loss deductions that may be used to offset taxable income, and, under certain circumstances, requires accrual method taxpayers to recognize income for U.S. federal income tax purposes no later than the income is taken into account as revenue in an applicable financial statement. The new legislation also makes extensive changes to the U.S. international tax system. The impact of this new legislation on the Company, on holders of the Notes, and on entities in which the Company may invest is uncertain. Prospective investors are urged to consult their tax advisors regarding the effects of the new legislation on an investment in the Notes.

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USE OF PROCEEDS

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

We expect to use the net proceeds from this offering (i) to repurchase or redeem the outstanding 2024 Notes, (ii) to fund investments in debt and equity securities in accordance with our investment objective, and (iii) for other general corporate purposes.

As of September 30, 2017, the aggregate principal balance of the 2024 Notes was approximately \$258.5 million. On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to repurchase or redeem the outstanding 2024 Notes. The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly and mature, unless earlier repurchased or redeemed, on July 30, 2024.

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 uses and investments, we will invest a portion of the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. Our ability to achieve our investment objectives may be limited to the extent that the net proceeds of this offering, pending full investment, are held in lower yielding short-term instruments.

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

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

The following table sets forth (i) our actual capitalization as of September 30, 2017, and (ii) our capitalization as adjusted to give effect to the sale of \$ million aggregate principal amount of Notes in this offering, after deducting the underwriting discounts and commissions of approximately \$ payable by us and estimated offering expenses of approximately \$ payable by us and the application of the net proceeds therefrom as described under Use of Proceeds. You should read this table together with the Use of Proceeds section and our statement of assets and liabilities included elsewhere in this prospectus supplement.

| | As of September 30, 2017 | |
|--|--------------------------|----------------------------|
| | Actual | As Adjusted ⁽²⁾ |
| | (in thousands) | |
| Investments at fair value | \$ 1,417,114 | \$ |
| Cash and cash equivalents | \$ 140,568 | \$ |
| Debt ⁽¹⁾ : | | |
| Accounts payable and accrued liabilities | \$ 19,057 | \$ |
| Long-term SBA debentures | 187,983 | |
| 2022 Convertible Notes | 223,097 | |
| 2021 Asset-Backed Notes | 64,860 | |
| 2024 Notes | 251,716 | |
| Notes offered herein | | |
| Total debt | \$ 746,713 | \$ |
| Stockholders' equity: | | |
| Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 83,614,624 shares issued and outstanding | \$ 84 | \$ |
| Capital in excess of par value | 904,357 | |
| Unrealized depreciation on investments | (73,388) | |
| Accumulated realized gains on investments | 10,674 | |
| Distributions in excess of investment income | (5,443) | |
| Total stockholders' equity | \$ 836,284 | \$ |
| Total capitalization | \$ 1,582,997 | \$ |

- (1) The above table reflects the principal amount of indebtedness outstanding net of the associated debt issuance costs as of September 30, 2017. As of January 10, 2018, indebtedness under the Wells Facility, the Union Bank Facility, the 2022 Convertible Notes, the 2024 Notes, and the 2021 Asset-Backed Notes were \$0 million, \$0 million, \$230.0 million, \$183.5 million and \$49.2 million, respectively. On October 23, 2017, we issued \$150.0 million aggregate principal amount of the Existing Notes, the net proceeds of which were used to redeem a portion of our 2024 Notes, fund investments in debt and equity securities in accordance with our investment objective, and for other general corporate purposes. The net proceeds from the sale of the Notes in this offering are expected to be used to repurchase or redeem the outstanding 2024 Notes, fund investments in debt and equity securities in accordance with our investment objective, and for other general corporate purposes. See Use of Proceeds.
- (2) The as adjusted amount reflects the November 23, 2017 redemption of \$75.0 million of our outstanding aggregate principal amount of the 2024 Notes and the repurchase or redemption of the outstanding 2024 Notes in accordance with the Use of Proceeds as described herein. The as adjusted amount does not include the \$150.0 million aggregate principal amount of Existing Notes issued on October 23, 2017.

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

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

| | For the nine months ended September 30, 2017 | For the year ended December 31, 2016 | For the year ended December 31, 2015 | For the year ended December 31, 2014 | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|--|---|---|---|---|---|---|
| Earnings to Fixed Charges ⁽¹⁾ | 2.81 | 2.85 | 2.16 | 3.10 | 3.83 | 2.97 |

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

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

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

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

Overview

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

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

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

Our investment objective is to maximize our portfolio's 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 \$107.9 million and \$279.9 million in assets, respectively, and accounted for approximately 5.4% and 13.9% of our total assets, respectively, prior to consolidation at September 30, 2017. In aggregate, at September 30, 2017, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At September 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We have qualified as and have elected to be treated for tax purposes as a RIC under Subchapter M of the Code. Pursuant to this election, we generally will not be subject to corporate-level taxes on any income and gains

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that we distribute as dividends for federal income tax purposes 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 during each taxable year from qualified sources, 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 \$1.4 billion at both September 30, 2017 and December 31, 2016. The fair value of our debt investment portfolio was approximately \$1.3 billion at both September 30, 2017 and December 31, 2016. The fair value of the equity portfolio at September 30, 2017 was approximately \$84.3 million, compared to a fair value of approximately \$67.6 million at December 31, 2016. The fair value of the warrant portfolio at September 30, 2017 was approximately \$32.7 million, compared to a fair value of approximately \$27.5 million at December 31, 2016.

Portfolio Activity

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

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

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investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

Our portfolio activity for the nine months ended September 30, 2017 and the year ended December 31, 2016 was comprised of the following:

| (in millions) | September 30, 2017 | December 31, 2016 |
|---|--------------------|-------------------|
| Debt Commitments⁽¹⁾ | | |
| New portfolio company | \$ 467.0 | \$ 624.0 |
| Existing portfolio company | 79.9 | 171.8 |
| Total | \$ 546.9 | \$ 795.8 |
| Funded and Restructured Debt Investments⁽²⁾ | | |
| New portfolio company | \$ 346.7 | \$ 479.0 |
| Existing portfolio company | 136.1 | 181.5 |
| Total | \$ 482.8 | \$ 660.5 |
| Funded Equity Investments | | |
| New portfolio company | \$ 3.8 | \$ 17.1 |
| Existing portfolio company | 0.7 | 3.1 |
| Total | \$ 4.5 | \$ 20.2 |
| Unfunded Contractual Commitments⁽³⁾ | | |
| Total | \$ 46.3 | \$ 59.7 |
| Non-Binding Term Sheets | | |
| New portfolio company | \$ 60.0 | \$ 55.0 |
| Existing portfolio company | 12.0 | |
| Total | \$ 72.0 | \$ 55.0 |

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

(2) Funded amounts include borrowings on revolving facilities.

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

We receive principal payments on our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the nine months ended September 30, 2017, we received approximately \$474.5 million in aggregate principal repayments. Of the approximately \$474.5 million of aggregate principal repayments, approximately \$93.1 million were scheduled principal payments and approximately \$381.4 million were early principal repayments related to 38 portfolio companies. Of the approximately \$381.4 million early principal repayments, approximately \$74.2 million were early repayments due to merger and acquisition transactions for seven portfolio companies.

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Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, escrow receivables and warrant participation liabilities) as of and for the nine months ended September 30, 2017 and the year ended December 31, 2016 was as follows:

| (in millions) | September 30, 2017 | December 31, 2016 |
|---|--------------------|-------------------|
| Beginning portfolio | \$ 1,423.9 | \$ 1,200.6 |
| New fundings and restructures | 487.3 | 680.7 |
| Warrants not related to current period fundings | 0.4 | 0.6 |
| Principal payments received on investments | (93.1) | (111.2) |
| Early payoffs | (381.4) | (324.0) |
| Accretion of loan discounts and paid-in-kind principal | 27.5 | 43.6 |
| Net acceleration of loan discounts and loan fees due to early payoff or restructure | (6.8) | (6.3) |
| New loan fees | (7.5) | (10.1) |
| Warrants converted to equity | | 0.3 |
| Sale of investments | (10.4) | (4.4) |
| Loss on investments due to write offs | (38.5) | (10.0) |
| Net change in unrealized appreciation (depreciation) | 15.7 | (35.9) |
| Ending portfolio | \$ 1,417.1 | \$ 1,423.9 |

The following table shows the fair value of our investment portfolio by asset class as of September 30, 2017 and December 31, 2016:

| (in thousands) | September 30, 2017 | | December 31, 2016 | |
|-----------------------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Senior Secured Debt with Warrants | \$ 838,253 | 59.1% | \$ 1,078,779 | 75.7% |
| Senior Secured Debt | 494,544 | 34.9% | 277,509 | 19.5% |
| Preferred Stock | 41,993 | 3.0% | 39,418 | 2.8% |
| Common Stock | 42,324 | 3.0% | 28,236 | 2.0% |
| Total | \$ 1,417,114 | 100.0% | \$ 1,423,942 | 100.0% |

The increase in senior secured debt and the decrease in senior secured debt with warrants during the period is primarily due to an increase in new debt investments that do not include detachable equity enhancement features.

A summary of our investment portfolio as of September 30, 2017 and December 31, 2016 at value by geographic location is as follows:

| (in thousands) | September 30, 2017 | | December 31, 2016 | |
|----------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| United States | \$ 1,292,617 | 91.2% | \$ 1,362,223 | 95.6% |
| England | 66,598 | 4.7% | 18,395 | 1.3% |
| Netherlands | 20,495 | 1.4% | 20,089 | 1.4% |
| Cayman Islands | 14,925 | 1.1% | | 0.0% |
| Switzerland | 11,611 | 0.8% | 12,377 | 0.9% |
| Canada | 10,868 | 0.8% | 8,095 | 0.6% |
| Israel | | 0.0% | 2,763 | 0.2% |

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| | | | | |
|--------------|--------------|--------|--------------|--------|
| Total | \$ 1,417,114 | 100.0% | \$ 1,423,942 | 100.0% |
|--------------|--------------|--------|--------------|--------|

As of September 30, 2017, we held warrants or equity positions in five companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All five companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all.

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Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$40.0 million, although we may make investments in amounts above or below that range. As of September 30, 2017, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from 4.2% to 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: exit fees, balloon payment fees, commitment fees, success fees, payment-in-kind (PIK) provisions or prepayment fees which may be required to be included in income prior to receipt.

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

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately \$33.4 million of unamortized fees at September 30, 2017, of which approximately \$30.2 million was included as an offset to the cost basis of our current debt investments and approximately \$3.2 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2016, we had approximately \$38.2 million of unamortized fees, of which approximately \$35.8 million was included as an offset to the cost basis of our current debt investments and approximately \$2.4 million was deferred contingent upon the occurrence of a funding or milestone.

Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At September 30, 2017, we had approximately \$26.1 million in exit fees receivable, of which approximately \$22.8 million was included as a component of the cost basis of our current debt investments and approximately \$3.3 million was a deferred receivable related to expired commitments. At December 31, 2016, we had approximately \$32.8 million in exit fees receivable, of which approximately \$30.3 million was included as a component of the cost basis of our current debt investments and approximately \$2.5 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to tax as a RIC, this non-cash source of income must be distributed to stockholders with other sources of income in the form of dividend distributions even though we have not yet collected the cash. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately \$2.5 million and \$2.1 million in PIK income in the three months ended September 30, 2017 and 2016, respectively. We recorded approximately \$7.2 million and \$5.7 million in PIK income in the nine months ended September 30, 2017 and 2016, respectively.

The core yield on our debt investments, which excludes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events and includes income from expired commitments, was 12.6% and 13.2% during the three months ended September 30, 2017 and 2016, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events, was 14.1% and 14.6% for the three months ended September 30, 2017 and 2016, respectively. The effective yield is derived

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

The total return for our investors was approximately -2.3% and 19.5% during the nine months ended September 30, 2017 and 2016, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus dividend distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See Note 9 Financial Highlights included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

Portfolio Composition

Our portfolio companies are primarily privately held companies and public companies which are active in the drug discovery & development, software, media/content/info, sustainable and renewable technology, internet consumer & business services, drug delivery, medical devices & equipment, healthcare services, specialty pharmaceuticals, information services, consumer & business products, semiconductors, surgical devices, electronics & computer hardware, biotechnology tools, communications & networking 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 September 30, 2017, approximately 73.5% of the fair value of our portfolio was composed of investments in five industries: 27.7% investments in the drug discovery & development industry, 20.0% investments in the software industry, 10.4% investments in the media/content/info industry, 7.9% investments in the sustainable and renewable technology industry, and 7.5% investments in the internet consumer & business services industry.

The following table shows the fair value of our portfolio by industry sector at September 30, 2017 and December 31, 2016:

| (in thousands) | September 30, 2017 | | December 31, 2016 | |
|---------------------------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Drug Discovery & Development | \$ 392,952 | 27.7% | \$ 422,550 | 29.7% |
| Software | 283,419 | 20.0% | 219,559 | 15.4% |
| Media/Content/Info | 146,956 | 10.4% | 137,567 | 9.7% |
| Sustainable and Renewable Technology | 111,629 | 7.9% | 154,406 | 10.9% |
| Internet Consumer & Business Services | 106,734 | 7.5% | 97,047 | 6.8% |
| Drug Delivery | 97,866 | 6.9% | 109,834 | 7.7% |
| Medical Devices & Equipment | 79,106 | 5.6% | 107,695 | 7.6% |
| Healthcare Services, Other | 67,139 | 4.7% | 30,200 | 2.1% |
| Specialty Pharmaceuticals | 37,875 | 2.7% | 38,944 | 2.7% |
| Information Services | 23,998 | 1.7% | 6,091 | 0.4% |
| Consumer & Business Products | 21,061 | 1.5% | 42,713 | 3.0% |
| Semiconductors | 15,780 | 1.1% | 11,326 | 0.8% |
| Surgical Devices | 12,767 | 0.9% | 12,553 | 0.9% |
| Electronics & Computer Hardware | 7,606 | 0.5% | 7,664 | 0.5% |
| Biotechnology Tools | 5,971 | 0.4% | 7,200 | 0.5% |
| Communications & Networking | 5,547 | 0.4% | 18,019 | 1.3% |
| Diagnostic | 708 | 0.1% | 574 | 0.0% |
| Total | \$ 1,417,114 | 100.0% | \$ 1,423,942 | 100.0% |

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

For the nine months ended September 30, 2017 and the year ended December 31, 2016, our ten largest portfolio companies represented approximately 37.7% and 34.0% of the total fair value of our investments in portfolio companies, respectively. At September 30, 2017 and December 31, 2016, we had eight and seven investments, respectively, that represented 5% or more of our net assets. At September 30, 2017, we had eight equity investments representing approximately 62.2% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2016, we had seven equity investments which represented approximately 54.7% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of September 30, 2017 approximately 96.7% 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.

As of September 30, 2017, 85.6% of our debt investments were in a senior secured first lien position, 14.1% were secured by a senior second priority security interest in all of the portfolio company's assets, other than intellectual property, and the remaining 0.3% were unsecured as a result of the terms of the acquisition of one of our portfolio companies during the period. In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property.

At September 30, 2017, of the approximately 85.6% of our debt investments in a senior secured first lien position, 44.6% were secured by a first priority security in all of the assets of the portfolio company, including its intellectual property and 41.0% were secured by a first priority security in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property. At September 30, 2017 we had no equipment only liens on material investments.

Our investments in senior secured debt with warrants have detachable equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. These features are treated as original issue discounts (OID) and are accreted into interest income over the term of the loan as a yield enhancement. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of September 30, 2017, we held warrants in 128 portfolio companies, with a fair value of approximately \$32.7 million. The fair value of our warrant portfolio increased by approximately \$5.2 million, as compared to a fair value of \$27.5 million at December 31, 2016 primarily related to the addition of warrants in 10 new and 8 existing portfolio companies during the period.

Our existing warrant holdings would require us to invest approximately \$82.3 million to exercise such warrants as of September 30, 2017. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. Of the warrants that we have monetized since inception, we have realized multiples in the range of approximately 1.02x to 29.06x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

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

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affiliate of a company in which we have invested if we own 5% or more, but generally less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments. The following table summarizes our realized gains and losses and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three and nine months ended September 30, 2017 and 2016.

(in thousands)

| Portfolio Company | Type | Fair Value at September 30, 2017 | Investment Income | For the Three Months Ended September 30, 2017 | | | For the Nine Months Ended September 30, 2017 | | | |
|--|-----------|----------------------------------|-------------------|---|---|----------------------|---|---|----------------------|--------------------|
| | | | | Change in Unrealized Appreciation/Depreciation ⁽¹⁾ | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | Change in Unrealized Appreciation/Depreciation ⁽¹⁾ | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | |
| Control Investments | | | | | | | | | | |
| Achilles Technology Management Co II, Inc. | Control | \$ 242 | \$ 3 | \$ (46) | \$ | \$ (485) | \$ 155 | \$ (2,254) | \$ | \$ (486) |
| HercGamma, Inc. | Control | | | (523) | | | | (523) | | |
| SkyCross, Inc. | Control | | | | 15,058 | (15,058) | | 1,842 | 15,452 | (15,452) |
| Tectura Corporation | Control | 23,140 | 462 | 2,995 | | | 1,361 | 2,995 | 51 | (51) |
| Second Time Around (Simplify Holdings, LLC) | Control | | | 140 | | | | 140 | | |
| Total Control Investments | | \$ 23,382 | \$ 465 | \$ 2,566 | \$ 15,058 | \$ (15,543) | \$ 1,516 | \$ 2,200 | \$ 15,503 | \$ (15,989) |
| Affiliate Investments | | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 6,064 | \$ | \$ 72 | \$ | \$ | \$ | \$ 1,192 | \$ | \$ |
| Stion Corporation | Affiliate | | | | | | 2 | | | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | Affiliate | 27,522 | 248 | 4,537 | | | 248 | (48,678) | | |
| Total Affiliate Investments | | \$ 33,586 | \$ 248 | \$ 4,609 | \$ | \$ | \$ 250 | \$ (47,486) | \$ | \$ |
| Total Control & Affiliate Investments | | \$ 56,968 | \$ 713 | \$ 7,175 | \$ 15,058 | \$ (15,543) | \$ 1,766 | \$ (45,286) | \$ 15,503 | \$ (15,989) |

(in thousands)

| Portfolio Company | Type | Fair Value at September 30, 2016 | Investment Income | For the Three Months Ended September 30, 2016 | | | For the Nine Months Ended September 30, 2016 | | | |
|--|-----------|----------------------------------|-------------------|---|---|----------------------|---|---|----------------------|-----------|
| | | | | Change in Unrealized Appreciation/Depreciation ⁽¹⁾ | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | Change in Unrealized Appreciation/Depreciation ⁽¹⁾ | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | |
| Control Investments | | | | | | | | | | |
| SkyCross, Inc. | Control | \$ | \$ | \$ | \$ | \$ | \$ | \$ (3,421) | \$ | \$ |
| Achilles Technology Management Co II, Inc. | Control | 4,991 | 16 | | | | 16 | | | |
| Total Control Investments | | \$ 4,991 | \$ 16 | \$ | \$ | \$ | \$ 16 | \$ (3,421) | \$ | \$ |
| Affiliate Investments | | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 5,102 | \$ | \$ 553 | \$ | \$ | \$ 12 | \$ (2,833) | \$ | \$ |
| Stion Corporation | Affiliate | 821 | 30 | | | | 133 | 539 | 648 | |

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| | | | | | | | | | | | | |
|--|----|--------|-------|----|-----|----|--------|----|---------|----|-----|----|
| Total Affiliate Investments | \$ | 5,923 | \$ 30 | \$ | 553 | \$ | \$ 145 | \$ | (2,294) | \$ | 648 | \$ |
| Total Control & Affiliate Investments | \$ | 10,914 | \$ 46 | \$ | 553 | \$ | \$ 161 | \$ | (5,715) | \$ | 648 | \$ |

(1) Represents reversals of prior period net unrealized depreciation upon being realized as a loss due to write off.

In July 2017, we acquired the primary assets of Second Time Around (Simplify Holdings, LLC) as part of an article 9 consensual foreclosure and public auction. These assets represent the remaining possible recovery on our debt and as such this investment is classified as a control investment as of September 30, 2017.

In June 2017, we acquired 100% ownership of the equity in HercGamma, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2017, HercGamma, Inc. acquired the assets of a medical device

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company that develops advanced digital imaging to detect breast cancer, as part of an article 9 consensual foreclosure and public auction for consideration with an estimated fair value of \$1.2 million. Our investment in HercGamma, Inc. is carried on the consolidated statement of assets and liabilities at fair value. In September 2017, we reduced the cost basis of its equity position by \$646,000 with net proceeds from an asset sale.

In April 2017, our investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as a control investment as a result of obtaining more than 25% of the portfolio company's voting securities. In April 2017, under Section 363 of the Bankruptcy Code, Sungevity, Inc. entered into a \$50.0 million asset purchase agreement and DIP financing facility with a group of investors, led by Northern Pacific Group and including us. On April 7, 2017, the U.S. Bankruptcy Court approved the DIP financing facility and on April 17, the U.S. Bankruptcy Court approved the asset purchase agreement. On April 26, 2017, Solar Spectrum Holdings LLC, a new company backed by the investment group, announced that it had acquired certain assets of Sungevity, Inc. as part of the bankruptcy court-approved sale. As a result, the cost basis of our debt investment in Sungevity, Inc. was converted to an equity position in Solar Spectrum Holdings LLC and our warrant and equity positions in Sungevity, Inc. were written off for a realized loss.

In August 2017, our ownership in Solar Spectrum Holdings LLC was diluted below 25% as a result of additional equity contributions by other investors to fund the acquisition of Horizon Solar Power, Inc. by Solar Spectrum Holdings LLC. We made a \$15.0 million debt investment to fund the acquisition. Accordingly, our equity and new debt investment in Solar Spectrum Holdings LLC became classified as affiliate investments as of September 30, 2017.

In January 2017, our investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In March 2017, our warrants in Tectura Corporation expired and were written off for a realized loss.

In June 2016, our investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In September 2017, our investments were deemed wholly worthless and written off for a realized loss.

In June 2016, we also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, we made a \$1.0 million and \$250,000 debt investment, respectively, in Achilles Technology Management II, Inc. to provide working capital under the terms of a loan servicing agreement.

In August 2017, our debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, our equity investment in Achilles Technology Management II, Inc. was reduced by \$900,000 in lieu of a success fee on the repayment of our debt investment. The remaining equity investment in Achilles Technology Management II, Inc. is carried on the consolidated statement of assets and liabilities at fair value.

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We use an investment grading system, which grades each debt investment on a scale of 1 to 5 to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of September 30, 2017 and December 31, 2016, respectively:

| (in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|--------------------|---------------------|--------------------------------|-------------------------------|---------------------|--------------------------------|-------------------------------|
| | 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 | 8 | \$ 189,995 | 14.6% | 15 | \$ 275,832 | 20.8% |
| 2 | 33 | 696,165 | 53.6% | 32 | 590,547 | 44.4% |
| 3 | 24 | 370,902 | 28.5% | 25 | 329,393 | 24.8% |
| 4 | 5 | 43,006 | 3.3% | 8 | 58,874 | 4.4% |
| 5 | 4 | | 0.0% | 8 | 74,157 | 5.6% |
| | 74 | \$ 1,300,068 | 100.0% | 88 | \$ 1,328,803 | 100.0% |

As of September 30, 2017, our debt investments had a weighted average investment grading of 2.24 on a cost basis, as compared to 2.41 at December 31, 2016. 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 September 30, 2017 from December 31, 2016 is primarily due to the conversion of our debt investment in Sungevity Inc. to an equity position in Solar Spectrum Holdings LLC during the period. This position was rated 5 and represented \$44.6 million of the rated 5 debt investment fair value at December 31, 2016. In addition, four positions that were rated 5 as of December 31, 2016 were sold or liquidated during the period.

At September 30, 2017, we had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$14.0 million and \$3.0 million, respectively. At December 31, 2016, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$43.9 million and \$6.2 million, respectively. The decrease in the cumulative cost and fair value of debt investments on non-accrual between September 30, 2017 and December 31, 2016 is the result of the liquidation of two debt investments that were on non-accrual at December 31, 2016, offset by placing two new debt investments on non-accrual status during the period. During the three and nine months ended September 30, 2017, the Company recognized a realized loss of approximately \$23.8 million on the write off of two debt investments that were on non-accrual at December 31, 2016.

Results of Operations***Comparison of the three and nine months ended September 30, 2017 and 2016******Investment Income***

Total investment income for the three months ended September 30, 2017 was approximately \$45.9 million as compared to approximately \$45.1 million for the three months ended September 30, 2016. Total investment income for the nine months ended September 30, 2017 was approximately \$140.7 million as compared to approximately \$127.6 million for the nine months ended September 30, 2016.

Interest and PIK interest income for the three months ended September 30, 2017 totaled approximately \$42.4 million as compared to approximately \$40.0 million for the three months ended September 30, 2016. Interest and PIK interest income for the nine months ended September 30, 2017 totaled approximately \$125.8 million as compared to approximately \$116.1 million for the nine months ended September 30, 2016. The

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increase in interest and PIK interest income for the three and nine months ended September 30, 2017 as compared to the same periods ended September 30, 2016 is primarily attributable to an increase in recurring interest and PIK interest income, along with an increase in interest accelerations due to early loan repayments and other one-time events.

Of the \$42.4 million in interest and PIK interest income for the three months ended September 30, 2017, approximately \$39.7 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$2.7 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 \$38.2 million and \$1.8 million, respectively, of the \$40.0 million interest and PIK interest income for the three months ended September 30, 2016.

Of the \$125.8 million in interest and PIK interest income for the nine months ended September 30, 2017, approximately \$117.6 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$8.2 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 \$111.8 million and \$4.3 million, respectively, of the \$116.1 million interest and PIK interest income for the nine months ended September 30, 2016.

The following table shows the PIK-related activity for the nine months ended September 30, 2017 and 2016, at cost:

| (in thousands) | Nine Months Ended September 30, | |
|---|------------------------------------|----------|
| | 2017 | 2016 |
| Beginning PIK interest receivable balance | \$ 9,930 | \$ 5,149 |
| PIK interest income during the period | 7,172 | 5,676 |
| PIK accrued (capitalized) to principal but not recorded as income during the period | | (2,146) |
| Payments received from PIK loans | (2,349) | (438) |
| Realized loss | (2,183) | (266) |
| Ending PIK interest receivable balance | \$ 12,570 | \$ 7,975 |

The increase in PIK interest income during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 is due to an increase in the weighted average principal outstanding of loans which bear PIK interest, including an increase in newly originated loans bearing PIK interest. This increase is partially offset by an increase in the number of PIK loans that paid off during the period.

Fee income for the three months ended September 30, 2017 totaled approximately \$3.4 million as compared to approximately \$5.1 million for the three months ended September 30, 2016. Fee income for the nine months ended September 30, 2017 totaled approximately \$14.9 million as compared to approximately \$11.5 million for the nine months ended September 30, 2016. The decrease in fee income for the three months ended September 30, 2017 is primarily due to a decrease in the acceleration of unamortized fees due to early repayments and one-time fees between periods. The increase in fee income for the nine months ended September 30, 2017 is primarily attributable to an increase in the acceleration of unamortized fees due to early repayments and one-time fees between periods.

Of the \$3.4 million in fee income for the three months ended September 30, 2017, approximately \$1.3 million represents income from recurring fee amortization and approximately \$2.1 million represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$2.5 million and \$2.6 million, respectively, of the \$5.1 million in income for the three months ended September 30, 2016.

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Of the \$14.9 million in fee income for the nine months ended September 30, 2017, approximately \$4.9 million represents income from recurring fee amortization and approximately \$10.0 million represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$7.2 million and \$4.3 million, respectively, of the \$11.5 million in income for the nine months ended September 30, 2016.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three and nine months ended September 30, 2017 or 2016.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$21.9 million and \$21.3 million during the three months ended September 30, 2017 and 2016, respectively. Our operating expenses totaled approximately \$68.8 million and \$60.4 million during the nine months ended September 30, 2017 and 2016, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$10.5 million and \$10.1 million for the three months ended September 30, 2017 and 2016, respectively, and approximately \$33.5 million and \$27.0 million during the nine months ended September 30, 2017 and 2016, respectively. Interest and fee expense for the three months ended September 30, 2017, as compared to September 30, 2016, increased due to a higher weighted average principal balance outstanding on our 2024 Notes and Convertible Notes, offset by a reduction in the weighted average principal balance outstanding on our 2019 Notes, which were fully redeemed in February 2017, and on our 2021 Asset Backed Notes, which are amortizing. Interest and fee expense for the nine months ended September 30, 2017, as compared to September 30, 2016, increased due to the onetime, non-cash acceleration of approximately \$1.5 million of unamortized fees upon the redemption of our 2019 Notes in February 2017 and a higher weighted average principal balance outstanding on our 2024 Notes and Convertible Notes, partially offset by a reduction in interest expense on our 2019 Notes and 2021 Asset Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.6% and 6.0% for the three months ended September 30, 2017 and 2016, respectively, and a weighted average cost of debt of approximately 5.8% and 5.8% for the nine months ended September 30, 2017 and 2016, respectively. The decrease in the weighted average cost of debt for the three months ended September 30, 2017 as compared to the same period ended September 30, 2016 is primarily attributable to the full redemption of our 2019 Notes between periods.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses decreased to \$3.5 million from \$4.1 million for the three months ended September 30, 2017 and 2016. Our general and administrative expenses increased to \$12.4 million from \$12.1 million for the nine months ended September 30, 2017 and 2016. The decrease for the three months ended September 30, 2017 was primarily attributable to a reduction in corporate legal and other expenses. The increase for the nine months ended September 30, 2017 was primarily attributable to an increase in excise tax accruals and charitable contributions, offset by a reduction in corporate legal and other expenses between periods.

Table of Contents**Index to Financial Statements***Employee Compensation*

Employee compensation and benefits totaled \$6.0 million for the three months ended September 30, 2017 as compared to \$5.6 million for the three months ended September 30, 2016 and \$17.3 million for the nine months ended September 30, 2017 as compared to \$15.6 million for the nine months ended September 30, 2016. The increase for the three and nine month comparative periods was primarily due to increased salaries and changes in variable compensation expenses due to company performance objectives.

Employee stock-based compensation totaled \$1.8 million for the three months ended September 30, 2017 as compared to \$1.4 million for the three months ended September 30, 2016 and \$5.6 million for the nine months ended September 30, 2017 as compared to \$5.6 million for the nine months ended September 30, 2016. The increase for the three month comparative period was primarily related to restricted stock award vesting.

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

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

A summary of realized gains and losses for the three and nine months ended September 30, 2017 and 2016 is as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Realized gains | \$ 1,345 | \$ 9,423 | \$ 12,898 | \$ 13,634 |
| Realized losses | (25,799) | (1,553) | (39,827) | (10,207) |
| Net realized gains (losses) | \$ (24,454) | \$ 7,870 | \$ (26,929) | \$ 3,427 |

During the three and nine months ended September 30, 2017 we recognized net realized losses of \$24.5 million and \$26.9 million, respectively. During the three months ended September 30, 2017, we recorded gross realized gains of \$1.3 million primarily from the sale or acquisition of our holdings in three portfolio companies, including Axovant Sciences Ltd. (\$460,000), CashStar, Inc. (\$235,000), and Aveo Pharmaceuticals, Inc. (\$227,000). These gains were offset by gross realized losses of \$25.8 million primarily from the liquidation or write off of our warrant and equity investments in seven portfolio companies and companies and our debt investment in three portfolio companies.

During the nine months ended September 30, 2017, we recorded gross realized gains of \$12.9 million primarily from the sale or acquisition of our holdings in four portfolio companies, including IronPlanet, Inc. (\$5.1 million), Box, Inc. (\$4.0 million) TPI Composites, Inc. (\$1.2 million) and Edge Therapeutics, Inc. (\$708,000). These gains were offset by gross realized losses of \$39.8 million primarily from the liquidation or write off of our warrant and equity investments in nineteen portfolio companies and our debt investment in four portfolio companies.

During the three and nine months ended September 30, 2016, we recognized net realized gains of \$7.9 million and net realized losses of \$3.4 million, respectively. During the three months ended September 30, 2016, we recorded gross realized gains of \$9.4 million primarily from the acquisition of our holdings in three portfolio companies, including Box, Inc. (\$7.8 million), Touchcommerce, Inc. (\$698,000) and ReachLocal (\$610,000). These gains were offset by gross realized losses of \$1.5 million primarily from the liquidation or write off of our warrant and equity investments in one portfolio company and our debt investment in one portfolio company.

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

The following table summarizes the change in net unrealized appreciation (depreciation) of investments for the three and nine months ended September 30, 2017 and 2016:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Gross unrealized appreciation on portfolio investments | \$ 26,421 | \$ 25,903 | \$ 114,287 | \$ 55,428 |
| Gross unrealized depreciation on portfolio investments | (15,764) | (21,309) | (125,327) | (76,801) |
| Reversal of prior period net unrealized appreciation (depreciation) upon a realization event | 27,317 | (7,161) | 41,447 | (7,421) |
| Reversal of prior period net unrealized appreciation (depreciation) upon a realization event | (4,201) | 1,550 | (14,720) | 12,803 |
| Net unrealized appreciation (depreciation) on debt, equity, and warrant investments | 33,773 | (1,017) | 15,687 | (15,991) |
| Other net unrealized appreciation (depreciation) | (220) | 183 | (50) | (81) |
| Total net unrealized depreciation on investments | \$ 33,553 | \$ (834) | \$ 15,637 | \$ (16,072) |

During the three months ended September 30, 2017, we recorded \$33.6 million of net unrealized appreciation, of which \$33.7 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded \$22.2 million of net unrealized appreciation on our debt investments, which was primarily related to the reversal of \$25.9 million of unrealized depreciation upon payoff or liquidation of our debt investments in three portfolio companies.

We recorded \$8.8 million of net unrealized appreciation on our equity investments, which was primarily related to a \$4.0 million reduction in the collateral based impairment on one portfolio company and \$5.7 million of unrealized appreciation on our public equity portfolio related to portfolio company performance.

Finally, we recorded \$2.7 million of net unrealized appreciation on our warrant investments, which was primarily due to \$5.0 million and \$411,000 of unrealized appreciation on our private and public warrant portfolios, respectively, related to portfolio company and industry performance. This unrealized appreciation was partially offset by the reversal of \$2.5 million of net unrealized appreciation upon being realized as a gain or loss due to the acquisition or liquidation of our warrant investments.

During the three months ended September 30, 2016, we recorded \$834,000 of net unrealized depreciation, of which \$1.0 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded \$7.7 million of net unrealized depreciation on our debt investments, which was primarily related to \$14.1 million of unrealized depreciation for collateral based impairments on eleven portfolio companies offset by the reversal of \$1.3 million unrealized depreciation for the prior period collateral based impairments on one portfolio company and \$4.8 million of unrealized appreciation from our market yield analysis related to industry performance.

We recorded \$4.0 million of net unrealized appreciation on our equity investments, which was primarily related to \$6.5 million unrealized appreciation on our public equity portfolio and \$2.3 million of unrealized appreciation on our private portfolio companies related to portfolio company performance, offset by the reversal of approximately \$4.7 million of net unrealized appreciation upon being realized as a gain on sales of Box, Inc.

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Finally, we recorded \$2.7 million of net unrealized appreciation on our warrant investments, which was primarily due to \$5.8 million of unrealized appreciation on our private portfolio companies related to company performance, offset by the reversal of \$2.0 million of unrealized appreciation upon being realized as a gain due to the acquisition of our warrant investments in two portfolio companies.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the three months ended September 30, 2017 and 2016:

| (in millions) | Three Months Ended September 30, 2017 | | | Total |
|--|--|---------------|---------------|----------------|
| | Debt | Equity | Warrants | |
| Collateral Based Impairments ⁽¹⁾ | \$ (3.0) | \$ 4.0 | \$ (0.2) | \$ 0.8 |
| Reversals of Prior Period Collateral Based Impairments | | | | |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 25.9 | (0.2) | (2.5) | 23.2 |
| Fair Value Market/Yield Adjustments ⁽²⁾ | | | | |
| Level 1 & 2 Assets | | 5.7 | 0.4 | 6.1 |
| Level 3 Assets | (0.7) | (0.7) | 5.0 | 3.6 |
| Total Fair Value Market/Yield Adjustments | (0.7) | 5.0 | 5.4 | 9.7 |
| Total Unrealized Appreciation/(Depreciation) | \$ 22.2 | \$ 8.8 | \$ 2.7 | \$ 33.7 |

| (in millions) | Three Months Ended September 30, 2016 | | | Total |
|--|--|---------------|---------------|-----------------|
| | Debt | Equity | Warrants | |
| Collateral Based Impairments ⁽¹⁾ | \$ (14.1) | \$ (0.1) | \$ (0.3) | \$ (14.5) |
| Reversals of Prior Period Collateral Based Impairments | 1.3 | | | 1.3 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 0.3 | (4.7) | (2.0) | (6.4) |
| Fair Value Market/Yield Adjustments ⁽²⁾ | | | | |
| Level 1 & 2 Assets | 0.3 | 6.5 | (0.8) | 6.0 |
| Level 3 Assets | 4.5 | 2.3 | 5.8 | 12.6 |
| Total Fair Value Market/Yield Adjustments | 4.8 | 8.8 | 5.0 | 18.6 |
| Total Unrealized Appreciation/(Depreciation) | \$ (7.7) | \$ 4.0 | \$ 2.7 | \$ (1.0) |

- (1) The unrealized appreciation (depreciation) attributable to collateral based impairments include all changes in estimated fair value on positions whose fair value remains impaired relative to cost as of the balance sheet date. As such, this may include current period improvements in estimated fair value that do not represent reversals to prior period collateral based impairments.
- (2) Level 1 assets are generally equities listed in active markets and level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC Topic 820 (Fair Value Measurements).

During the nine months ended September 30, 2017, we recorded \$15.6 million of net unrealized appreciation, of which \$15.7 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded \$41.9 million of net unrealized appreciation on our debt investments, which was primarily related to the reversal of prior period collateral based impairments of \$52.0 million on three portfolio companies, including the reversal of the cumulative unrealized depreciation on our debt investment in Sungevity, Inc. upon its conversion to equity, and the reversal of \$30.9 million of unrealized depreciation upon the payoff or liquidation of our debt investments during the period. This unrealized appreciation was offset by \$41.6 million of unrealized depreciation for collateral based impairments on eight portfolio companies.

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We recorded \$36.9 million of net unrealized depreciation on our equity investments, which was primarily due to \$50.4 million of collateral based impairment on three portfolio companies, including impairment on our converted equity position in Solar Spectrum Holdings LLC. This unrealized depreciation was partially offset by \$7.8 million and \$3.8 million of unrealized appreciation on our public and private equity portfolio, respectively, related to portfolio company and industry performance.

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Finally, we recorded \$10.7 million of net unrealized appreciation on our warrant investments, which was primarily related to \$10.6 million and \$4.0 million of unrealized appreciation on our private and public warrant portfolio related to portfolio company and industry performance, respectively. This appreciation was offset by the reversal of approximately \$3.4 million of unrealized appreciation upon being realized as a gain or loss due to the acquisition or liquidation of our warrant investments.

During the nine months ended September 30, 2016, we recorded \$16.1 million of net unrealized depreciation, of which \$15.9 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded \$9.7 million of net unrealized depreciation on our debt investments, which was primarily related to \$34.7 million unrealized depreciation for collateral based impairments on eleven portfolio companies offset by the reversal of \$12.5 million of unrealized depreciation upon payoff or settling of our debt investments and the reversal of \$7.0 million of unrealized depreciation for prior period collateral based impairments on five portfolio companies.

We recorded \$8.5 million of net unrealized depreciation on our equity investments, which was primarily related to \$3.9 million of unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and the reversal of \$4.6 million of net unrealized appreciation upon being realized as a gain on sale of Box, Inc. and the write off of three portfolio company investments.

Finally, we recorded \$2.3 million of net unrealized appreciation on our warrant investments, which was primarily related to \$5.4 million of net unrealized appreciation on our private portfolio companies related to portfolio company performance offset by the reversal of approximately \$1.2 million of unrealized appreciation upon being realized as a gain due to the acquisition of our warrant investments in two portfolio companies and the write off of five portfolio company investments.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the nine months ended September 30, 2017 and 2016:

| (in millions) | Nine Months Ended September 30, 2017 | | | |
|--|--------------------------------------|------------------|----------------|----------------|
| | Debt | Equity | Warrants | Total |
| Collateral Based Impairments ⁽¹⁾ | \$ (41.6) | \$ (50.4) | \$ (0.5) | \$ (92.5) |
| Reversals of Prior Period Collateral Based Impairments | 52.0 | | | 52.0 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 30.9 | 1.9 | (3.4) | 29.4 |
| Fair Value Market/Yield Adjustments ⁽²⁾ | | | | |
| Level 1 & 2 Assets | | 7.8 | 4.0 | 11.8 |
| Level 3 Assets | 0.6 | 3.8 | 10.6 | 15.0 |
| Total Fair Value Market/Yield Adjustments | 0.6 | 11.6 | 14.6 | 26.8 |
| Total Unrealized Appreciation/(Depreciation) | \$ 41.9 | \$ (36.9) | \$ 10.7 | \$ 15.7 |

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

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- (1) The unrealized appreciation (depreciation) attributable to collateral based impairments include all changes in estimated fair value on positions whose fair value remains impaired relative to cost as of the balance sheet date. As such, this may include current period improvements in estimated fair value that do not represent reversals to prior period collateral based impairments.
- (2) Level 1 assets are generally equities listed in active markets and level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC Topic 820 (Fair Value Measurements).

Income and Excise Taxes

We account for income taxes in accordance with the provisions of Topic 740 of the FASB's Accounting Standards Codification, as amended (ASC), Income Taxes , under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long-term capital gains, from our taxable year ended December 31, 2016 to our stockholders in 2017.

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

For the three months ended September 30, 2017 and 2016, we had a net increase in net assets resulting from operations of approximately \$33.1 million and \$30.8 million, respectively. For the nine months ended September 30, 2017 and 2016, we had a net increase in net assets resulting from operations of approximately \$60.6 million and \$54.6 million, respectively.

Both the basic and fully diluted net change in net assets per common share were \$0.40 per share for the three months ended September 30, 2017 and \$0.73 per share for the nine months ended September 30, 2017. Both the basic and fully diluted net change in net assets per common share were \$0.41 per share and \$0.74 per share for the three and nine months ended September 30, 2016, respectively.

For the purpose of calculating diluted earnings per share for three and nine months ended September 30, 2017 and 2016, the effect of the 2022 Convertible Notes, outstanding options, and restricted stock units under the treasury stock method was considered. The effect of the 2022 Convertible Notes was excluded from these calculation for the three and nine months ended September 30, 2017 as our share price was less than the conversion price in effect which results in anti-dilution. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such there was no potential additional dilutive effect for the three and nine months ended September 30, 2016.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our Credit Facilities, SBA debentures, 2024 Notes (of which \$75.0 million of the outstanding aggregate principal amount were redeemed on November 23, 2017), 2021 Asset-Backed Notes, Convertible 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 also raise additional equity or debt capital through registered offerings off a shelf registration, ATM and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries.

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On August 16, 2013, we entered into an ATM equity distribution agreement (the Prior Equity Distribution Agreement) with JMP Securities. On March 7, 2016, we renewed the Prior Equity Distribution Agreement and on December 21, 2016, we further amended the agreement to increase the total shares available under the program. The Prior Equity Distribution Agreement, as amended, provided that we may offer and sell up to 12.0 million shares of our common stock from time to time through JMP Securities, as our sales agent.

On September 8, 2017, we terminated the Prior Equity Distribution Agreement and entered into the Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior Equity Distribution Agreement are no longer available for issuance. The Equity Distribution Agreement provides that the Company may offer and sell up to 12.0 million shares of its common stock from time to time through JMP Securities, 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 nine months ended September 30, 2017, we sold 4.1 million shares of common stock, of which 3.3 million shares and 768,000 shares were issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement, respectively. During the nine months ended September 30, 2017, we received total accumulated net proceeds of approximately \$56.3 million, including \$687,000 of offering expenses, from these sales, of which \$46.9 million, including offering expenses of \$532,000, was received under the Prior Equity Distribution Agreement and \$9.4 million, including offering expenses of \$155,000, was received under the Equity Distribution Agreement, respectively. As of September 30, 2017, approximately 11.2 million shares remain available for issuance and sale under the Equity Distribution Agreement. See Subsequent Events.

On August 27, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock until August 23, 2016, after which the plan expired. In January 2016, we repurchased 449,588 shares of our common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million.

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

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of our 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to cover overallocments on April 29, 2016. On June 27, 2016, we closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallocments, resulting in total aggregate principal of \$69.0 million from the offering. The 2024 Notes rank equally in right of payment and form a single series of notes. We intend to invest the net proceeds of these public offerings to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

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

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On October 11, 2016, we entered into a debt distribution agreement, pursuant to which we may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as our sales agent. Sales of the 2024 Notes, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

During the nine months ended September 30, 2017, we sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. We did not sell any notes under the program during the three months ended September 30, 2017. During the year ended December 31, 2016, we sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of September 30, 2017, approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

On January 25, 2017, we issued \$230.0 million in aggregate principal amount of 2022 Convertible Notes, which amount includes the additional \$30.0 million aggregate principal amount issued pursuant to the initial purchaser's exercise in full of its overallotment option. The sale generated net proceeds of approximately \$225.5 million, including \$4.5 million of debt issuance costs. Aggregate issuances costs include the initial purchaser's discount of approximately \$5.2 million, offset by the reimbursement of \$1.2 million by the initial purchaser. We intend to use the net proceeds from this offering (i) to repurchase or otherwise redeem all of our 2019 Notes, (ii) to fund investments in debt and equity securities in accordance with our investment objective and (iii) for working capital and other general corporate purposes.

On February 24, 2017, we redeemed the \$110.4 million remaining outstanding balance of our 2019 Notes in full.

At September 30, 2017, we had \$230.0 million of 2022 Convertible Notes, \$258.5 million of 2024 Notes, \$65.5 million of 2021 Asset-Backed Notes, and \$190.2 million of SBA debentures payable. We had no borrowings outstanding under the Wells Facility or the Union Bank Facility. See Subsequent Events.

At September 30, 2017, we had \$335.6 million in available liquidity, including \$140.6 million in cash and cash equivalents. We had available borrowing capacity of \$120.0 million under the Wells Facility and \$75.0 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At September 30, 2017, we had \$118.5 million of capital outstanding in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At September 30, 2017, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

At September 30, 2017, we had approximately \$7.8 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.

On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to redeem the outstanding 2024 Notes.

During the nine months ended September 30, 2017, 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.

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During the nine months ended September 30, 2017, our operating activities provided \$76.6 million of cash and cash equivalents, compared to \$58.5 million used during the nine months ended September 30, 2016. This \$135.1 million increase in cash provided by operating activities is primarily related to an increase in investment repayments of \$146.4 million and an increase in net realized losses on investments of \$30.4 million, partially offset by an increase in investment purchases of \$25.5 million and an increase in net unrealized appreciation of \$31.7 million.

During the nine months ended September 30, 2017, our investing activities provided approximately \$382,000 of cash, compared to \$16,000 used during the nine months ended September 30, 2016. The \$398,000 increase in cash provided in investing activities was primarily due to a decrease of approximately \$298,000 in cash, classified as restricted cash, on assets that are securitized.

During the nine months ended September 30, 2017, our financing activities provided \$50.5 million of cash, compared to \$32.3 million provided during the nine months ended September 30, 2016. The \$18.2 million increase in cash provided by financing activities was primarily due to the net issuance of \$225.5 million of the 2022 Convertible Notes and a reduction in the use of our credit facilities between periods, offset by the repayment of \$110.4 million of 2019 Notes and the decrease in 2024 Notes issuance during the nine months ended September 30, 2017.

As of September 30, 2017, net assets totaled \$836.3 million, with a NAV per share of \$10.00. We intend to continue to operate in order to generate cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of September 30, 2017 our asset coverage ratio under our regulatory requirements as a business development company was 250.4% 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 asset coverage ratio when including our SBA debentures was 212.0% at September 30, 2017.

Outstanding Borrowings

At September 30, 2017 and December 31, 2016, we had the following available borrowings and outstanding amounts:

| (in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|------------------------------------|--------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|
| | Total Available | Principal | Carrying Value ⁽¹⁾ | Total Available | Principal | Carrying Value ⁽¹⁾ |
| SBA Debentures ⁽²⁾ | \$ 190,200 | \$ 190,200 | \$ 187,983 | \$ 190,200 | \$ 190,200 | \$ 187,501 |
| 2019 Notes ⁽³⁾ | | | | 110,364 | 110,364 | 108,818 |
| 2024 Notes ⁽⁴⁾ | 258,510 | 258,510 | 251,716 | 252,873 | 252,873 | 245,490 |
| 2021 Asset-Backed Notes | 65,476 | 65,476 | 64,860 | 109,205 | 109,205 | 107,972 |
| 2022 Convertible Notes | 230,000 | 230,000 | 223,097 | | | |
| Wells Facility ⁽⁵⁾ | 120,000 | | | 120,000 | 5,016 | 5,016 |
| Union Bank Facility ⁽⁵⁾ | 75,000 | | | 75,000 | | |
| Total | \$ 939,186 | \$ 744,186 | \$ 727,656 | \$ 857,642 | \$ 667,658 | \$ 654,797 |

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

(2) At both September 30, 2017 and December 31, 2016, 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.

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(3) The 2019 Notes were redeemed in full on February 24, 2017.

(4) On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to redeem the outstanding 2024 Notes.

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

Debt issuance costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASC Subtopic 835-30 (Interest Imputation of Interest), debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, as of September 30, 2017 and December 31, 2016 were as follows:

| (in thousands) | September 30, 2017 | December 31, 2016 |
|------------------------------------|--------------------|-------------------|
| SBA Debentures | \$ 2,217 | \$ 2,699 |
| 2019 Notes | | 1,546 |
| 2024 Notes ⁽¹⁾ | 6,889 | 7,482 |
| 2021 Asset-Backed Notes | 616 | 1,233 |
| 2022 Convertible Notes | 3,938 | |
| Wells Facility ⁽²⁾ | 271 | 501 |
| Union Bank Facility ⁽²⁾ | 453 | 768 |
| Total | \$ 14,384 | \$ 14,229 |

(1) On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to redeem the outstanding 2024 Notes.

(2) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASC Subtopic 835-30.

Refer to Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement for a discussion of the contract terms, interest expense, and fees associated with each outstanding borrowing as of and for the three and nine months ended September 30, 2017.

Commitments

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

At September 30, 2017, we had approximately \$46.3 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

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We also had approximately \$72.0 million of non-binding term sheets outstanding to three new 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 is 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 market indices and given the existence of milestones, conditions and/or obligations imbedded in the borrowing agreements.

As of September 30, 2017, our unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

| (in thousands) | Unfunded Commitments ⁽¹⁾ |
|--------------------------|--|
| Portfolio Company | |
| NewVoiceMedia Limited | \$ 15,000 |
| Evernote Corporation | 10,000 |
| Aquantia Corp. | 6,500 |
| Wrike, Inc. | 5,000 |
| MDX Medical, Inc. | 4,500 |
| 908 DEVICES INC. | 2,500 |
| Verastem, Inc. | 2,500 |
| RedSeal Inc. | 302 |
| Total | \$ 46,302 |

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

Contractual Obligations

The following table shows our contractual obligations as of September 30, 2017:

| Contractual Obligations ⁽¹⁾ | Total | Payments due by period (in thousands) | | | After 5 years |
|--|-------------------|---------------------------------------|------------------|-------------------|-------------------|
| | | Less than 1 year | 1 - 3 years | 3 - 5 years | |
| Borrowings ⁽²⁾⁽³⁾⁽⁵⁾ | \$ 744,186 | \$ 140,476 | \$ 51,200 | \$ 344,250 | \$ 208,260 |
| Operating Lease Obligations ⁽⁴⁾ | 4,370 | 1,831 | 1,149 | 1,145 | 245 |
| Total | \$ 748,556 | \$ 142,307 | \$ 52,349 | \$ 345,395 | \$ 208,505 |

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

(2) Includes \$190.2 million in principal outstanding under the SBA debentures, \$258.5 million of the 2024 Notes, \$230.0 million of the Convertible Notes and \$65.5 million of the 2021 Asset-Backed Notes as of September 30, 2017.

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

(4) Facility leases.

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(5) Reflects redemption of a portion of the 2024 Notes. See Subsequent Events.

Certain premises are leased under agreements which expire at various dates through February 2023. Total rent expense amounted to approximately \$443,000 and \$1.3 million during the three and nine months ended September 30, 2017. Total rent expense amounted to approximately \$420,000 and \$1.3 million during the same periods ended September 30, 2016.

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Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers. The indemnification agreements are intended to provide our directors and executive officers the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that we shall indemnify the director or executive officer 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 of 1958 and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of September 30, 2017, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of September 30, 2017. As of September 30, 2017, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2017 the Company held investments in HT II in 32 companies with a fair value of approximately \$77.0 million, accounting for approximately 5.4% of the Company's total investment portfolio at September 30, 2017. HT II held approximately \$107.9 million in assets and accounted for approximately 5.4% of the Company's total assets prior to consolidation at September 30, 2017.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of September 30, 2017, 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 September 30, 2017. As of September 30, 2017, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2017, the Company held investments in HT III in 45 companies with a fair value of approximately \$200.8 million, accounting for approximately 14.2% of the Company's total investment portfolio at September 30, 2017. HT III held approximately \$279.9 million in assets and accounted for approximately 13.9% of the Company's total assets prior to consolidation at September 30, 2017.

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.

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HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 2017 as a result of having sufficient capital as defined under the SBA regulations.

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

The average amount of debentures outstanding for the three and nine months ended September 30, 2017 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.56% and 4.51%, respectively. The average amount of debentures outstanding for the three and nine months ended September 30, 2017 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.46% and 3.42%, respectively.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 1,757 | \$ 1,757 | \$ 5,212 | \$ 5,231 |
| Amortization of debt issuance cost (loan fees) | 158 | 168 | 482 | 504 |
| Total interest expense and fees | \$ 1,915 | \$ 1,925 | \$ 5,694 | \$ 5,735 |

| | | | | |
|---|----------|----------|----------|----------|
| Cash paid for interest expense and fees | \$ 3,499 | \$ 3,499 | \$ 6,942 | \$ 6,961 |
|---|----------|----------|----------|----------|

In aggregate, at September 30, 2017, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At September 30, 2017, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

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The Company reported the following SBA debentures outstanding principal balances as of September 30, 2017 and December 31, 2016:

(in thousands)

| Issuance/Pooling Date | Maturity Date | Interest Rate⁽¹⁾ | September 30, 2017 | December 31, 2016 |
|------------------------------|----------------------|------------------------------------|---------------------------|--------------------------|
| 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

In April and July 2012, the Company issued \$84.5 million in aggregate principal amount of 7.00% notes due 2019 (the April 2019 Notes). In September and October 2012, the Company issued \$85.9 million in aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes). The April 2019 Notes and September 2019 Notes are together referred to as the 2019 Notes.

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. The remaining 2019 Notes were fully redeemed on February 24, 2017.

As of December 31, 2016, the 2019 Notes payable outstanding principal balance consisted of:

| (in thousands) | December 31, 2016 |
|---|--------------------------|
| April 2019 Notes | \$ 64,490 |
| September 2019 Notes | 45,874 |
| Total 2019 Notes principal outstanding | \$ 110,364 |

The April 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGZ. The September 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGY. For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

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| (in thousands) | Three Months | | Nine Months | |
|--|-----------------------------|-----------------|-----------------------------|-----------------|
| | Ended September 30, 2017 | 2016 | Ended September 30, 2017 | 2016 |
| Interest expense | \$ | \$ 1,931 | \$ 1,159 | \$ 5,794 |
| Amortization of debt issuance cost (loan fees) | | 160 | 1,546 | 480 |
| Total interest expense and fees | \$ | \$ 2,091 | \$ 2,705 | \$ 6,274 |
| Cash paid for interest expense and fees | \$ | \$ 1,931 | \$ 1,911 | \$ 5,794 |

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2024 Notes

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

On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallotments on April 29, 2016.

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

On October 11, 2016, the Company entered into a debt distribution agreement, pursuant to which it may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as its sales agent (the 2024 Notes Agent). Sales of the 2024 Notes may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

The 2024 Notes Agent receives a commission from the Company equal to up to 2.00% of the gross sales of any 2024 Notes sold through the 2024 Notes Agent under the debt distribution agreement. The 2024 Notes Agent is not required to sell any specific principal amount of 2024 Notes, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the 2024 Notes. The 2024 Notes are expected to trade flat, which means that purchasers in the secondary market will not pay, and sellers will not receive, any accrued and unpaid interest on the 2024 Notes that is not reflected in the trading price.

During the nine months ended September 30, 2017, the Company sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. The Company did not sell any notes under the debt distribution agreement during the three months ended September 30, 2017. During the year ended December 31, 2016, the Company sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of September 30, 2017 approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

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

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

On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to redeem the outstanding 2024 Notes.

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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 and other distributions as well as the purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of September 30, 2017, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

As of September 30, 2017 and December 31, 2016, the components of the carrying value of the 2024 Notes were as follows:

| (in thousands) | September 30, 2017 | December 31, 2016 |
|---|-----------------------|----------------------|
| Principal amount of debt | \$ 258,510 | \$ 252,873 |
| Unamortized debt issuance cost | (6,889) | (7,482) |
| Original issue premium, net of amortization | 95 | 99 |
| Carrying value of 2024 Notes | \$ 251,716 | \$ 245,490 |

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 4,039 | \$ 3,926 | \$ 12,065 | \$ 7,910 |
| Amortization of debt issuance cost (loan fees) | 252 | 229 | 752 | 448 |
| Amortization of original issue premium | (13) | | (43) | |
| Total interest expense and fees | \$ 4,278 | \$ 4,155 | \$ 12,774 | \$ 8,358 |
| Cash paid for interest expense and fees | \$ 4,053 | \$ 3,827 | \$ 12,069 | \$ 7,046 |

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 the 2021 Asset-Backed Notes, which were rated A(sf) by Kroll Bond Rating Agency, Inc. The 2021 Asset-Backed

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Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1, LLC as trust depositor (the 2014 Trust Depositor), Hercules Capital Funding Trust 2014-1 as issuer (the 2014 Securitization Issuer), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes is paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 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 Section 2(a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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

At September 30, 2017 and December 31, 2016, the 2021 Asset-Backed Notes had an outstanding principal balance of \$65.5 million and \$109.2 million, respectively.

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For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 632 | \$ 1,103 | \$ 2,327 | \$ 3,381 |
| Amortization of debt issuance cost (loan fees) | 197 | 366 | 618 | 832 |
| Total interest expense and fees | \$ 829 | \$ 1,469 | \$ 2,945 | \$ 4,213 |

| | | | | |
|---|--------|----------|----------|----------|
| Cash paid for interest expense and fees | \$ 697 | \$ 1,110 | \$ 2,485 | \$ 3,388 |
|---|--------|----------|----------|----------|

Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$7.8 million and \$8.3 million of restricted cash as of September 30, 2017 and December 31, 2016, respectively, funded through interest collections.

Convertible Notes*2016 Convertible Notes*

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible notes due 2016 (the 2016 Convertible Notes). The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016.

Prior to the close of business on October 14, 2015, holders were able to convert their 2016 Convertible Notes only under certain circumstances set forth in the indenture governing the 2016 Convertible Notes. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders were able to convert their 2016 Convertible Notes at any time. Throughout the life of the 2016 Convertible Notes, holders of approximately \$74.8 million of the 2016 Convertible Notes exercised their conversion rights. These 2016 Convertible Notes were settled with a combination of cash equal to the outstanding principal amount of the 2016 Convertible Notes and approximately 1.6 million shares of the Company's common stock, or \$24.3 million.

The 2016 Convertible Notes were accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2016 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2016 Convertible Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the 2016 Convertible Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company recorded interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

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For the three and nine months ended September 30, 2016, the components of interest expense, fees and cash paid for interest expense for the 2016 Convertible Notes were as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------|------------------------------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ | \$ | \$ 352 |
| Amortization of debt issuance cost (loan fees) | | | | 44 |
| Accretion of original issue discount | | | | 82 |
| Total interest expense and fees | \$ | \$ | \$ | \$ 478 |
| Cash paid for interest expense and fees | \$ | \$ | \$ | \$ 440 |

The estimated effective interest rate of the debt component of the 2016 Convertible Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the three and nine months ended September 30, 2016.

2022 Convertible Notes

On January 25, 2017, the Company issued \$230.0 million in aggregate principal amount of 4.375% Convertible Notes due 2022 (the 2022 Convertible Notes), which amount includes the additional \$30.0 million aggregate principal amount of 2022 Convertible Notes issued pursuant to the initial purchaser's exercise in full of its overallotment option. The 2022 Convertible Notes were issued pursuant to an Indenture, dated January 25, 2017 (the 2022 Convertible Notes Indenture), between the Company and U.S. Bank, National Association, as trustee (the 2022 Trustee). The sale of the 2022 Convertible Notes generated net proceeds of approximately \$225.5 million, including \$4.5 million of debt issuance costs.

The 2022 Convertible Notes mature on February 1, 2022, unless previously converted or repurchased in accordance with their terms. The 2022 Convertible Notes bear interest at a rate of 4.375% per year payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2017.

The 2022 Convertible Notes are unsecured obligations of the Company and rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to the Company's existing and future 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 August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of September 30, 2017, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

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The Company may not redeem the 2022 Convertible Notes at its option prior to maturity. No sinking fund is provided for the 2022 Convertible Notes. In addition, if certain corporate events occur, holders of the 2022 Convertible Notes may require the Company to repurchase for cash all or part of their 2022 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

The 2022 Convertible Notes Indenture contains certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) 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 2022 Convertible Notes and the 2022 Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the 2022 Convertible Notes Indenture. The Company offered and sold the 2022 Convertible Notes to the initial purchaser in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, for resale by the initial purchaser to qualified institutional buyers (as defined in the Securities Act) pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Company relied on these exemptions from registration based in part on representations made by the initial purchaser in connection with the sale of the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2022 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2022 Convertible Notes were approximately 98.5% and 1.5%, respectively. The original issue discount of 1.5%, or \$3.4 million, attributable to the conversion feature of the 2022 Convertible 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 4.76%.

As of September 30, 2017, the components of the carrying value of the 2022 Convertible Notes were as follows:

| (in thousands) | September 30, 2017 |
|---|-----------------------|
| Principal amount of debt | \$ 230,000 |
| Unamortized debt issuance cost | (3,938) |
| Original issue discount, net of accretion | (2,965) |
| Carrying value of 2022 Convertible Notes | \$ 223,097 |

For the three and nine months ended September 30, 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 2,602 | \$ | \$ 6,876 | \$ |
| Amortization of debt issuance cost (loan fees) | 213 | | 558 | |
| Accretion of original issue discount | 168 | | 448 | |
| Total interest expense and fees | \$ 2,983 | \$ | \$ 7,882 | \$ |
| Cash paid for interest expense and fees | \$ 5,199 | \$ | \$ 5,199 | \$ |

The estimated effective interest of the debt component of the 2022 Convertible Notes, equal to the stated interest rate of 4.375% plus the accretion of the original issue discount, was approximately 4.76% for the three and nine months ended September 30, 2017. As of September 30, 2017, the Company is in compliance with the terms of the indentures governing the 2022 Convertible Notes.

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Credit Facilities

As of September 30, 2017 and December 31, 2016, the Company has two available credit facilities, the Wells Facility and the Union Bank Facility.

Wells Facility

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostar Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2017, this non-use fee was \$153,000 and \$450,000, respectively. For the three and nine months ended September 30, 2016, this non-use fee was \$155,000 and \$336,000, 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 September 30, 2017, the minimum tangible net worth covenant increased to \$727.2 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million, the issuance of 7.3 million shares of common stock issued under the Prior Equity Distribution Agreement for gross proceeds of \$95.0 million during the year ended December 31, 2016, and the issuance of 4.1 million shares of common stock issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement for gross proceeds of \$57.0 million during the nine months ended September 30, 2017. See Note 6 Stockholders' Equity.

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 \$8.5 million on the available facility during the nine months ended September 30, 2017 offset by repayments of \$13.5 million. The Company had aggregate draws of \$168.3 million

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on the available facility during the nine months ended September 30, 2016 offset by repayments of \$218.3 million. At December 31, 2016 there was \$5.0 million, respectively, of borrowings outstanding on this facility. There were no borrowings outstanding on the facility as of September 30, 2017.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ | \$ 2 | \$ 501 |
| Amortization of debt issuance cost (loan fees) | 66 | 115 | 280 | 341 |
| Total interest expense and fees | \$ 66 | \$ 115 | \$ 282 | \$ 842 |
| Cash paid for interest expense and fees | \$ 207 | \$ | \$ 677 | \$ 577 |

Union Bank Facility

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

On July 18, 2016, the Company entered into the First Amendment to the Loan and Security Agreement, dated as of May 5, 2016 with MUFG Union Bank, N.A. The Amendment amends certain definitions relating to borrowings which accrue interest based on the London Interbank Offered Rate (LIBOR Loans) and (ii) the method(s) for calculating interest on and the paying of certain fees related to such LIBOR Loans.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2017, the company incurred non-use fees of \$96,000 and \$284,000, respectively. For the three and nine months ended September 30, 2016, the company incurred non-use fees under the Prior Union Bank Facility of \$96,000 and \$277,000, respectively.

The Union Bank Facility also includes various financial and other covenants applicable to the Company and its subsidiaries, in addition to those applicable to Hercules Funding III, including covenants relating to certain changes of control of the Company and Hercules Funding III. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of September 30, 2017, the minimum tangible net worth covenant increased to \$774.3 million as a result of the

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March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million, the issuance of 7.3 million shares of common stock issued under the Prior Equity Distribution Agreement for net proceeds of \$92.8 million during the year ended December 31, 2016, and the issuance of 4.1 million shares of common stock issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement for net proceeds of \$56.3 million during the nine months ended September 30, 2017. See Note 6 Stockholder's Equity.

The Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

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

The Company did not make any draws or repayments on the available facility during the nine months ended September 30, 2017. The Company had aggregate draws of \$25.0 million on the available facility during the nine months ended September 30, 2016 offset by repayments of \$25.0 million. At September 30, 2017 and December 31, 2016, there were no borrowings outstanding on the Union Bank Facility.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

| (in thousands) | Three Months | | Nine Months | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Ended September 30, 2017 | Ended September 30, 2016 | Ended September 30, 2017 | Ended September 30, 2016 |
| Interest expense | \$ | \$ | \$ | \$ 55 |
| Amortization of debt issuance cost (loan fees) | 91 | 112 | 315 | 244 |
| Total interest expense and fees | \$ 91 | \$ 112 | \$ 315 | \$ 299 |
| Cash paid for interest expense and fees | \$ 114 | \$ | \$ 351 | \$ 38 |

Distributions

The following table summarizes our distributions declared and paid, to be paid, or reinvested on all shares, including restricted stock, for the fiscal years ended December 31, 2015, 2016 and 2017:

| Date Declared | Record Date | Payment Date | Amount Per Share |
|-------------------|-------------------|-------------------|------------------|
| February 24, 2015 | March 12, 2015 | March 19, 2015 | 0.31 |
| May 4, 2015 | May 18, 2015 | May 25, 2015 | 0.31 |
| July 29, 2015 | August 17, 2015 | August 24, 2015 | 0.31 |
| October 28, 2015 | November 16, 2015 | November 23, 2015 | 0.31 |
| February 17, 2016 | March 7, 2016 | March 14, 2016 | 0.31 |
| April 27, 2016 | May 16, 2016 | May 23, 2016 | 0.31 |
| July 27, 2016 | August 15, 2016 | August 22, 2016 | 0.31 |
| October 26, 2016 | November 14, 2016 | November 21, 2016 | 0.31 |
| February 16, 2017 | March 6, 2017 | March 13, 2017 | 0.31 |
| April 26, 2017 | May 15, 2017 | May 22, 2017 | 0.31 |

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| | | | |
|------------------|-------------------|-------------------|---------|
| July 26, 2017 | August 14, 2017 | August 21, 2017 | 0.31 |
| October 25, 2017 | November 13, 2017 | November 20, 2017 | 0.31 |
| | | | \$ 3.72 |

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On October 25, 2017 the Board of Directors declared a cash distribution of \$0.31 per share to be paid on November 20, 2017 to stockholders of record as of November 13, 2017. This distribution represents our forty-ninth consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$13.71 per share.

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

Distributions from our taxable income (including gains) to a stockholder generally will be treated as a dividend for U.S. federal income tax purposes to the extent of such stockholder's allocable share of our current or accumulated earnings and profits. Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of a stockholder's tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions paid for the full taxable year. As a result, any determination of the tax attributes of our distributions made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. Of the distributions declared during the year ended December 31, 2016, 100% were distributions derived from our current and accumulated earnings and profits.

During the three months ended September 30, 2017, we declared a distribution of \$0.31 per share. If we had determined the tax attributes of our distributions year-to-date as of September 30, 2017, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2017 distributions to stockholders will actually be.

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 distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions.

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

We expect to qualify to be subject to tax as a RIC under Subchapter M of the Code. In order to be subject to tax as a RIC, we are required to satisfy certain annual gross income composition and quarterly asset diversification tests, as well as make distributions to our stockholders each taxable year treated as dividends for federal income tax purposes of an amount at least equal to 90% of the sum of our investment company taxable income, determined without regard to any deduction for dividends paid, plus our net tax-exempt income, if any. Upon being eligible to be subject to tax as a RIC, we would be entitled to deduct such distributions we pay to our stockholders in determining the overall components of our taxable income. Components of our taxable income include our taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes net

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unrealized appreciation or depreciation as such gains or losses are not included in taxable income until they are realized. In connection with maintaining our ability to be subject to tax as a RIC, among other things, we have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of 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. We will not be subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's 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 distributions treated as dividends for U.S. federal income tax purposes from such taxable income into the next taxable year and incur a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of distributions treated as dividends for U.S. federal income tax purposes 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, distributions declared and paid by us in a taxable year may differ from our taxable income for that taxable year as such distributions may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

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

We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long-term capital gains, from the year ended December 31, 2016 to our stockholders during 2017.

Critical Accounting Policies

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

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.

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At September 30, 2017, approximately 89.5% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market 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 Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

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

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

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

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

Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset in connection with market data at the measurement date and for the extent of the instrument's anticipated life. Fair valued assets that are generally included in this category are 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 September 30, 2017 and as of December 31, 2016. We transfer investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the nine months ended September 30, 2017, there were no transfers between Levels 1 or 2.

| (in thousands) Description | Balance September 30, 2017 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------|----------------------------------|---|--|--|
| Senior Secured Debt | \$ 1,300,068 | \$ | \$ | \$ 1,300,068 |
| Preferred Stock | 41,993 | | | 41,993 |
| Common Stock | 42,324 | 16,018 | | 26,306 |
| Warrants | 32,729 | | 3,520 | 29,209 |
| Escrow Receivable | 915 | | | 915 |
| Total | \$ 1,418,029 | \$ 16,018 | \$ 3,520 | \$ 1,398,491 |

| (in thousands) Description | Balance December 31, 2016 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------|---------------------------------|---|--|--|
| Senior Secured Debt | \$ 1,328,803 | \$ | \$ 4,825 | \$ 1,323,978 |
| Preferred Stock | 39,418 | | | 39,418 |
| Common Stock | 28,236 | 17,271 | | 10,965 |
| Warrants | 27,485 | | 3,239 | 24,246 |
| Escrow Receivable | 1,382 | | | 1,382 |
| Total | \$ 1,425,324 | \$ 17,271 | \$ 8,064 | \$ 1,399,989 |

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The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2017 and the year ended December 31, 2016.

| (in thousands) | Balance January 1, 2017 | Net Realized Gains (Losses) ⁽¹⁾ | Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾ | Purchases ⁽⁵⁾ | Sales | Repayments ⁽⁶⁾ | Gross Transfers into Level 3 ⁽³⁾ | Gross Transfers out of Level 3 ⁽³⁾ | Balance September 30, 2017 |
|-------------------|-------------------------------|---|--|--------------------------|--------------------|---------------------------|--|--|----------------------------------|
| Senior Debt | \$ 1,323,978 | \$ (24,318) | \$ 39,423 | \$ 498,613 | \$ | \$ (474,957) | \$ | \$ (62,671) | \$ 1,300,068 |
| Preferred Stock | 39,418 | (7,531) | 10,101 | 473 | (468) | | | | 41,993 |
| Common Stock | 10,965 | | (49,532) | 3,748 | (1,546) | | 62,671 | | 26,306 |
| Warrants | 24,246 | 755 | 9,650 | 1,784 | (7,226) | | | | 29,209 |
| Escrow Receivable | 1,382 | 11 | | 3,119 | (3,597) | | | | 915 |
| Total | \$ 1,399,989 | \$ (31,083) | \$ 9,642 | \$ 507,737 | \$ (12,837) | \$ (474,957) | \$ 62,671 | \$ (62,671) | \$ 1,398,491 |

| (in thousands) | Balance January 1, 2016 | Net Realized Gains (Losses) ⁽¹⁾ | Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾ | Purchases ⁽⁵⁾ | Sales | Repayments ⁽⁶⁾ | Gross Transfers into Level 3 ⁽⁴⁾ | Gross Transfers out of Level 3 ⁽⁴⁾ | Balance December 31, 2016 |
|-------------------|-------------------------------|---|--|--------------------------|-------------------|---------------------------|--|--|---------------------------------|
| Senior Debt | \$ 1,102,396 | \$ (6,968) | \$ (12,675) | \$ 687,353 | \$ | \$ (441,567) | \$ | \$ (4,561) | \$ 1,323,978 |
| Preferred Stock | 35,245 | (334) | (7,864) | 13,873 | (1,367) | | 626 | (761) | 39,418 |
| Common Stock | 1,527 | | (1,404) | 6,081 | | | 4,761 | | 10,965 |
| Warrants | 18,565 | (116) | 3,465 | 4,082 | (1,186) | | | (564) | 24,246 |
| Escrow Receivable | 2,967 | (6) | | 2,009 | (3,588) | | | | 1,382 |
| Total | \$ 1,160,700 | \$ (7,424) | \$ (18,478) | \$ 713,398 | \$ (6,141) | \$ (441,567) | \$ 5,387 | \$ (5,886) | \$ 1,399,989 |

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

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

(3) Transfers into Level 3 during the nine months ended September 30, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. Transfers out of Level 3 during the nine months ended September 30, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.

(4) Transfers into Level 3 during the year ended December 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of our preferred shares to common shares in SCIEnergy, Inc. Transfers out of Level 3 during the year ended December 31, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an initial public offering, or IPO, and acquisition, respectively; the exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of our preferred shares to common shares in SCIEnergy, Inc.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.

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

For nine months ended September 30, 2017, approximately \$2.4 million in net unrealized appreciation and \$49.3 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. The depreciation on common stock during the period reflects the conversion of our debt investment in Sungevity, Inc. to common stock at cost through a bankruptcy transaction and subsequent depreciation to fair value. For the same period, approximately \$1.1 million in net unrealized depreciation and \$10.2 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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For the year ended December 31, 2016, approximately \$9.1 million and \$1.4 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$25.7 million in net unrealized depreciation and \$2.8 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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The following tables provide quantitative information about our Level 3 fair value measurements as of September 30, 2017. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to our fair value measurements.

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

| Investment Type | Level | Fair Value at September 30, 2017 (in thousands) | Valuation Techniques/ | | Weighted Average ⁽²⁾ |
|---|-----------------|---|--|--|------------------------------------|
| | | | Methodologies | Unobservable Input ⁽¹⁾ | |
| Three Debt Investments | Pharmaceuticals | \$ 14,794 | Originated Within 6 Months | Origination Yield | 13.22% |
| | | 489,860 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.42% - 15.44% 0.00% - 0.75% |
| | | 5,100 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 30.00% - 100.00% |
| Technology | | 152,443 | Originated Within 6 Months | Origination Yield | 10.46% - 17.49% |
| | | 219,760 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.07% - 19.06% (0.25%) - 0.50% |
| | | 21,960 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 20.00% - 100.00% |
| Sustainable and Renewable Technology | | 14,698 | Originated Within 6 Months | Origination Yield | 17.61% |
| | | 81,842 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 11.78% - 14.49% 0.00% - 0.25% |
| Medical Devices | | 32,798 | Originated Within 6 Months | Origination Yield | 10.38% - 13.18% |
| | | 58,556 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.38% - 17.29% 0.00% - 0.75% |
| | | | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 100.00% |
| Lower Middle Market | | 37,187 | Originated Within 6 Months | Origination Yield | 12.09% - 12.68% |
| | | 20,145 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 8.81% 0.25% |
| | | 2,995 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 100.00% |
| | | | Debt Investments Where Fair Value Approximates Cost | | |
| | | 147,930 | Debt Investments Maturing in Less than One Year | | |
| | | \$ 1,300,068 | Total Level Three Debt Investments | | |

(1) 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

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other characteristics of the investment. Significant increases (decreases) in the inputs in isolation may result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Consolidated Schedule of Investments are included in the industries noted above as follows:

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

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

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

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.

- (2) The weighted averages are calculated based on the fair market value of each investment.
- (3) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.

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| Investment Type | Level | Fair Value at | | Valuation Techniques/ Methodologies | Unobservable Input ⁽¹⁾ | Range | Weighted Average ⁽²⁾ |
|---|-------|-------------------------------------|--|--|--|------------------------------------|------------------------------------|
| | | December 31, 2016 (in thousands) | | | | | |
| Pharmaceuticals | | \$ 102,412 | | Originated Within 6 Months | Origination Yield | 12.24% - 14.59% | 13.64% |
| | | 434,718 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.07% - 15.62% (0.25%) - 0.75% | 12.44% |
| | | 2,693 | | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 25.00% - 100.00% | |
| Technology | | 93,674 | | Originated Within 6 Months | Origination Yield | 7.29% - 16.53% | 13.69% |
| | | 325,553 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 10.14% - 21.66% (0.50%) - 0.50% | 12.69% |
| | | 24,706 | | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 20.00% - 100.00% | |
| Sustainable and Renewable Technology | | 99,286 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 11.77% - 16.84% 0.00% - 0.25% | 13.45% |
| | | 44,626 | | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 10.00% - 40.00% | |
| | | | | | | | |
| Medical Devices | | 88,983 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 10.25% - 18.60% (0.25%) - 0.75% | 14.01% |
| Lower Middle Market | | 25,017 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 8.85% - 15.79% 0.00% - 0.25% | 10.10% |
| | | 13,148 | | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 100.00% | |
| | | | | | | | |
| | | | | Debt Investments Where Fair Value Approximates Cost | | | |
| | | 25,000 | | Imminent Payoffs ⁽⁴⁾ | | | |
| | | 44,162 | | Debt Investments Maturing in Less than One Year | | | |
| | | \$ 1,323,978 | | Total Level Three Debt Investments | | | |

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

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

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

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

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

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

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

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| Investment Type - Level Three Equity and Warrant Investments | Fair Value at September 30, 2017 (in thousands) | Valuation Techniques/ | | | | Weighted Average ⁽⁶⁾ | |
|--|---|-----------------------------|---|-------------------------------|--|------------------------------------|--------|
| | | Methodologies | Unobservable Input ⁽¹⁾ | Range | | | |
| Equity Investments | \$ 10,413 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 5.8x - 56.7x | 16.4x | | |
| | | | Revenue Multiple ⁽²⁾ | 0.4x - 6.2x | 3.2x | | |
| | | | Discount for Lack of Marketability ⁽³⁾ | 10.08% - 14.34% | 11.61% | | |
| | | | Average Industry Volatility ⁽⁴⁾ | 39.02% - 62.19% | 55.65% | | |
| | | | Risk-Free Interest Rate | 1.20% - 1.33% | 1.22% | | |
| | | | Estimated Time to Exit (in months) | 6 - 14 | 7 | | |
| | | | 19,167 | Market Adjusted OPM Backsolve | Market Equity Adjustment ⁽⁵⁾ | (16.27%) - 23.40% | 7.42% |
| | | | | | Average Industry Volatility ⁽⁴⁾ | 29.02% - 106.33% | 79.23% |
| | | | | | Risk-Free Interest Rate | 0.80% - 1.53% | 1.21% |
| | | | | | Estimated Time to Exit (in months) | 8 - 29 | 13 |
| | 38,719 | Other ⁽⁷⁾ | | | | | |
| Warrant Investments | 21,198 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 5.4x - 56.7x | 15.7x | | |
| | | | Revenue Multiple ⁽²⁾ | 0.4x - 7.5x | 2.8x | | |
| | | | Discount for Lack of Marketability ⁽³⁾ | 5.06% - 31.10% | 14.96% | | |
| | | | Average Industry Volatility ⁽⁴⁾ | 33.09% - 106.76% | 55.33% | | |
| | | | Risk-Free Interest Rate | 0.99% - 1.75% | 1.30% | | |
| | | | Estimated Time to Exit (in months) | 2 - 47 | 16 | | |
| | | | 6,056 | Market Adjusted OPM Backsolve | Market Equity Adjustment ⁽⁵⁾ | (69.77%) - 139.40% | 14.28% |
| | | | | | Average Industry Volatility ⁽⁴⁾ | 29.02% - 108.76% | 75.67% |
| | | | | | Risk-Free Interest Rate | 0.80% - 1.82% | 1.24% |
| | | | | | Estimated Time to Exit (in months) | 8 - 41 | 15 |
| | 1,955 | Other ⁽⁷⁾ | | | | | |
| Total Level Three Warrant and Equity Investments | \$ 97,508 | | | | | | |

- (1) 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, market equity adjustment factors, and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.
- (2) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.
- (3) Represents amounts used when we have determined market participants would take into account these discounts when pricing the investments.
- (4) Represents the range of industry volatility used by market participants when pricing the investment.
- (5) Represents the range of changes in industry valuations since the portfolio company's last external valuation event.
- (6) Weighted averages are calculated based on the fair market value of each investment.
- (7) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

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| Investment Type - Level Three | Fair Value | | Valuation Techniques/ | | | Weighted Average ⁽⁵⁾ |
|---|------------|-------------------|-------------------------------|---|------------------|---------------------------------|
| | at | December 31, 2016 | Methodologies | Unobservable Input ⁽¹⁾ | Range | |
| Equity and Warrant Investments | | (in thousands) | | | | |
| Equity Investments | \$ | 9,258 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 0.0x - 38.7x | 12.3x |
| | | | | Revenue Multiple ⁽²⁾ | 0.9x - 8.7x | 3.1x |
| | | | | Discount for Lack of Marketability ⁽³⁾ | 13.75% - 25.97% | 16.73% |
| | | | | Average Industry Volatility ⁽⁴⁾ | 45.54% - 113.16% | 61.06% |
| | | | | Risk-Free Interest Rate | 0.79% - 1.50% | 0.91% |
| | | | | Estimated Time to Exit (in months) | 10 - 38 | 15 |
| | | 19,836 | Market Adjusted OPM Backsolve | Average Industry Volatility ⁽⁴⁾ | 29.93% - 109.95% | 73.49% |
| | | | | Risk-Free Interest Rate | 0.65% - 1.44% | 0.92% |
| | | | | Estimated Time to Exit (in months) | 10 - 34 | 15 |
| | | 21,289 | Other ⁽⁶⁾ | | | |
| Warrant Investments | | 8,959 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 2.6x - 51.4x | 13.8x |
| | | | | Revenue Multiple ⁽²⁾ | 0.4x - 6.1x | 2.5x |
| | | | | Discount for Lack of Marketability ⁽³⁾ | 11.74% - 27.25% | 19.02% |
| | | | | Average Industry Volatility ⁽⁴⁾ | 38.58% - 111.15% | 62.03% |
| | | | | Risk-Free Interest Rate | 0.68% - 1.68% | 1.04% |
| | | | | Estimated Time to Exit (in months) | 7 - 47 | 20 |
| | | 9,713 | Market Adjusted OPM Backsolve | Average Industry Volatility ⁽⁴⁾ | 29.93% - 116.29% | 67.20% |
| | | | | Risk-Free Interest Rate | 0.45% - 1.84% | 0.99% |
| | | | | Estimated Time to Exit (in months) | 3 - 47 | 20 |
| | | 5,574 | Other ⁽⁶⁾ | | | |
| Total Level Three Warrant and Equity Investments | \$ | 74,629 | | | | |

(1) 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.

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

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

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

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

(6) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

Debt Investments

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

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traded or exchanged. In addition, we may, from time to time, invest in public debt of companies that meet our investment objectives. These investments are considered Level 2 assets.

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

We apply a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. We determine the yield at inception for each debt investment. We then use senior secured, leveraged loan yields provided

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by third party providers to determine the change in market yields between inception of the debt investment and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

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

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

We record unrealized depreciation on investments when we believe that an investment has decreased in value, including where collection of a debt investment is doubtful or, if under the in-exchange premise, when the value of a debt investment is less than the amortized cost of the investment. Conversely, where appropriate, we record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, that our investment has also appreciated in value or, if under the in-exchange premise, the value of a debt investment is greater than amortized cost.

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

Debt investments that are traded on a public exchange are valued at the prevailing market price as of the valuation date.

Equity-Related Securities and Warrants

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

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

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Escrow Receivables

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of September 30, 2017 there were no material past due escrow receivables.

Income Recognition

See [Changes in Portfolio](#) for a discussion of our income recognition policies and results during the three and nine months ended September 30, 2017. See [Results of Operations](#) for a comparison of investment income for the three and nine months ended September 30, 2017 and 2016.

Stock Based Compensation

We have issued and may, from time to time, issue stock options and restricted stock to employees under our 2004 Equity Incentive Plan and to Board members under our 2006 Equity Incentive Plan prior to its expiration on June 21, 2017. We follow the guidelines set forth under ASC Topic 718, ([Compensation Stock Compensation](#)) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, [Financial Instruments Overall \(Subtopic 825-10\): Recognition and Measurement of Financial Assets and Financial Liabilities](#), which, among other things, requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted for certain provisions. We do not believe that ASU 2016-01 will have a material impact on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, [Leases \(Topic 842\)](#), which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Additionally, the ASU requires the classification of all cash payments on leases within operating activities in the Consolidated Statement of Cash Flows. ASU 2016-02 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. Early adoption is permitted. We do not believe that ASU 2016-02 will have a material impact on our consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, [Compensation Stock Compensation \(Topic 718\): Improvements to Employee Share-Based Payment Accounting](#), which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. There is not a material impact from adopting this standard on our financial statements. We have adopted this standard for the nine months ended September 30, 2017.

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In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues including, among other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted. We do not believe that ASU 2016-15 will have a material impact on our consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. The amendment should be adopted retrospectively. We do not believe that ASU 2016-18 will have a material impact on our consolidated financial statements and disclosures.

Subsequent Events

Distribution Declaration

On October 25, 2017, our Board of Directors declared a cash distribution of \$0.31 per share. The cash distribution was paid on November 20, 2017 to stockholders of record as of November 13 2017. This distribution represented our forty-ninth consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$13.71 per share.

Existing Notes

On October 23, 2017, we issued \$150.0 million in aggregate principal amount of the Existing Notes. The Existing Notes were issued pursuant to the Indenture. The sale of the Existing Notes generated net proceeds to us of approximately \$147.6 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter discounts and commissions of approximately \$1.0 million, were approximately \$1.5 million.

We used the net proceeds from the offering (i) to redeem a portion of our 2024 Notes on November 23, 2017 as described below, (ii) to fund investments in debt and equity securities in accordance with our investment objective and (iii) for working capital and other general corporate purposes.

The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture and will have the same terms as the Existing Notes. See *Description of Notes*.

Redemption of 2024 Notes

On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of our outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use a portion of the proceeds of this offering to redeem the outstanding 2024 Notes.

Appointment of Directors

On October 25, 2017, our Board of Directors appointed Jorge Titingher and Brad Koenig as directors of the Company. Following their appointment, both Mr. Titingher and Mr. Koenig were each entitled to the applicable annual retainer pursuant to our director compensation arrangements, under terms consistent with those previously disclosed by the Company. They are also entitled to enter an indemnification agreement with the Company.

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Mr. Titinge's Board appointment became effective at the time of the Annual Meeting and he filled the position vacated by Susanne Lyons who stepped down at the Annual Meeting. His appointment was ratified at the Annual Meeting as a Class I director for a term expiring in 2020. At the time Mr. Titinge joined the Board of Directors, he was appointed to the Compensation Committee and serves as chairman of such committee.

Mr. Koenig's Board appointment was effective immediately and he will hold office as a Class II director for a term expiring in 2018. Following his appointment to the Board of Directors, Mr. Koenig was appointed to the Audit Committee and Nominating and Corporate Governance Committee, on which he now serves.

ATM Equity Program Issuances

Between September 30, 2017 and January 10, 2018, we sold 1.0 million shares of our common stock for total accumulated net proceeds of approximately \$13.0 million, including \$118,300 of offering expenses, under the Equity Distribution Agreement. As of January 10, 2018, approximately 10.2 million shares remain available for issuance and sale under the equity ATM program.

Departure of Officer

On October 27, 2017, we and Mark Harris mutually agreed that Mr. Harris would separate from the Company and end his tenure as Chief Financial Officer and Chief Accounting Officer effective November 2, 2017. Mr. Harris' separation did not result from any disagreements with the Company regarding its operations, policies, practices or any issues regarding financial disclosures, accounting or legal matters.

Appointment of Officers

Effective October 31, 2017, the Board of Directors appointed David Lund, our former Chief Financial Officer, as our Interim Chief Financial Officer and Gerard R. Waldt, Jr., our current Controller, as our Interim Chief Accounting Officer.

Asset Acquisition

On November 1, 2017, we, through a wholly owned subsidiary, Bearcub Acquisitions LLC, entered into, and consummated the transactions contemplated by, a definitive asset purchase agreement with Ares Capital Corporation to acquire select venture loan assets for approximately \$125.8 million in cash.

Management Structure

On May 3, 2017, we filed preliminary proxy materials with the SEC for a special meeting of stockholders to seek approval for a proposed advisory agreement with Hamilton Advisers LLC. However, after receiving feedback from our stockholders, on May 15, 2017, we decided to postpone the proposed special meeting of stockholders indefinitely and formally withdrew the proxy materials containing our proposal seeking stockholder approval of our plans to externalize our management structure to expand our ongoing review process. After evaluating alternatives, we have decided to suspend our review of alternative investment management structures and will remain an internally managed business development company for the foreseeable future.

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As of January 10, 2018, we held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings and two companies which filed confidentially under the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all. In addition, subsequent to September 30, 2017, our portfolio companies announced or completed the following liquidity events:

1. In August 2017, our portfolio companies Cemptra, Inc. (NASDAQ: CEMP), a clinical-stage pharmaceutical company focused on developing differentiated anti-infectives for acute care and community settings to meet critical medical needs in the treatment of infectious diseases, and Melinta Therapeutics, Inc., a privately held company focused on discovering, developing, and commercializing novel antibiotics to treat serious bacterial infections, announced that the companies had entered into a definitive agreement under which Melinta will merge with a subsidiary of Cemptra. The transaction closed on November 6, 2017. Melinta Therapeutics commenced trading on November 6, 2017 on the NASDAQ Global Market under the symbol MLNT. We committed \$40.0 million in venture debt financing to Cemptra from 2011 to 2014. We initially committed \$30.0 million in venture debt financing to Melinta in December 2014 and held 1,914,448 shares of Preferred Series 4 stock and warrants for 1,382,323 shares of Preferred Series 3 stock as of September 30, 2017.
2. In November 2017, our portfolio company Sonian Inc., a leading provider of public cloud archiving and business insights, was acquired by Barracuda Networks, Inc. (NYSE: CUDA), a leading provider of cloud-enabled security and data protection solutions. Terms of the transaction were not disclosed. We initially committed \$5.5 million in venture debt financing in December 2013 and held warrants for 185,949 shares of Preferred Series C stock as of September 30, 2017.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle fund investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of September 30, 2017, approximately 96.7% 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 September 30, 2017, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

| Basis Point Change | Interest Income | Interest Expense | Net Income | EPS ⁽¹⁾ |
|--------------------|--------------------|---------------------|---------------|--------------------|
| 25 | \$ 2,630 | \$ | \$ 2,630 | \$ 0.03 |
| 50 | \$ 5,505 | \$ | \$ 5,505 | \$ 0.07 |
| 75 | \$ 8,380 | \$ | \$ 8,380 | \$ 0.10 |
| 100 | \$ 11,406 | \$ | \$ 11,406 | \$ 0.14 |
| 200 | \$ 24,161 | \$ | \$ 24,161 | \$ 0.29 |
| 300 | \$ 37,169 | \$ | \$ 37,169 | \$ 0.45 |

(1) Earnings per share impact calculated based on basic weighted average shares outstanding of 82,496.

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We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations (and foreign currency) by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates (and foreign currency), they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the nine months ended September 30, 2017 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, 2024 Notes, Convertible 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, 2024 Notes, Convertible 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.

Disclosure Controls and Procedures

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. As of the end of the period covered by this quarterly report on Form 10-Q, our chief executive and chief financial officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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

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Information about our senior securities is shown in the following table for the periods as of September 30, 2017 (unaudited) and as of December 31, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007. The information as of December 31, 2016, 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, 2016 is attached as an exhibit to the accompanying prospectus. The N/A indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

| Class and Year | Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾ | Asset Coverage per Unit⁽²⁾ | Average Market Value per Unit⁽³⁾ |
|--|--|--|--|
| Securitized Credit Facility with Wells Fargo Capital Finance | | | |
| December 31, 2007 | \$ 79,200,000 | \$ 6,755 | N/A |
| December 31, 2008 | \$ 89,582,000 | \$ 6,689 | N/A |
| December 31, 2009 ⁽⁶⁾ | | | N/A |
| December 31, 2010 ⁽⁶⁾ | | | N/A |
| December 31, 2011 | \$ 10,186,830 | \$ 73,369 | N/A |
| December 31, 2012 ⁽⁶⁾ | | | N/A |
| December 31, 2013 ⁽⁶⁾ | | | N/A |
| December 31, 2014 ⁽⁶⁾ | | | N/A |
| December 31, 2015 | \$ 50,000,000 | \$ 26,352 | N/A |
| December 31, 2016 | \$ 5,015,620 | \$ 290,234 | N/A |
| December 31, 2017 (as of September 30, 2017, unaudited) ⁽⁶⁾ | | | N/A |
| Securitized Credit Facility with Union Bank, NA | | | |
| December 31, 2009 ⁽⁶⁾ | | | N/A |
| December 31, 2010 ⁽⁶⁾ | | | N/A |
| December 31, 2011 ⁽⁶⁾ | | | N/A |
| December 31, 2012 ⁽⁶⁾ | | | N/A |
| December 31, 2013 ⁽⁶⁾ | | | N/A |
| December 31, 2014 ⁽⁶⁾ | | | N/A |
| December 31, 2015 ⁽⁶⁾ | | | N/A |
| December 31, 2016 ⁽⁶⁾ | | | N/A |
| December 31, 2017 (as of September 30, 2017, unaudited) ⁽⁶⁾ | | | N/A |
| Small Business Administration Debentures (HT II)⁽⁴⁾ | | | |
| December 31, 2007 | \$ 55,050,000 | \$ 9,718 | N/A |
| December 31, 2008 | \$ 127,200,000 | \$ 4,711 | N/A |
| December 31, 2009 | \$ 130,600,000 | \$ 3,806 | N/A |
| December 31, 2010 | \$ 150,000,000 | \$ 3,942 | N/A |
| December 31, 2011 | \$ 125,000,000 | \$ 5,979 | N/A |
| December 31, 2012 | \$ 76,000,000 | \$ 14,786 | N/A |
| December 31, 2013 | \$ 76,000,000 | \$ 16,075 | N/A |
| December 31, 2014 | \$ 41,200,000 | \$ 31,535 | N/A |
| December 31, 2015 | \$ 41,200,000 | \$ 31,981 | N/A |
| December 31, 2016 | \$ 41,200,000 | \$ 35,333 | N/A |
| December 31, 2017 (as of September 30, 2017, unaudited) | \$ 41,200,000 | \$ 38,291 | 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 |

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| Class and Year | Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾ | Asset Coverage per Unit⁽²⁾ | Average Market Value per Unit⁽³⁾ |
|---|--|--|--|
| December 31, 2013 | \$ 149,000,000 | \$ 8,199 | N/A |
| December 31, 2014 | \$ 149,000,000 | \$ 8,720 | N/A |
| December 31, 2015 | \$ 149,000,000 | \$ 8,843 | N/A |
| December 31, 2016 | \$ 149,000,000 | \$ 9,770 | N/A |
| December 31, 2017 (as of September 30, 2017, unaudited) | \$ 149,000,000 | \$ 10,588 | N/A |
| 2016 Convertible Notes | | | |
| December 31, 2011 | \$ 75,000,000 | \$ 10,623 | \$ 885 |
| December 31, 2012 | \$ 75,000,000 | \$ 15,731 | \$ 1,038 |
| December 31, 2013 | \$ 75,000,000 | \$ 16,847 | \$ 1,403 |
| December 31, 2014 | \$ 17,674,000 | \$ 74,905 | \$ 1,290 |
| December 31, 2015 | \$ 17,604,000 | \$ 74,847 | \$ 1,110 |
| December 31, 2016 | | | |
| April 2019 Notes | | | |
| December 31, 2012 | \$ 84,489,500 | \$ 13,300 | \$ 986 |
| December 31, 2013 | \$ 84,489,500 | \$ 14,460 | \$ 1,021 |
| December 31, 2014 | \$ 84,489,500 | \$ 15,377 | \$ 1,023 |
| December 31, 2015 | \$ 64,489,500 | \$ 20,431 | \$ 1,017 |
| December 31, 2016 | \$ 64,489,500 | \$ 22,573 | \$ 1,022 |
| December 31, 2017 (as of September 30, 2017, unaudited) | | | |
| September 2019 Notes | | | |
| December 31, 2012 | \$ 85,875,000 | \$ 13,086 | \$ 1,003 |
| December 31, 2013 | \$ 85,875,000 | \$ 14,227 | \$ 1,016 |
| December 31, 2014 | \$ 85,875,000 | \$ 15,129 | \$ 1,026 |
| December 31, 2015 | \$ 45,875,000 | \$ 28,722 | \$ 1,009 |
| December 31, 2016 | \$ 45,875,000 | \$ 31,732 | \$ 1,023 |
| December 31, 2017 (as of September 30, 2017, unaudited) | | | |
| 2024 Notes⁽⁸⁾ | | | |
| December 31, 2014 | \$ 103,000,000 | \$ 12,614 | \$ 1,010 |
| December 31, 2015 | \$ 103,000,000 | \$ 12,792 | \$ 1,014 |
| December 31, 2016 | \$ 252,873,175 | \$ 5,757 | \$ 1,016 |
| December 31, 2017 (as of September 30, 2017, unaudited) | \$ 258,509,600 | \$ 6,103 | \$ 1,017 |
| 2017 Asset-Backed Notes | | | |
| December 31, 2012 | \$ 129,300,000 | \$ 8,691 | \$ 1,000 |
| December 31, 2013 | \$ 89,556,972 | \$ 13,642 | \$ 1,004 |
| December 31, 2014 | \$ 16,049,144 | \$ 80,953 | \$ 1,375 |
| December 31, 2015 | | | |
| 2021 Asset-Backed Notes | | | |
| December 31, 2014 | \$ 129,300,000 | \$ 10,048 | \$ 1,000 |
| December 31, 2015 | \$ 129,300,000 | \$ 10,190 | \$ 996 |
| December 31, 2016 | \$ 109,205,263 | \$ 13,330 | \$ 1,002 |
| December 31, 2017 (as of September 30, 2017, unaudited) | \$ 65,475,786 | \$ 24,094 | \$ 1,002 |
| 2022 Convertible Notes | | | |
| December 31, 2017 (as of September 30, 2017, unaudited) | \$ 230,000,000 | \$ 6,859 | \$ 1,019 |
| Total Senior Securities⁽⁷⁾ | | | |
| 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 |

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| Class and Year | Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾ | Asset Coverage per Unit⁽²⁾ | Average Market Value per Unit⁽³⁾ |
|---|--|--|--|
| December 31, 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 | \$ 600,468,500 | \$ 2,194 | N/A |
| December 31, 2016 | \$ 667,658,558 | \$ 2,180 | N/A |
| December 31, 2017 (as of September 30, 2017, unaudited) | \$ 744,185,386 | \$ 2,120 | 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.
- (5) Issued by HT III, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (6) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
- (7) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 Act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of September 30, 2017 our asset coverage ratio under our regulatory requirements as a business development company was 250.4% 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) On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of our outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to redeem the outstanding 2024 Notes.

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MANAGEMENT

Appointment of Directors and Officers

On October 25, 2017, the Board of Directors appointed Jorge Titinger and Brad Koenig as directors of the Company. Mr. Titinger's appointment became effective at the time of the Annual Meeting and he filled the position vacated by Susanne Lyons who stepped down at the Annual Meeting. His appointment was ratified at the Annual Meeting as a Class I director for a term expiring in 2020. At the time Mr. Titinger joined the Board of Directors, he was appointed to the Compensation Committee and serves as chairman of such committee. Mr. Koenig's Board appointment was effective immediately and he will hold office as a Class II director for a term expiring in 2018. Following his appointment to the Board of Directors, Mr. Koenig was appointed to the Audit Committee and Nominating and Corporate Governance Committee, on which he now serves. Each of Mr. Titinger, age 56, and Mr. Koenig, age 59, is an independent director within the meaning of Section 303.A2 of the NYSE Listed Company Manual and Section 2(a)(19) of the 1940 Act.

Mr. Koenig brings more than 20 years of technology investment banking experience. Currently, he serves as Founder and CEO of FoodyDirect.com, an online specialty food marketplace. From 2008 to 2011, he was an Advisor at Oak Hill Capital Management, a private equity firm. Previously, Mr. Koenig was at Goldman Sachs as the Head of Global Technology Investment Banking from 1990 to 2005, and the Co-Head of Global Technology, Media and Telecommunications from 2002 to 2005. He started at Goldman Sachs in 1984. Mr. Koenig currently serves as an Independent Director for Theragenics Corporation, a medical device company serving the surgical products and prostate cancer treatment markets, and for NGP/VAN Software, the leading technology provider to political campaigns and non-profit organizations.

Mr. Titinger brings more than 30 years of entrepreneurial and executive experience at privately held technology and semiconductor companies, and will serve on the Company's Compensation Committee as chairman. He currently serves as Principal and Founder of Titinger Consulting, a private consulting and advisory service provider focusing on strategy development and execution, board governance, operational transformations and culture changes. From 2012 to 2016, he was President and Chief Executive Officer of Silicon Graphics, a leader in high performance computing. Previously, Mr. Titinger was president and chief executive officer of Verigy, Inc., a provider of advanced automated test systems to the semiconductor industry. Mr. Titinger is a seasoned industry veteran having served in multiple senior executive roles at FormFactor, Inc., KLA-Tencor Corporation, Applied Materials, InSync Systems, Inc., NeTpower, Inc., MIPS Computer Systems/Silicon Graphics, Inc. and Hewlett-Packard Company. Mr. Titinger currently serves as an Independent Director for Xcerra, a provider of products and services to the semiconductor and electronics manufacturing industry, CalAmp, a pure-play pioneer in the connected vehicle and IoT marketplace and Transtech Glass Investment Ltd., a specialty glass company for the transportation market.

On October 27, 2017, the Company and Mark Harris mutually agreed that Mr. Harris would separate from the Company and end his tenure as Chief Financial Officer and Chief Accounting Officer effective November 2, 2017. Mr. Harris' separation did not result from any disagreements with the Company regarding its operations, policies, practices or any issues regarding financial disclosures, accounting or legal matters.

Effective October 31, 2017, the Board of Directors appointed David Lund, the Company's former Chief Financial Officer, as the Company's Interim Chief Financial Officer and Gerard R. Waldt, Jr., the Company's current Controller, as the Company's Interim Chief Accounting Officer.

Mr. Lund, age 63, has served as Chief Financial Officer and Consultant of White Oak Global Advisors LLC from 2011-2016 where he was Chairman of the Valuation Committee, responsible for financial and tax reporting for various partnerships, managed the audit process for multiple investment vehicles, and involved in fund structuring and operational initiatives. Since 2016, Mr. Lund has been a Partner at Ravix Group Inc., a provider of outsourced accounting, financial consulting, and financial management services.

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Mr. Waldt, age 32, joined the Company in 2016 as Assistant Controller and in 2017 became Corporate Controller. He is responsible for the Company's financial and regulatory reporting, financial planning and analysis, and financial systems design and implementation. Prior to joining the Company, Mr. Waldt served as a Senior Manager in the Financial Services practice of Ernst & Young from 2009-2016 where he developed extensive experience providing audit and advisory services to both publicly-traded and private institutions.

Information Related to this Offering

Solely as a result of their ownership of common stock in one of the underwriters in this offering, two of our independent directors, Doreen Woo Ho and Robert P. Badavas, will each be considered an interested person of Hercules Capital, Inc. as defined in the 1940 Act until the completion of this offering.

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DESCRIPTION OF NOTES

The following description of the particular terms of the 4.625% Notes due 2022 supplements and, to the extent inconsistent with, replaces the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus.

On October 23, 2017, we issued \$150.0 million in aggregate principal amount of Existing Notes under a base indenture dated as of March 6, 2012, between us and U.S. Bank National Association, as trustee (the trustee), as supplemented by a separate supplemental indenture dated as of October 23, 2017 (the supplemental indenture). As used in this section, all references to the indenture mean the base indenture as supplemented by the supplemental indenture. We may issue additional Notes (additional Notes) from time to time under the indenture, subject to the terms and conditions of the indenture, and the Notes offered hereby will constitute additional Notes for purposes of the indenture. The \$ million aggregate principal amount of additional Notes offered hereby will be treated as a single series with the Existing Notes under the indenture and will have the same terms as the Existing Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the Existing Notes. Unless the context otherwise requires, for all purposes of this Description of Notes, references to the Notes includes the Notes offered hereby, the Existing Notes and any further additional Notes that may be issued from time to time under the indenture. The terms of the Notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, or the TIA.

The following description is a summary of the material provisions of the Notes and the indenture and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the Notes and the indenture, including the definitions of certain terms used in the indenture. We urge you to read these documents because they, and not this description, define your rights as a holder of the Notes.

For purposes of this description, references to we, our and us refer only to Hercules Capital, Inc. and not to any of its current or future subsidiaries and references to subsidiaries refer only to our consolidated subsidiaries and exclude any investments held by Hercules Capital in the ordinary course of business which are not, under GAAP, consolidated on the financial statements of Hercules Capital and its subsidiaries.

General

The Notes:

will be our general unsecured, senior obligations;

were initially issued in an aggregate principal amount of \$150.0 million, not including the \$ million aggregate principal amount of the Notes being offered hereby;

will mature on October 23, 2022, unless earlier redeemed or repurchased, as discussed below;

will bear cash interest from October 23, 2017 at an annual rate of 4.625% payable semi-annually on April 23 and October 23 of each year, beginning on April 23, 2018;

will not be subject to any sinking fund;

will be subject to redemption at our option as described under Optional Redemption;

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will be subject to repurchase by us at the option of the holders following a Change of Control Repurchase Event (as defined below under "Offer to Repurchase Upon a Change of Control Repurchase Event"), at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the date of repurchase;

will be issued in denominations of \$2,000 and integral multiples of \$1,000 thereof; and

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will be represented by one or more registered Notes in global form, but in certain limited circumstances may be represented by Notes in definitive form. See Book-Entry, Settlement and Clearance.

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. The indenture does not contain any financial covenants and does not restrict us from paying distributions or issuing or repurchasing our other securities. Other than restrictions described under Offer to Repurchase Upon a Change of Control Repurchase Event and Merger, Consolidation or Sale of Assets below, the indenture does not contain any covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect such holders.

We may, without the consent of the holders, issue additional Notes under the indenture with the same terms (except for the issue date, public offering price and, if applicable, the initial interest payment date) and with the same CUSIP numbers as the Notes offered hereby in an unlimited aggregate principal amount; provided that if such additional Notes are not fungible with the Notes offered hereby (or any other tranche of additional Notes) for U.S. federal income tax purposes, then such additional Notes will have different CUSIP numbers from the Notes offered hereby (and any such other tranche of additional Notes). The \$ million aggregate principal amount of Notes offered hereby will be issued as additional Notes under the indenture.

We do not intend to apply to list the Notes on any securities exchange or any automated dealer quotation system.

Payments on the Notes; Paying Agent and Registrar; Transfer and Exchange

We will pay the principal of, and interest on, Notes in global form registered in the name of or held by DTC or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such Global Note (as defined below).

Payment of principal of (and premium, if any) and any such interest on the Notes will be made at the corporate trust office of the trustee in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at our option payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the security register.

A holder of Notes may transfer or exchange Notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of Notes, but we may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture.

The registered holder of a Note will be treated as its owner for all purposes.

Interest

The Notes will bear cash interest at a rate of 4.625% per year until maturity. Interest on the Notes will accrue from October 23, 2017 or from the most recent date on which interest has been paid or duly provided for. Interest will be payable semiannually in arrears on April 23 and October 23 of each year, beginning on April 23, 2018.

Interest will be paid to the person in whose name a Note is registered at 5:00 p.m. New York City time (the close of business) on April 8 or October 8, as the case may be, immediately preceding the relevant interest payment date. Interest on the Notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

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If any interest payment date, redemption date, the maturity date or any earlier required repurchase date upon a Change of Control Repurchase Event (defined below) of a Note falls on a day that is not a business day, the required payment will be made on the next succeeding business day and no interest on such payment will accrue in respect of the delay. The term *business day* means, with respect to any Note, any day other than a Saturday, a Sunday or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

Ranking

The Notes will be our unsecured obligations that rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated, or junior, in right of payment to the Notes. The Notes will not be guaranteed by any of our current or future subsidiaries. The Notes will rank *pari passu*, or equally, in right of payment with all of our existing and future liabilities that are not so subordinated, or junior. The Notes will effectively rank subordinated, or junior, 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. The Notes will rank structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure secured debt will be available to pay obligations on the Notes only after all indebtedness under such secured debt has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the Notes then outstanding.

As of September 30, 2017, our total consolidated indebtedness was approximately \$744.2 million aggregate principal amount outstanding, of which approximately \$65.5 million was secured indebtedness. After giving effect to the issuance of the Notes offered hereby, our total consolidated indebtedness would have been approximately \$ _____ million aggregate principal amount outstanding as of September 30, 2017. See Capitalization.

Optional Redemption

We may redeem some or all of the Notes at any time, or from time to time. If we choose to redeem any Notes prior to maturity, we will pay a redemption price equal to the greater of the following amounts, plus, in each case, accrued and unpaid interest to the redemption date:

100% of the principal amount of the Notes to be redeemed, or

the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on the Notes to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using the applicable Treasury Rate plus 45 basis points; *provided, however*, that if we redeem any Notes on or after September 23, 2022 (the date falling one month prior to the maturity date of the Notes), the redemption price for the Notes will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

If we choose to redeem any Notes, we will deliver a notice of redemption to holders of Notes not less than 30 nor more than 60 days before the redemption date. If we are redeeming less than all of the Notes, the particular Notes to be redeemed will be selected in accordance with the applicable procedures of the trustee and, so long as the Notes are registered to DTC or its nominee, DTC; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than \$2,000. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions of the Notes called for redemption.

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For purposes of calculating the redemption price in connection with the redemption of the Notes, on any redemption date, the following terms have the meanings set forth below:

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue (computed as of the third business day immediately preceding the redemption), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The redemption price and the Treasury Rate will be determined by us.

Comparable Treasury Issue means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financing practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes being redeemed.

Comparable Treasury Price means (1) the average of the remaining Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Quotation Agent means a Reference Treasury Dealer selected by us.

Reference Treasury Dealer means each of (1) Citigroup Global Markets Inc. and (2) Jefferies LLC, or their respective affiliates which are primary U.S. government securities dealers and their respective successors; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. government securities dealer in the United States (a **Primary Treasury Dealer**), we shall select another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

All determinations made by any Reference Treasury Dealer, including the Quotation Agent, with respect to determining the redemption price will be final and binding absent manifest error.

Offer to Repurchase Upon a Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, unless we have exercised our right to redeem the Notes in full, we will make an offer to each holder of Notes to repurchase all or any part (in minimum denominations of \$2,000 and integral multiples of \$1,000 principal amount) of that holder's Notes at a repurchase price in cash equal to 100% of the aggregate principal amount of Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to, but not including, the date of purchase. Within 30 days following any Change of Control Repurchase Event or, at our option, prior to any Change of Control, but after the public announcement of the Change of Control, we will mail a notice to each holder describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase Notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice. We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control

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Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Notes, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the Notes by virtue of such conflict.

On the Change of Control Repurchase Event payment date, subject to extension if necessary to comply with the provisions of the 1940 Act, we will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to our offer;
- (2) deposit with the paying agent an amount equal to the aggregate purchase price in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the trustee the Notes properly accepted, together with an officers certificate stating the aggregate principal amount of Notes being purchased by us.

The paying agent will promptly remit to each holder of Notes properly tendered the purchase price for the Notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of any Notes surrendered; provided that each new Note will be in a minimum principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

We will not be required to make an offer to repurchase the Notes upon a Change of Control Repurchase Event if a third party makes an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all Notes properly tendered and not withdrawn under its offer.

The source of funds that will be required to repurchase Notes in the event of a Change of Control Repurchase Event will be our available cash or cash generated from our operations or other potential sources, including funds provided by a purchaser in the Change of Control transaction, borrowings, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of Notes tendered. The terms of certain of our and our subsidiaries financing arrangements provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under the our and our subsidiaries financing arrangements at that time and to terminate the financing arrangements. In addition, the indenture governing our 2022 Convertible Notes contains a provision that would require us to offer to purchase the 2022 Convertible Notes upon the occurrence of a fundamental change. A failure to purchase any tendered 2022 Convertible Notes would constitute an event of default under the indenture for the 2022 Convertible Notes, which would, in turn, constitute a default under the Credit Facilities and the indenture. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources in the accompanying prospectus for a general discussion of our indebtedness. Our and our subsidiaries future debt instruments may contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our and our subsidiaries future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the Notes and/or our other debt. See Risk Factors Risks Relating to the Notes We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of all or substantially all of our properties or assets and those of our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise, established definition of the phrase under applicable law. Accordingly, the ability of a

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holder of Notes to require us to repurchase the Notes as a result of a sale, transfer, conveyance or other disposition of less than all of our assets and the assets of our subsidiaries taken as a whole to another person or group may be uncertain.

For purposes of the Notes:

Below Investment Grade Rating Event means the Notes are downgraded below Investment Grade by the Rating Agency on any date from the date of the public notice of an arrangement that results in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by the Rating Agency); provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

Change of Control means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the assets of Hercules Capital and its Controlled Subsidiaries taken as a whole to any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act), other than to any Permitted Holders; provided that, for the avoidance of doubt, a pledge of assets pursuant to any secured debt instrument of Hercules Capital or its Controlled Subsidiaries shall not be deemed to be any such sale, lease, transfer, conveyance or disposition;
 - (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act) (other than any Permitted Holders) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of Hercules Capital, measured by voting power rather than number of shares; or
 - (3) the approval by Hercules Capital's stockholders of any plan or proposal relating to the liquidation or dissolution of Hercules Capital.
- Change of Control Repurchase Event** means the occurrence of a Change of Control and a Below Investment Grade Rating Event.

Controlled Subsidiary means any subsidiary of Hercules Capital, 50% or more of the outstanding equity interests of which are owned by Hercules Capital and its direct or indirect subsidiaries and of which Hercules Capital possesses, directly or indirectly, the power to direct or cause the direction of the management or policies, whether through the ownership of voting equity interests, by agreement or otherwise.

Investment Grade means a rating of BBB or better by S&P (or its equivalent under any successor rating categories of S&P) or the equivalent of any other Rating Agency, as applicable, or in each case, the equivalent under any successor category of such Rating Agency.

Kroll means Kroll Bond Rating Agency, Inc., or any successor thereto.

Permitted Holders means (i) us and (ii) one or more of our Controlled Subsidiaries.

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Rating Agency means:

(1) S&P; and

(2) if S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a nationally recognized statistical rating organization as defined in Section (3)(a)(62) of the Exchange Act selected by us as a replacement agency for S&P which may include Kroll.

S&P means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, or any successor thereto.

Voting Stock as applied to stock of any person, means shares, interests, participations or other equivalents in the equity interest (however designated) in such person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

Covenants

In addition to the covenants described in the base indenture, the following covenants shall apply to the Notes. To the extent of any conflict or inconsistency between the base indenture and the following covenants, the following covenants shall govern:

Merger, Consolidation or Sale of Assets

The indenture provides that we will not merge or consolidate with or into any other person (other than a merger of a wholly owned subsidiary into us), or sell, transfer, lease, convey or otherwise dispose of all or substantially all our property (provided that, for the avoidance of doubt, a pledge of assets pursuant to any secured debt instrument of Hercules Capital or its Controlled Subsidiaries shall not be deemed to be any such sale, transfer, lease, conveyance or disposition) in any one transaction or series of related transactions unless:

we are the surviving person (the *Surviving Person*) or the *Surviving Person* (if other than us) formed by such merger or consolidation or to which such sale, transfer, lease, conveyance or disposition is made shall be a corporation or limited liability company organized and existing under the laws of the United States of America or any state or territory thereof;

the *Surviving Person* (if other than us) expressly assumes, by supplemental indenture in form reasonably satisfactory to the trustee, executed and delivered to the trustee by such *Surviving Person*, the due and punctual payment of the principal of, and premium, if any, and interest on, all the Notes outstanding, and the due and punctual performance and observance of all the covenants and conditions of the indenture to be performed by us;

immediately before and immediately after giving effect to such transaction or series of related transactions, no default or event of default shall have occurred and be continuing; and

we shall deliver, or cause to be delivered, to the trustee, an officers' certificate and an opinion of counsel, each stating that such transaction and the supplemental indenture, if any, in respect thereto, comply with this covenant and that all conditions precedent in the indenture relating to such transaction have been complied with.

For the purposes of this covenant, the sale, transfer, lease, conveyance or other disposition of all the property of one or more of our subsidiaries, which property, if held by us instead of such subsidiaries, would constitute all or substantially all of our property on a consolidated basis, shall be deemed to be the transfer of all or substantially all of our property.

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Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve all or substantially all of the properties or assets of a person. As a result, it may be unclear as to whether the merger, consolidation or sale of assets covenant would apply to a particular transaction as described above absent a decision by a court of competent jurisdiction. Although these types of transactions are permitted under the indenture, certain of the foregoing transactions could constitute a Change of Control that results in a Change of Control Repurchase Event permitting each holder to require us to repurchase the Notes of such holder as described above.

An assumption by any person of obligations under the Notes and the indenture might be deemed for U.S. federal income tax purposes to be an exchange of the Notes for new Notes by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

Other Covenants

We agree that for the period of time during which the Notes are outstanding, we will not violate, whether or not we are subject to, Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to any exemptive relief granted to us by the SEC (even if we are no longer subject to the 1940 Act).

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

Events of Default

Each of the following is an event of default:

- (1) default in the payment of any interest upon any Note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of the principal of (or premium, if any, on) any Note when it becomes due and payable at its maturity including upon any redemption date or required repurchase date;
- (3) our failure for 60 consecutive days after written notice from the trustee or the holders of at least 25% in principal amount of the Notes then outstanding has been received to comply with any of our other agreements contained in the Notes or indenture;
- (4) default by us or any of our significant subsidiaries, as defined in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act (but excluding any subsidiary which is (a) a non-recourse or limited recourse subsidiary, (b) a bankruptcy remote special purpose vehicle or (c) is not consolidated with Hercules Capital for purposes of GAAP), with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of \$50 million in the aggregate of us and/or any such subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise, unless, in either case, such indebtedness is discharged, or such acceleration is rescinded, stayed or annulled, within a period of 30 calendar days after written notice of such failure is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding;

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- (5) Pursuant to Section 18(a)(1)(C)(ii) and Section 61 of the 1940 Act, on the last business day of each of 24 consecutive calendar months, any class of securities shall have an asset coverage (as such term is used in the 1940 Act) of less than 100% giving effect to any exemptive relief granted to us by the SEC; or
- (6) certain events of bankruptcy, insolvency, or reorganization involving us occur and remain undischarged or unstayed for a period of 60 days.

If an event of default occurs and is continuing, then and in every such case (other than an event of default specified in item (6) above) the trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the entire principal amount of Notes to be due and immediately payable, by a notice in writing to us (and to the trustee if given by the holders), and upon any such declaration such principal or specified portion thereof shall become immediately due and payable. Notwithstanding the foregoing, in the case of the events of bankruptcy, insolvency or reorganization described in item (6) above, 100% of the principal of and accrued and unpaid interest on the Notes will automatically become due and payable.

At any time after a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in principal amount of the outstanding Notes, by written notice to us and the trustee, may rescind and annul such declaration and its consequences if (i) we have paid or deposited with the trustee a sum sufficient to pay all overdue installments of interest, if any, on all outstanding Notes, the principal of (and premium, if any, on) all outstanding Notes that have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates borne by or provided for in such Notes, to the extent that payment of such interest is lawful interest upon overdue installments of interest at the rate or rates borne by or provided for in such Notes, and all sums paid or advanced by the trustee and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel, and (ii) all events of default with respect to the Notes, other than the nonpayment of the principal of (or premium, if any, on) or interest on such Notes that have become due solely by such declaration of acceleration, have been cured or waived. No such rescission will affect any subsequent default or impair any right consequent thereon.

No holder of Notes will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture, or for the appointment of a receiver or trustee, or for any other remedy under the indenture, unless

- (i) such holder has previously given written notice to the trustee of a continuing event of default with respect to the Notes,
- (ii) the holders of not less than 25% in principal amount of the outstanding Notes shall have made written request to the trustee to institute proceedings in respect of such event of default;
- (iii) such holder or holders have offered to the trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (iv) the trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (v) no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes.

Notwithstanding any other provision in the indenture, the holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any, on) and interest, if any, on such Note on the stated maturity or maturity expressed in such Note (or, in the case of redemption, on the redemption date or, in the case of repayment at the option of the holders, on the repayment date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such holder.

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The trustee shall be under no obligation to exercise any of the rights or powers vested in it by the indenture at the request or direction of any of the holders of the Notes unless such holders shall have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Subject to the foregoing, the holders of a majority in principal amount of the outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Notes, provided that (i) such direction shall not be in conflict with any rule of law or with this indenture, (ii) the trustee may take any other action deemed proper by the trustee that is not inconsistent with such direction and (iii) the trustee need not take any action that it determines in good faith may involve it in personal liability or be unjustly prejudicial to the holders of Notes not consenting.

The holders of not less than a majority in principal amount of the outstanding Notes may on behalf of the holders of all of the Notes waive any past default under the indenture with respect to the Notes and its consequences, except a default (i) in the payment of (or premium, if any, on) or interest, if any, on any Note, or (ii) in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of the holder of each outstanding Note affected. Upon any such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured, for every purpose, but no such waiver shall extend to any subsequent or other default or event of default or impair any right consequent thereto.

We are required to deliver to the trustee, within 120 days after the end of each fiscal year, an officers' certificate stating that to the knowledge of the signers whether we are in default in the performance of any of the terms, provisions or conditions of the indenture.

Within 90 days after the occurrence of any default under the indenture with respect to the Notes, the trustee shall transmit notice of such default known to the trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any, on) or interest, if any, on any Note, the trustee shall be protected in withholding such notice if and so long as the Board of Directors, the executive committee or a trust committee of directors of the trustee in good faith determines that withholding of such notice is in the interest of the holders of the Notes.

Satisfaction and Discharge; Defeasance

We may satisfy and discharge our obligations under the indenture by delivering to the securities registrar for cancellation all outstanding Notes or by depositing with the trustee or delivering to the holders, as applicable, after the Notes have become due and payable, or otherwise, moneys sufficient to pay all of the outstanding Notes and paying all other sums payable under the indenture by us. Such discharge is subject to terms contained in the indenture.

In addition, the Notes are subject to defeasance and covenant defeasance, in each case, in accordance with the terms of the indenture. Defeasance means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and/or U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due date and (ii) delivering to the Trustee an opinion of counsel stating that (a) we have received from, or there has been published by, the Internal Revenue Service (the "IRS") a ruling, or (b) since the date of execution of the indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon, the holders and beneficial owners of the Notes and any coupons appertaining thereto will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred, we can legally release ourselves from all payment and other obligations on the Notes. Covenant defeasance means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and/or U.S. government

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or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel to the effect that the holders and beneficial owners of the Notes and any coupons appertaining thereto will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred, we will be released from some of the restrictive covenants in the indenture.

Trustee

U.S. Bank National Association is the trustee, security registrar and paying agent. U.S. Bank National Association, in each of its capacities, including without limitation as trustee, security registrar and paying agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information, or for any information provided to it by us, including but not limited to settlement amounts and any other information.

We may maintain banking relationships in the ordinary course of business with the trustee and its affiliates.

Governing Law

The indenture provides that it and the Notes shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws that would cause the application of laws of another jurisdiction.

Book-Entry, Settlement and Clearance

Global Notes

The Notes will be initially issued in the form of one or more registered Notes in global form, without interest coupons (the *Global Notes*). Upon issuance, each of the *Global Notes* will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in a *Global Note* will be limited to persons who have accounts with DTC (*DTC participants*) or persons who hold interests through *DTC participants*. We expect that under procedures established by DTC:

upon deposit of a *Global Note* with DTC's custodian, DTC will credit portions of the principal amount of the *Global Note* to the accounts of the *DTC participants* designated by the underwriters; and

ownership of beneficial interests in a *Global Note* will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of *DTC participants*) and the records of *DTC participants* (with respect to other owners of beneficial interests in the *Global Note*).

Beneficial interests in *Global Notes* may not be exchanged for Notes in physical, certificated form except in the limited circumstances described below.

Book-Entry Procedures for Global Notes

All interests in the *Global Notes* will be subject to the operations and procedures of DTC. We provide the following summary of those operations and procedures solely for the convenience of investors. The operations and procedures of DTC are controlled by that settlement system and may be changed at any time. Neither we nor the underwriters are responsible for those operations or procedures.

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DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of the New York State Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the underwriters; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a Global Note, that nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a Global Note:

will not be entitled to have Notes represented by the Global Note registered in their names;

will not receive or be entitled to receive physical, certificated Notes; and

will not be considered the owners or holders of the Notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal and interest with respect to the Notes represented by a Global Note will be made by the trustee to DTC's nominee as the registered holder of the Global Note. Neither we nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Certificated Notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Notes only if:

DTC notifies us at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days;

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DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days;
or

an event of default with respect to the Notes has occurred and is continuing and such beneficial owner requests that its Notes be
issued in physical, certificated form.

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We are offering the Notes described in this prospectus supplement and the accompanying prospectus through a number of underwriters. Citigroup Global Markets Inc. and Jefferies LLC are acting as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally and not jointly agreed to purchase from us, the aggregate principal amount of Notes listed next to its name in the following table:

| Underwriter | Principal Amount |
|-------------------------------|-------------------------|
| Citigroup Global Markets Inc. | \$ |
| Jefferies LLC | \$ |
| Wells Fargo Securities, LLC | \$ |
| Total | \$ |

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Notes sold under the underwriting agreement if any of these Notes are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The following table shows the total underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering.

| | Per Note | Total |
|----------------------------------|-----------------|--------------|
| Public offering price | % | \$ |
| Underwriting discount | % | \$ |
| Proceeds, before expenses, to us | % | \$ |

The public offering price set forth above does not include accrued interest of \$ _____ in the aggregate from October 23, 2017 up to, but not including, the date of delivery.

The underwriters propose to offer some of the Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the Notes to certain other Financial Industry Regulatory Authority, Inc. (FINRA) members at the public offering price less a concession not in excess of _____ % of the aggregate principal amount of the Notes. The underwriters may allow, and the dealers may reallocate, a discount not in excess of _____ % of the aggregate principal amount of the Notes. After the initial offering of the Notes to the public, the public offering price and such concessions may be changed. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.

No Sales of Similar Securities

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We have agreed not to directly or indirectly sell, offer to sell, enter into any agreement to sell, or otherwise dispose of, any debt securities issued by the Company which are substantially similar to the Notes or securities

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convertible into such debt securities which are substantially similar to the Notes for a period of 30 days after the date of this prospectus supplement without first obtaining the written consent of the representatives. This consent may be given at any time without public notice.

Listing

We cannot assure you that an active and liquid market for the Notes will be established or maintained. Although the underwriters have informed us that they intend to continue to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market making activities at any time without notice. The Notes are not listed on any securities exchange or quoted on any automated dealer quotation system, and we do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system. Accordingly, we cannot assure you that a liquid market for the Notes will be established or maintained. If an active public trading market for the Notes is not established or maintained, the market price and liquidity of the Notes may be adversely affected.

Price Stabilization, Short Positions

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include covering transactions and stabilizing transactions. Overallotment involves sales of securities in excess of the aggregate principal amount of securities to be purchased by the underwriters in the offering, which creates a short position for the underwriters. Covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of securities made for the purpose of preventing or retarding a decline in the market price of the securities while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be affected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time without any notice relating thereto.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Notes

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited principal amount of the Notes for sale to their online brokerage customers.

Other Relationships

The underwriters and their affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment

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banking and other services to Hercules or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Hercules or on behalf of Hercules or any of our portfolio companies. In addition, an affiliate of Wells Fargo Securities, LLC serves as arranger, administrative agent and lender under the Wells Facility.

Citigroup Global Markets Inc. and Jefferies LLC also were underwriters in connection with offering of the Existing Notes.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to us or any of our portfolio companies.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if among other things we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of its business and not in connection with the offering of the Notes. In addition, after the offering period for the sale of the Notes, the underwriters or their affiliates may develop analyses or opinions related to Hercules or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding us to our noteholders or any other persons.

In the ordinary course of their various business activities, the underwriters and their respective 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. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, New York 10013. The principal business address of Jefferies LLC is 520 Madison Avenue, New York, New York 10022. The principal business address of Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, North Carolina 28202.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State it has not made and will not make an offer of Notes to the public in that Member State, except that it may, with effect from and including such date, make an offer of Notes to the public in that Member State:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

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(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors, as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters nominated by the Company for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided, that no such offer of Notes shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the FSMA)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Alternative Settlement Cycle

We expect that delivery of the Notes will be made to investors on or about January , 2018, which will be the business day following the date hereof. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+ , to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery should consult their advisors.

Table of Contents**Index to Financial Statements****CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a general summary of the material U.S. federal income tax considerations (and, in the case of a non-U.S. holder (as defined below), the material U.S. federal estate tax consequences) applicable to an investment in the Notes. This summary deals only with Notes offered hereby that are purchased for cash in this offering for a price equal to the public offering price of the Notes shown on the front cover of this prospectus supplement (plus accrued interest from October 23, 2017 (the offering price)). This summary does not purport to be a complete description of the income and estate tax considerations applicable to such an investment. The discussion is based upon the Code, Treasury Regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below. You should consult your own tax advisor with respect to tax considerations that pertain to your acquisition, ownership and disposition of our Notes. For a summary of the U.S. federal income tax considerations applicable to us regarding our election to be treated as a RIC, please refer to Certain United States Federal Income Tax Considerations Election to be Taxed as a RIC and Taxation as a Regulated Investment Company in the accompanying prospectus.

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

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

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

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If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding Notes, and the persons holding interests in such partnerships, should consult their own tax advisors as to the consequences of investing in the Notes in their individual circumstances.

We intend to treat, for U.S. federal income tax purposes, the issuance of the Notes offered hereby as a qualified reopening of the Existing Notes which were issued on October 23, 2017 with an issue price equal to 99.449% of their principal amount and which will mature on October 23, 2022. Accordingly, we intend to treat the Notes offered hereby as having the same issue date and the same issue price as the Existing Notes for U.S. federal income tax purposes. The remainder of this discussion assumes that the issuance of the Notes offered hereby will be treated as a qualified reopening for U.S. federal income tax purposes.

Taxation of Note Holders

Taxation of U.S. Holders.

Except as discussed below, payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder's regular method of tax accounting.

A portion of the price paid for a Note offered hereby is attributable to the amount of unpaid interest on the Existing Notes that has accrued from October 23, 2017 (the pre-issuance accrued interest). Pursuant to certain Treasury Regulations, we intend to treat a portion of the first interest payment on the Notes offered hereby as a return of the pre-issuance accrued interest, rather than an amount payable on such Notes offered hereby. A U.S. holder should be able to treat a portion of the first interest payment on a Note offered hereby as a non-taxable return of the pre-issuance accrued interest paid by the U.S. holder, rather than as taxable interest, as if the U.S. holder purchased a debt instrument on the secondary market between interest payment dates. The remainder of this discussion assumes that the Notes offered hereby will be so treated, and all references to interest in the remainder of this discussion exclude references to pre-issuance accrued interest. U.S. holders should consult their own tax advisors concerning the tax treatment of the pre-issuance accrued interest on the Notes offered hereby.

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

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (excluding amounts representing accrued and

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

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

Under applicable Treasury Regulations, if a U.S. holder recognizes a loss with respect to the Notes or shares of our common stock of \$2 million or more for a non-corporate U.S. holder or \$10 million or more for a corporate U.S. holder in any single taxable year (or a greater loss over a combination of taxable years), the U.S. holder may be required to file with the IRS a disclosure statement on IRS Form 8886. Direct U.S. holders of portfolio securities are in many cases excepted from this reporting requirement, but, under current guidance, U.S. holders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to U.S. holders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. U.S. holders of the Notes or our common stock should consult their own tax advisors to determine the applicability of these Treasury Regulations in light of their individual circumstances.

Taxation of Non-U.S. Holders. Except as provided below under Information Reporting and Backup Withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income or withholding taxes on payments of principal or interest on a Note provided that (i) income on the Note is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, (ii) the non-U.S. holder is not a controlled foreign corporation related to the Company through stock ownership, (iii) the non-U.S. holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the non-U.S. holder does not own (directly or indirectly, actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (v) the non-U.S. holder provides a valid certification on an IRS Form W-8BEN, Form W-8BEN-E, or other applicable U.S. nonresident withholding tax certification form, certifying its non-U.S. holder status to (A) the applicable withholding agent, or (B) a securities clearing organization, bank, or other financial institution that holds customer securities in the ordinary course of its trade or business (i.e., a financial institution) and holds the Note on the non-U.S. holder's behalf and certifies to the applicable withholding agent (directly or through one or more similarly situated financial institutions) that it has received the required statement from the non-U.S. holder certifying that it is a non-U.S. person and furnishes the applicable withholding agent with a copy of the statement.

A non-U.S. holder that is not exempt from tax under these rules generally will be subject to U.S. federal income tax withholding on payments of interest on the Notes at a rate of 30% unless (i) the income is effectively connected with the conduct of a U.S. trade or business, so long as the non-U.S. holder has provided the applicable withholding agent with an IRS Form W-8ECI or substantially similar substitute U.S. nonresident withholding tax certification form stating that the interest on the Notes is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S. in which case the interest will be subject to U.S. federal

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income tax on a net income basis as applicable to U.S. holders generally (unless an applicable income tax treaty provides otherwise), or (ii) an applicable income tax treaty or provision in the Code provides for a lower rate of, or exemption from, withholding tax, so long as the non-U.S. holder has provided the applicable withhold agent with an IRS Form W-8BEN or Form W-8BEN-E (or other applicable U.S. nonresident withholding tax certification form) signed under penalties of perjury, claiming such lower rate of, or exemption from, withholding tax under such income tax treaty.

To claim the benefit of an income tax treaty or to claim exemption from withholding because income is effectively connected with a U.S. trade or business, the non-U.S. holder must timely provide the appropriate, properly executed IRS U.S. nonresident withholding tax certification form, signed under penalties of perjury, to the applicable withholding agent. These forms may be required to be updated periodically. Additionally, a non-U.S. holder who is claiming the benefits of an income tax treaty may be required to obtain a U.S. taxpayer identification number and provide certain documentary evidence issued by a non-U.S. governmental authority in order to prove residence in a foreign country.

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

Generally, a non-U.S. holder will not be subject to U.S. federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, provided that the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, if required by an applicable income tax treaty, is not attributable to a United States permanent establishment maintained by the non-U.S. holder). Non-U.S. holders should consult their own tax advisors with regard to whether taxes will be imposed on capital gain in their individual circumstances.

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) generally will not be subject to the U.S. federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual's interest in the Notes is effectively connected with the individual's conduct of a U.S. trade or business.

Information Reporting and Backup Withholding. A U.S. holder (other than an exempt recipient, including a corporation and certain other persons who, when required, demonstrate their exempt status) may be subject to backup withholding at a rate of 24% on, and to information reporting requirements with respect to, payments of principal and interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes. In general, if a non-corporate U.S. holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding at the applicable rate may apply.

If you are a non-U.S. holder, generally, the applicable withholding agent must report to the IRS and to you payments of interest on the Notes and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of a treaty or agreement. In general, backup withholding will not apply to payments of interest on your Notes if you have provided to the applicable

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withholding agent the required certification that you are not a U.S. person and the applicable withholding agent does not have actual knowledge or reason to know that you are a U.S. person. Information reporting and, depending on the circumstances, backup withholding will apply to payment to you of the proceeds of a sale or other disposition (including a retirement or redemption) of the Notes within the U.S. or conducted through certain U.S.-related financial intermediaries, unless you certify under penalties of perjury that you are not a U.S. person or you otherwise establish an exemption, and the applicable withholding agent does not have actual knowledge or reason to know that you are a U.S. person. If a non-U.S. holder sells or redeems a Note through the foreign office of a broker who is a U.S. person or has certain enumerated connections with the United States, the proceeds from such sale or redemption will be subject to information reporting unless the non-U.S. holder provides to such broker a withholding certificate or other appropriate documentary evidence establishing that the non-U.S. holder is not a U.S. person and such broker does not have actual knowledge or reason to know that such evidence is false, or the non-U.S. holder is an exempt recipient eligible for an exemption from information reporting. In circumstances where information reporting by the foreign office of such a broker is required, backup withholding will be required only if the broker has actual knowledge that the non-U.S. holder is a U.S. person.

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

FATCA. Certain provisions of the Code, known as FATCA, generally impose a withholding tax of 30% on certain payments to certain foreign entities (including financial intermediaries) unless various U.S. information reporting and diligence requirements (that are in addition to the requirement to deliver an applicable U.S. nonresident withholding tax certification form (e.g., IRS Form W-8BEN), as discussed above) and certain other requirements have been satisfied. FATCA withholding generally applies to payments of interest and, after December 31, 2018, payments of gross proceeds (including principal payments) from the sale, redemption, retirement or other disposition of debt securities that can produce U.S. source interest (such as the Notes) (collectively, "withholdable payments") to certain non-U.S. entities (including, in some circumstances, where such an entity is acting as an intermediary) that fail to comply with certain certification, identification, withholding and information reporting requirements imposed by FATCA. FATCA withholding taxes generally apply to all withholdable payments without regard to whether the beneficial owner of the payment would otherwise be entitled to an exemption from withholding taxes pursuant to an applicable income tax treaty with the U.S. or under U.S. domestic law. If FATCA withholding taxes are imposed with respect to any payments of interest or proceeds made under the Notes, holders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such interest or proceeds will be required to seek a credit or refund from the IRS in order to obtain the benefit of such exemption or reduction, if any. Beneficial owners of or prospective beneficial owners of the Notes may be required to provide additional information to enable the applicable withholding agent to determine whether withholding is required. Persons located in jurisdictions that have entered into an intergovernmental agreement with the U.S. to implement FATCA may be subject to different rules. Non-U.S. holders, and U.S. holders that expect to hold the Notes through non-U.S. entities, should consult their own tax advisors regarding the effect, if any, of these withholding and reporting provisions.

The preceding discussion of material U.S. federal income tax considerations is for general information only and is not tax advice. We urge you to consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.

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LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Dechert LLP, Philadelphia, PA. Certain legal matters in connection with the securities offered hereby will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, NY.

EXPERTS

The consolidated financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 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, 2016 included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

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

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

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| <u>Schedule of Investments In and Advances to Affiliates</u> | S-196 |

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

| | September 30, 2017 | December 31, 2016 |
|---|---------------------|---------------------|
| Assets | | |
| Investments: | | |
| Non-control/Non-affiliate investments (cost of \$1,374,173 and \$1,475,918 respectively) | \$ 1,360,146 | \$ 1,414,210 |
| Control investments (cost of \$25,788 and \$22,598, respectively) | 23,382 | 4,700 |
| Affiliate investments (cost of \$89,050 and \$13,010, respectively) | 33,586 | 5,032 |
| Total investments in securities, at value (cost of \$1,489,011 and \$1,511,526 respectively) | 1,417,114 | 1,423,942 |
| Cash and cash equivalents | 140,568 | 13,044 |
| Restricted cash | 7,813 | 8,322 |
| Interest receivable | 10,507 | 11,614 |
| Other assets | 6,995 | 7,282 |
| Total assets | \$ 1,582,997 | \$ 1,464,204 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 19,057 | \$ 21,463 |
| Credit Facilities | | 5,016 |
| 2021 Asset-Backed Notes, net (principal of \$65,476 and \$109,205, respectively) ⁽¹⁾ | 64,860 | 107,972 |
| Convertible Notes, net (principal of \$230,000 and \$0, respectively) ⁽¹⁾ | 223,097 | |
| 2019 Notes, net (principal of \$0 and \$110,364, respectively) ⁽¹⁾ | | 108,818 |
| 2024 Notes, net (principal of \$258,510 and \$252,873, respectively) ⁽¹⁾ | 251,716 | 245,490 |
| SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) ⁽¹⁾ | 187,983 | 187,501 |
| Total liabilities | \$ 746,713 | \$ 676,260 |
| Net assets consist of: | | |
| Common stock, par value | 84 | 80 |
| Capital in excess of par value | 904,357 | 839,657 |
| Unrealized depreciation on investments ⁽²⁾ | (73,388) | (89,025) |
| Accumulated undistributed realized gains on investments | 10,674 | 37,603 |
| Distributions in excess of net investment income | (5,443) | (371) |
| Total net assets | \$ 836,284 | \$ 787,944 |
| Total liabilities and net assets | \$ 1,582,997 | \$ 1,464,204 |
| Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized) | 83,615 | 79,555 |
| Net asset value per share | \$ 10.00 | \$ 9.90 |

(1) The Company's 2021 Asset-Backed Notes, Convertible Notes, 2019 Notes, 2024 Notes and SBA Debentures, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 4 Borrowings.

(2) Amounts include \$1.5 million and \$1.4 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and warrant participation agreement liabilities as of September 30, 2017 and December 31, 2016, respectively.

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See notes to consolidated financial statements

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

| (Dollars in thousands) | September 30, 2017 | December 31, 2016 |
|---|---------------------------|--------------------------|
| Assets | | |
| Restricted Cash | \$ 7,813 | \$ 8,322 |
| Total investments in securities, at value (cost of \$168,662 and \$244,695, respectively) | 166,861 | 242,349 |
| Total assets | \$ 174,674 | \$ 250,671 |
| Liabilities | | |
| 2021 Asset-Backed Notes, net (principal of \$65,476 and \$109,205, respectively) ⁽¹⁾ | \$ 64,860 | \$ 107,972 |
| Total liabilities | \$ 64,860 | \$ 107,972 |

(1) The Company's 2021 Asset-Backed Notes are presented net of the associated debt issuance costs. See Note 4 Borrowings .

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Investment income: | | | | |
| Interest and PIK interest income | | | | |
| Interest income: | | | | |
| Non-control/Non-affiliate investments | \$ 39,361 | \$ 37,783 | \$ 117,388 | \$ 110,219 |
| Control investments | 321 | 7 | 994 | 7 |
| Affiliate investments | 246 | 30 | 248 | 145 |
| Total interest income | 39,928 | 37,820 | 118,630 | 110,371 |
| PIK interest income: | | | | |
| Non-control/Non-affiliate investments | 2,364 | 2,124 | 6,661 | 5,668 |
| Control investments | 143 | 8 | 511 | 8 |
| Total PIK interest income | 2,507 | 2,132 | 7,172 | 5,676 |
| Total interest and PIK interest income | 42,435 | 39,952 | 125,802 | 116,047 |
| Fee income | | | | |
| Commitment, facility and loan fee income: | | | | |
| Non-control/Non-affiliate investments | 2,239 | 3,274 | 7,613 | 8,700 |
| Control investments | 1 | 1 | 11 | 1 |
| Affiliate investments | 2 | | 2 | |
| Total commitment, facility and loan fee income | 2,242 | 3,275 | 7,626 | 8,701 |
| One-time fee income: | | | | |
| Non-control/Non-affiliate investments | 1,188 | 1,875 | 7,254 | 2,831 |
| Total one-time fee income | 1,188 | 1,875 | 7,254 | 2,831 |
| Total fee income | 3,430 | 5,150 | 14,880 | 11,532 |
| Total investment income | 45,865 | 45,102 | 140,682 | 127,579 |
| Operating expenses: | | | | |
| Interest | 9,185 | 8,717 | 28,046 | 23,306 |
| Loan fees | 1,314 | 1,432 | 5,500 | 3,698 |
| General and administrative | 3,548 | 4,114 | 12,362 | 12,095 |
| Employee compensation: | | | | |
| Compensation and benefits | 6,014 | 5,621 | 17,276 | 15,637 |
| Stock-based compensation | 1,831 | 1,442 | 5,573 | 5,616 |
| Total employee compensation | 7,845 | 7,063 | 22,849 | 21,253 |
| Total operating expenses | 21,892 | 21,326 | 68,757 | 60,352 |

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| | | | | |
|---|------------------|------------------|------------------|------------------|
| Net investment income | 23,973 | 23,776 | 71,925 | 67,227 |
| Net realized gain (loss) on investments | | | | |
| Non-control/Non-affiliate investments | (8,911) | 7,870 | (10,940) | 3,427 |
| Control investments | (15,543) | | (15,989) | |
| Total net realized gain (loss) on investments | (24,454) | 7,870 | (26,929) | 3,427 |
| Net change in unrealized appreciation (depreciation) on investments | | | | |
| Non-control/Non-affiliate investments | 11,320 | (1,387) | 45,420 | (11,005) |
| Control investments | 17,624 | | 17,703 | (3,421) |
| Affiliate investments | 4,609 | 553 | (47,486) | (1,646) |
| Total net unrealized appreciation (depreciation) on investments | 33,553 | (834) | 15,637 | (16,072) |
| Total net realized and unrealized gain (loss) | 9,099 | 7,036 | (11,292) | (12,645) |
| Net increase in net assets resulting from operations | \$ 33,072 | \$ 30,812 | \$ 60,633 | \$ 54,582 |
| Net investment income before investment gains and losses per common share: | | | | |
| Basic | \$ 0.29 | \$ 0.32 | \$ 0.87 | \$ 0.91 |
| Change in net assets resulting from operations per common share: | | | | |
| Basic | \$ 0.40 | \$ 0.41 | \$ 0.73 | \$ 0.74 |
| Diluted | \$ 0.40 | \$ 0.41 | \$ 0.73 | \$ 0.74 |
| Weighted average shares outstanding | | | | |
| Basic | 82,496 | 74,122 | 82,073 | 72,685 |
| Diluted | 82,607 | 74,157 | 82,173 | 72,702 |
| Distributions declared per common share: | | | | |
| Basic | \$ 0.31 | \$ 0.31 | \$ 0.93 | \$ 0.93 |

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

| | Common Stock Shares | Par Value | Capital in excess of par value | Unrealized Appreciation (Depreciation) on Investments | Accumulated Undistributed Realized Gains (Losses) on Investments | Undistributed Net Investment Income/ (Distributions in Excess of Investment Income) | Net Assets |
|---|------------------------|-----------|---|---|---|--|---------------|
| Balance at December 31, 2015 | 72,118 | \$ 73 | \$ 751,902 | \$ (52,808) | \$ 27,993 | \$ (10,026) | \$ 717,134 |
| Net increase (decrease) in net assets resulting from operations | | | | (16,072) | 3,427 | 67,227 | 54,582 |
| Public offering, net of offering expenses | 4,273 | 4 | 50,173 | | | | 50,177 |
| Acquisition of common stock under repurchase plan | (450) | (1) | (4,789) | | | | (4,790) |
| Issuance of common stock due to stock option exercises | 42 | | 426 | | | | 426 |
| Retired shares from net issuance | (6) | | | | | | |
| Issuance of common stock under restricted stock plan | 552 | 1 | (1) | | | | |
| Retired shares for restricted stock vesting | (240) | | (2,560) | | | | (2,560) |
| Distributions reinvested in common stock | 111 | | 1,343 | | | | 1,343 |
| Distributions | | | | | | (68,408) | (68,408) |
| Stock-based compensation ⁽¹⁾ | | | 5,685 | | | | 5,685 |
| Balance at September 30, 2016 | 76,400 | \$ 77 | \$ 802,179 | \$ (68,880) | \$ 31,420 | \$ (11,207) | \$ 753,589 |
| Balance at December 31, 2016 | 79,555 | \$ 80 | \$ 839,657 | \$ (89,025) | \$ 37,603 | \$ (371) | \$ 787,944 |
| Net increase (decrease) in net assets resulting from operations | | | | 15,637 | (26,929) | 71,925 | 60,633 |
| Public offering, net of offering expenses | 4,077 | 4 | 56,330 | | | | 56,334 |
| Issuance of common stock due to stock option exercises | 46 | | 213 | | | | 213 |
| Retired shares from net issuance | (18) | | (172) | | | | (172) |

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| | | | | | | | | | | | | | | |
|--|-------|--------|----|---------|----|---------|----------|----------|----------|--------|----|---------|----|---------|
| Issuance of common stock under restricted stock plan | 10 | | | | | | | | | | | | | |
| Retired shares for restricted stock vesting | (187) | | | (2,483) | | | | | (2,483) | | | | | |
| Distributions reinvested in common stock | 132 | | | 1,780 | | | | | 1,780 | | | | | |
| Issuance of Convertible Notes | | | | 3,413 | | | | | 3,413 | | | | | |
| Distributions | | | | | | | (76,997) | | (76,997) | | | | | |
| Stock-based compensation ⁽¹⁾ | | | | 5,619 | | | | | 5,619 | | | | | |
| Balance at September 30, 2017 | | 83,615 | \$ | 84 | \$ | 904,357 | \$ | (73,388) | \$ | 10,674 | \$ | (5,443) | \$ | 836,284 |

(1) Stock-based compensation includes \$46 and \$69 of restricted stock and option expense related to director compensation for the nine months ended September 30, 2017 and 2016, respectively.

See notes to consolidated financial statements

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

| | For the Nine Months Ended September 30, | |
|---|--|-------------|
| | 2017 | 2016 |
| Cash flows from operating activities: | | |
| Net increase (decrease) in net assets resulting from operations | \$ 60,633 | \$ 54,582 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities: | | |
| Purchase of investments | (487,321) | (461,772) |
| Principal and fee payments received on investments | 486,985 | 340,584 |
| Proceeds from the sale of investments | 21,945 | 16,701 |
| Net unrealized appreciation (depreciation) on investments | (15,637) | 16,072 |
| Net realized loss (gain) on investments | 26,929 | (3,427) |
| Accretion of paid-in-kind principal | (7,078) | (5,317) |
| Accretion of loan discounts | (5,242) | (5,524) |
| Accretion of loan discount on Convertible Notes | 448 | 82 |
| Accretion of loan exit fees | (14,413) | (16,679) |
| Change in deferred loan origination revenue | 1,083 | (253) |
| Unearned fees related to unfunded commitments | 441 | (308) |
| Amortization of debt fees and issuance costs | 4,534 | 2,987 |
| Depreciation | 153 | 152 |
| Stock-based compensation and amortization of restricted stock grants ⁽¹⁾ | 5,619 | 5,685 |
| Change in operating assets and liabilities: | | |
| Interest and fees receivable | 1,107 | (1,622) |
| Prepaid expenses and other assets | (1,100) | 228 |
| Accounts payable | | 56 |
| Accrued liabilities | (2,457) | (729) |
| Net cash provided by (used in) operating activities | 76,629 | (58,502) |
| Cash flows from investing activities: | | |
| Purchases of capital equipment | (127) | (227) |
| Reduction of restricted cash | 509 | 211 |
| Net cash provided by (used in) investing activities | 382 | (16) |
| Cash flows from financing activities: | | |
| Issuance of common stock, net | 56,334 | 50,177 |
| Repurchase of common stock, net | | (4,790) |
| Retirement of employee shares | (2,442) | (2,134) |
| Distributions paid | (75,217) | (67,065) |
| Issuance of Convertible Notes | 230,000 | |
| Issuance of 2024 Notes Payable | 5,637 | 141,945 |
| Repayments of 2019 Notes Payable | (110,364) | |
| Repayments of 2021 Asset-Backed Notes | (43,729) | (12,296) |
| Borrowings of credit facilities | 8,497 | 193,276 |
| Repayments of credit facilities | (13,513) | (243,276) |
| Cash paid for debt issuance costs | (4,662) | (4,858) |
| Cash paid for redemption of convertible notes | | (17,604) |
| Fees paid for credit facilities and debentures | (28) | (1,041) |

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| | | |
|--|-------------------|------------------|
| Net cash provided by financing activities | 50,513 | 32,334 |
| Net increase (decrease) in cash and cash equivalents | 127,524 | (26,184) |
| Cash and cash equivalents at beginning of period | 13,044 | 95,196 |
| Cash and cash equivalents at end of period | \$ 140,568 | \$ 69,012 |
| Supplemental non-cash investing and financing activities: | | |
| Distributions reinvested | 1,780 | 1,343 |

- (1) Stock-based compensation includes \$46 and \$69 of restricted stock and option expense related to director compensation for the nine months ended September 30, 2017 and 2016, respectively.

See notes to consolidated financial statements

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Maturity Date | Interest Rate and Floor⁽²⁾ | Principal Amount | Cost⁽³⁾ | Value⁽⁴⁾ | |
|---|------------------------------|---|----------------------|--|-------------------------|---------------------------|----------------------------|--------|
| Debt Investments | | | | | | | | |
| Biotechnology Tools | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Excicure, Inc. ⁽¹²⁾ | Biotechnology Tools | Senior Secured | September 2019 | Interest rate PRIME + 6.45% or Floor rate of 9.95%, 3.85% Exit Fee | \$ 5,405 | \$ 5,488 | \$ 5,545 | |
| Subtotal: 1-5 Years Maturity | | | | | | 5,488 | 5,545 | |
| Subtotal: Biotechnology Tools (0.66%)* | | | | | | 5,488 | 5,545 | |
| Communications & Networking | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| OpenPeak, Inc. ⁽⁸⁾ | Communications & Networking | Senior Secured | April 2018 | Interest rate PRIME + 8.75% or Floor rate of 12.00% | \$ 11,464 | 8,228 | | |
| Subtotal: Under 1 Year Maturity | | | | | | 8,228 | | |
| Subtotal: Communications & Networking (0.00%)* | | | | | | 8,228 | | |
| Consumer & Business Products | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾ | Consumer & Business Products | Senior Secured | December 2019 | Interest rate PRIME + 7.45% or Floor rate of 10.95%, 2.95% Exit Fee | \$ 19,619 | 19,686 | 19,830 | |
| | Consumer & Business Products | Senior Secured | December 2018 | Interest rate PRIME + 6.00% or Floor rate of 9.50% | \$ 1,000 | 1,000 | 1,000 | |
| Total Antenna79 (p.k.a. Pong Research Corporation) | | | | | | \$ 20,619 | 20,686 | 20,830 |
| Second Time Around (Simplify Holdings, LLC)⁽⁷⁾⁽⁸⁾⁽¹⁵⁾ | | | | | | | | |

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| | | | | | | | | |
|--|-----------------------------------|----------------|----------------|--|---|----------|--------|-------|
| | Consumer & Business Products | Senior Secured | February 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.75%, 4.75% Exit Fee | \$ 1,746 | 1,781 | | |
| Subtotal: 1-5 Years Maturity | | | | | | 22,467 | 20,830 | |
| Subtotal: Consumer & Business Products (2.49%)* | | | | | | 22,467 | 20,830 | |
| Drug Delivery | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| | Pulmatrix Inc. ⁽⁹⁾⁽¹¹⁾ | Drug Delivery | Senior Secured | July 2018 | Interest rate PRIME + 6.25% or Floor rate of 9.50%, 3.50% Exit Fee | \$ 3,958 | 4,120 | 4,120 |
| Subtotal: Under 1 Year Maturity | | | | | | 4,120 | 4,120 | |

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|---------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| 1-5 Years Maturity | | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹⁵⁾ | Drug Delivery | Senior Secured | March 2020 | Interest rate PRIME + 6.05% or Floor rate of 9.55%, 11.69% Exit Fee | \$ 20,466 | \$ 21,575 | \$ 21,650 |
| Agile Therapeutics, Inc. ⁽¹¹⁾ | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 4.75% or Floor rate of 9.00%, 3.70% Exit Fee | \$ 12,465 | 12,787 | 12,738 |
| Antares Pharma Inc. ⁽¹⁰⁾⁽¹⁵⁾ | Drug Delivery | Senior Secured | July 2022 | Interest rate PRIME + 4.50% or Floor rate of 8.75%, 4.25% Exit Fee | \$ 25,000 | 24,933 | 24,933 |
| Edge Therapeutics, Inc. ⁽¹²⁾ | Drug Delivery | Senior Secured | February 2020 | Interest rate PRIME + 4.65% or Floor rate of 9.15%, 4.95% Exit Fee | \$ 20,000 | 20,252 | 20,326 |
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ⁽¹¹⁾ | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 2.70% or Floor rate of 7.95%, 2.87% Exit Fee | \$ 7,812 | 8,071 | 8,023 |
| Subtotal: 1-5 Years Maturity | | | | | | 87,618 | 87,670 |
| Subtotal: Drug Delivery (10.98%)* | | | | | | 91,738 | 91,790 |
| Drug Discovery & Development Under 1 Year Maturity | | | | | | | |
| CytRx Corporation ⁽¹¹⁾⁽¹⁵⁾ | | Senior Secured | August 2018 | | \$ 11,000 | 11,901 | 11,901 |

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| | | | | | | | |
|--|------------------------------|----------------|---------------|--|-----------|--------|--------|
| | Drug Discovery & Development | | | Interest rate PRIME + 6.00% or Floor rate of 9.50%, 7.09% Exit Fee | | | |
| Epirus Biopharmaceuticals, Inc. ⁽⁸⁾ | Drug Discovery & Development | Senior Secured | April 2018 | Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee | \$ 3,066 | 3,349 | |
| Subtotal: Under 1 Year Maturity | | | | | | 15,250 | 11,901 |
| 1-5 Years Maturity | | | | | | | |
| Auris Medical Holding, AG ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | January 2020 | Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee | \$ 11,435 | 11,598 | 11,585 |
| Aveo Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾ | Drug Discovery & Development | Senior Secured | December 2019 | Interest rate PRIME + 6.90% or Floor rate of 11.90%, 5.40% Exit Fee | \$ 10,000 | 10,367 | 10,413 |

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|------------------------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|
| | Drug Discovery & Development | Senior Secured | December 2019 | Interest rate PRIME + 6.90% or Floor rate of 11.90%, 3.00% Exit Fee | \$ 10,000 | \$ 9,904 | \$ 9,914 |
| Total Aveo Pharmaceuticals, Inc. | | | | | \$ 20,000 | 20,271 | 20,327 |
| Axovant Sciences Ltd. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | March 2021 | Interest rate PRIME + 6.80% or Floor rate of 10.55% | \$ 55,000 | 53,479 | 53,680 |
| Bellicum Pharmaceuticals, Inc. ⁽¹⁵⁾ | Drug Discovery & Development | Senior Secured | March 2020 | Interest rate PRIME + 5.85% or Floor rate of 9.35%, 8.11% Exit Fee | \$ 15,000 | 15,527 | 15,653 |
| | Drug Discovery & Development | Senior Secured | March 2020 | Interest rate PRIME + 5.85% or Floor rate of 9.35%, 3.48% Exit Fee | \$ 5,000 | 5,042 | 5,105 |
| | Drug Discovery & Development | Senior Secured | March 2020 | Interest rate PRIME + 5.85% or Floor rate of 9.35%, 6.95% Exit Fee | \$ 10,000 | 10,118 | 10,193 |
| Total Bellicum Pharmaceuticals, Inc. | | | | | \$ 30,000 | 30,687 | 30,951 |
| Brickell Biotech, Inc. ⁽¹²⁾ | Drug Discovery & Development | Senior Secured | September 2019 | Interest rate PRIME + 5.70% or Floor rate of 9.20%, 6.75% Exit Fee | \$ 6,565 | 6,794 | 5,100 |
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽¹¹⁾ | Drug Discovery & Development | Senior Secured | December 2018 | Interest rate PRIME + 7.70% or Floor rate of 10.95%, 4.09% Exit Fee | \$ 14,964 | 14,794 | 14,800 |

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| | | | | | | | |
|---|------------------------------|----------------|--------------|--|-----------|--------|--------|
| Genocea Biosciences, Inc. ⁽¹¹⁾ | Drug Discovery & Development | Senior Secured | January 2019 | Interest rate PRIME + 2.25% or Floor rate of 7.25%, 4.95% Exit Fee | \$ 15,441 | 16,001 | 15,971 |
| Insmed, Incorporated ⁽¹¹⁾ | Drug Discovery & Development | Senior Secured | October 2020 | Interest rate PRIME + 4.75% or Floor rate of 9.25%, 4.86% Exit Fee | \$ 55,000 | 55,253 | 55,297 |
| Metuchen Pharmaceuticals LLC ^{(12),(14)} | Drug Discovery & Development | Senior Secured | October 2020 | Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%, 2.25% Exit Fee | \$ 35,444 | 35,285 | 35,325 |

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|------------------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽¹⁵⁾ | Drug Discovery & Development | Senior Secured | September 2020 | Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee | \$ 40,000 | \$ 39,943 | \$ 39,935 |
| | Drug Discovery & Development | Senior Secured | September 2020 | Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee | \$ 10,000 | 9,986 | 9,985 |
| Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) | | | | | \$ 50,000 | 49,929 | 49,920 |
| PhaseRx, Inc. ⁽¹⁵⁾ | Drug Discovery & Development | Senior Secured | December 2019 | Interest rate PRIME + 5.75% or Floor rate of 9.25%, 5.85% Exit Fee | \$ 5,468 | 5,554 | 5,563 |
| Sorrento Therapeutics, Inc. ⁽¹⁰⁾⁽¹³⁾ | Drug Discovery & Development | Senior Secured | December 2020 | Interest rate PRIME + 5.75% or Floor rate of 9.25%, 5.50% Exit Fee | \$ 30,000 | 29,113 | 28,854 |
| Stealth Bio Therapeutics Corp. ⁽⁵⁾⁽¹⁰⁾⁽¹²⁾ | Drug Discovery & Development | Senior Secured | January 2021 | Interest rate PRIME + 5.50% or Floor rate of 9.50%, 5.00% Exit Fee | \$ 15,000 | 14,794 | 14,794 |
| uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾ | Drug Discovery & Development | Senior Secured | May 2020 | Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee | \$ 20,000 | 20,479 | 20,456 |
| Verastem, Inc. ⁽¹²⁾⁽¹⁷⁾ | Drug Discovery & | Senior Secured | December 2020 | Interest rate PRIME + 6.00% or Floor rate of | \$ 2,500 | 2,478 | 2,476 |

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Development 10.50%,
4.50% Exit Fee

Subtotal: 1-5 Years Maturity 366,509 365,099

Subtotal: Drug Discovery & Development (45.08%)* 381,759 377,000

Electronics & Computer Hardware

1-5 Years Maturity

| | | | | | | | |
|--------------------------------------|---------------------------------|----------------|----------------|---|----------|-------|-------|
| 908 DEVICES INC. ⁽¹⁵⁾⁽¹⁷⁾ | Electronics & Computer Hardware | Senior Secured | September 2020 | Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee | \$ 7,500 | 7,501 | 7,468 |
|--------------------------------------|---------------------------------|----------------|----------------|---|----------|-------|-------|

Subtotal: 1-5 Years Maturity 7,501 7,468

Subtotal: Electronics & Computer Hardware (0.89%)* 7,501 7,468

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|----------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| Healthcare Services, Other | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Medsphere Systems Corporation ⁽¹³⁾⁽¹⁴⁾ | Healthcare Services, Other | Senior Secured | February 2021 | Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75% | \$ 17,530 | \$ 17,339 | \$ 17,339 |
| Oak Street Health ⁽¹²⁾ | Healthcare Services, Other | Senior Secured | September 2021 | Interest rate PRIME + 5.00% or Floor rate of 9.75%, 5.95% Exit Fee | \$ 20,000 | 19,848 | 19,848 |
| PH Group Holdings ⁽¹³⁾ | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% or Floor rate of 10.95% | \$ 20,000 | 19,859 | 19,893 |
| | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% or Floor rate of 10.95% | \$ 10,000 | 9,911 | 9,875 |
| Total PH Group Holdings | | | | | \$ 30,000 | 29,770 | 29,768 |
| Subtotal: 1-5 Years Maturity | | | | | | 66,957 | 66,955 |
| Subtotal: Healthcare Services, Other (8.01%)* | | | | | | 66,957 | 66,955 |
| Information Services | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| MDX Medical, Inc. ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾ | Information Services | Senior Secured | December 2020 | Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 1.70% | \$ 7,535 | 7,317 | 7,317 |
| Netbase Solutions, Inc. ⁽¹³⁾⁽¹⁴⁾ | Information Services | Senior Secured | August 2020 | Interest rate PRIME + 6.00% or Floor rate of 10.00%, PIK Interest 2.00%, | \$ 9,005 | 8,605 | 8,605 |

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3.00% Exit Fee

Subtotal: 1-5 Years Maturity 15,922 15,922

Subtotal: Information Services (1.90%)* 15,922 15,922

Internet Consumer & Business Services

1-5 Years Maturity

| | | | | | | | |
|--|---|----------------|-----------|---|----------|-------|-------|
| Aria Systems, Inc. ⁽¹¹⁾⁽¹⁴⁾ | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%, | \$ 2,092 | 2,086 | 1,797 |
|--|---|----------------|-----------|---|----------|-------|-------|

1.50% Exit Fee

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|---------------------------------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%, 1.50% Exit Fee | \$ 18,739 | \$ 18,676 | \$ 16,091 |
| Total Aria Systems, Inc. | | | | | \$ 20,831 | 20,762 | 17,888 |
| Intent Media, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Internet Consumer & Business Services | Senior Secured | May 2019 | Interest rate PRIME + 5.25% or Floor rate of 8.75%, PIK Interest 1.00%, 2.00% Exit Fee | \$ 5,037 | 4,970 | 4,996 |
| | Internet Consumer & Business Services | Senior Secured | May 2019 | Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.35%, 2.00% Exit Fee | \$ 2,008 | 1,960 | 1,967 |
| | Internet Consumer & Business Services | Senior Secured | May 2019 | Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.50%, 2.00% Exit Fee | \$ 2,009 | 1,961 | 1,968 |
| Total Intent Media, Inc. | | | | | \$ 9,054 | 8,891 | 8,931 |
| LogicSource ⁽¹⁵⁾ | Internet Consumer & Business Services | Senior Secured | October 2019 | Interest rate PRIME + 6.25% or Floor rate of 9.75%, 5.00% Exit Fee | \$ 7,237 | 7,438 | 7,507 |
| Snagajob.com, Inc. ⁽¹³⁾⁽¹⁴⁾ | Internet Consumer & Business Services | Senior Secured | July 2020 | Interest rate PRIME + 5.15% or Floor rate of 9.15%, PIK Interest 1.95%, 2.55% Exit Fee | \$ 40,821 | 40,256 | 40,779 |
| Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁴⁾ | Internet Consumer & Business Services | Senior Secured | June 2021 | Interest rate FIXED 6.00%, PIK Interest 3.00% | \$ 20,145 | 20,145 | 20,145 |
| | | Senior Secured | June 2021 | PIK Interest | \$ 11,015 | 240 | 2,995 |

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Internet Consumer & Business Services 8.00%

| | | | |
|--|--------------------|----------------|--|
| Total Tectura Corporation | \$ 31,160 | 20,385 | 23,140 |
| Subtotal: 1-5 Years Maturity | | 97,732 | 98,245 |
| Subtotal: Internet Consumer & Business Services (11.75%)* | | 97,732 | 98,245 |
| Media/Content/Info Under 1 Year Maturity | | | |
| Machine Zone, Inc. ⁽¹⁴⁾⁽¹⁶⁾ | Media/Content/Info | Senior Secured | May 2018 |
| | | | Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest |
| | | | 3.00% |
| Subtotal: Under 1 Year Maturity | | 105,575 | 105,575 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|-----------------------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| 1-5 Years Maturity | | | | | | | |
| FanDuel, Inc. ⁽¹²⁾ | Media/Content/Info | Senior Secured | November 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.75%, 9.02% Exit Fee | \$ 19,354 | \$ 19,437 | \$ 19,437 |
| WP Technology, Inc. (Wattpad, Inc.) ⁽⁵⁾⁽¹⁰⁾⁽¹²⁾ | Media/Content/Info | Senior Secured | April 2020 | Interest rate PRIME + 4.75% or Floor rate of 8.25%, 5.80% Exit Fee | \$ 5,000 | 5,107 | 5,192 |
| | Media/Content/Info | Senior Secured | April 2020 | Interest rate PRIME + 4.75% or Floor rate of 8.25%, 5.80% Exit Fee | \$ 5,000 | 5,038 | 5,106 |
| Total WP Technology, Inc. (Wattpad, Inc.) | | | | | \$ 10,000 | 10,145 | 10,298 |
| Subtotal: 1-5 Years Maturity | | | | | | 29,582 | 29,735 |
| Subtotal: Media/Content/Info (16.18%)* | | | | | | 135,157 | 135,310 |
| Medical Devices & Equipment Under 1 Year Maturity | | | | | | | |
| America Corporation ⁽⁹⁾⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | January 2018 | Interest rate PRIME + 7.70% or Floor rate of 10.95%, 8.25% Exit Fee | \$ 2,378 | 4,008 | 4,008 |
| Gamma Medica, Inc. ⁽⁸⁾⁽¹¹⁾ | Medical Devices & Equipment | Senior Secured | January 2018 | Interest rate PRIME + 6.50% or Floor rate of 9.75%, 6.00% Exit Fee | \$ 161 | 366 | |

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| | | | | | | | | |
|---|-----------------------------|----------------|--------------|--|-----------|------------------|---------------|---------------|
| Subtotal: Under 1 Year Maturity | | | | | | 4,374 | 4,008 | |
| 1-5 Years Maturity | | | | | | | | |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | October 2018 | Interest rate PRIME + 4.00% or Floor rate of 9.25%, 5.42% Exit Fee | \$ 3,244 | 3,524 | 3,486 | |
| IntegenX, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% or Floor rate of 10.05%, 6.75% Exit Fee | \$ 15,000 | 15,513 | 15,507 | |
| | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% or Floor rate of 10.05%, 9.75% Exit Fee | \$ 2,500 | 2,575 | 2,572 | |
| Total IntegenX, Inc. | | | | | | \$ 17,500 | 18,088 | 18,079 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|-----------------------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|
| Micell Technologies, Inc. ⁽¹²⁾ | Medical Devices & Equipment | Senior Secured | August 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.50%, 5.00% Exit Fee | \$ 6,200 | \$ 6,332 | \$ 6,410 |
| Quanta Fluid Solutions ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾ | Medical Devices & Equipment | Senior Secured | April 2020 | Interest rate PRIME + 8.05% or Floor rate of 11.55%, 5.00% Exit Fee | \$ 10,730 | 10,982 | 10,970 |
| Quanterix Corporation ⁽¹¹⁾ | Medical Devices & Equipment | Senior Secured | March 2019 | Interest rate PRIME + 2.75% or Floor rate of 8.00%, 4.00% Exit Fee | \$ 9,043 | 9,452 | 9,465 |
| Sebacia ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | July 2020 | Interest rate PRIME + 4.35% or Floor rate of 8.85%, 6.05% Exit Fee | \$ 8,000 | 7,865 | 7,865 |
| Tela Bio, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | September 2020 | Interest rate PRIME + 4.95% or Floor rate of 9.45%, 3.15% Exit Fee | \$ 5,000 | 4,969 | 4,948 |
| Subtotal: 1-5 Years Maturity | | | | | | 61,212 | 61,223 |
| Subtotal: Medical Devices & Equipment (7.80%)* | | | | | | 65,586 | 65,231 |
| Semiconductors | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Aquantia Corp. ⁽¹⁷⁾ | Semiconductors | Senior Secured | February 2018 | Interest rate PRIME + 3.95% or Floor rate of 7.20% | \$ 5,000 | 5,000 | 5,000 |
| Subtotal: Under 1 Year Maturity | | | | | | 5,000 | 5,000 |

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1-5 Years Maturity

| Achronix Semiconductor Corporation ⁽¹⁵⁾ | | | | | | | |
|--|----------------|----------------|---------------|--|-----------|--------|--------|
| | Semiconductors | Senior Secured | August 2020 | Interest rate PRIME + 7.00% or Floor rate of 11.00%, | \$ 5,000 | 5,005 | 5,013 |
| | Semiconductors | Senior Secured | February 2019 | 12.50% Exit Fee Interest rate PRIME + 6.00% or Floor rate of 10.00% | \$ 5,000 | 5,000 | 5,000 |
| Total Achronix Semiconductor Corporation | | | | | \$ 10,000 | 10,005 | 10,013 |
| Subtotal: 1-5 Years Maturity | | | | | | 10,005 | 10,013 |
| Subtotal: Semiconductors (1.80%)* | | | | | | 15,005 | 15,013 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|--------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| Software | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Clickfox, Inc. ⁽¹³⁾ | Software | Senior Secured | May 2018 | Interest rate PRIME + 8.00% or Floor rate of 11.50%, 12.01% Exit Fee | \$ 8,836 | \$ 9,870 | \$ 9,870 |
| Digital Train Limited ⁽¹⁵⁾ | Software | Senior Secured | July 2018 | Interest rate 12-month LIBOR + 2.50% | \$ 5,671 | 5,671 | 4,073 |
| RedSeal Inc. ⁽¹⁵⁾⁽¹⁷⁾ | Software | Senior Secured | June 2018 | Interest rate PRIME + 3.25% or Floor rate of 6.50% | \$ 2,698 | 2,698 | 2,698 |
| | Software | Senior Secured | June 2018 | Interest rate PRIME + 7.75% or Floor rate of 11.00%, 3.95% Exit Fee | \$ 2,888 | 3,032 | 3,032 |
| Total RedSeal Inc. | | | | | \$ 5,586 | 5,730 | 5,730 |
| Subtotal: Under 1 Year Maturity | | | | | | 21,271 | 19,673 |
| 1-5 Years Maturity | | | | | | | |
| Clarabridge, Inc. ⁽¹²⁾⁽¹⁴⁾ | Software | Senior Secured | April 2021 | Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25% | \$ 40,559 | 40,533 | 40,843 |
| Emma, Inc. | Software | Senior Secured | September 2022 | Interest rate daily LIBOR + 7.75% or Floor rate of 8.75% | \$ 50,000 | 48,500 | 48,500 |
| Evernote Corporation ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾ | Software | Senior Secured | October 2020 | Interest rate PRIME + 5.45% or Floor rate of 8.95% | \$ 6,000 | 5,970 | 6,126 |
| | Software | Senior Secured | July 2021 | Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest | \$ 4,010 | 3,984 | 3,984 |

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1.25%

| | | | | | | | |
|--|----------|----------------|---------------|---|-----------|--------|--------|
| Total Evernote Corporation | | | | | \$ 10,010 | 9,954 | 10,110 |
| Fuze, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | July 2021 | Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.55%, 3.55% Exit Fee | \$ 50,136 | 50,152 | 50,152 |
| Impact Radius Holdings, Inc. ⁽¹⁴⁾ | Software | Senior Secured | December 2020 | Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55%, 1.75% Exit Fee | \$ 7,516 | 7,509 | 7,509 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|-------------------------------------|--------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| OneLogin, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | August 2019 | Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25% | \$ 15,753 | \$ 15,668 | \$ 15,983 |
| Pollen, Inc. ⁽¹⁵⁾ | Software | Senior Secured | April 2019 | Interest rate PRIME + 4.25% or Floor rate of 8.50%, 4.00% Exit Fee | \$ 7,000 | 6,905 | 6,905 |
| Quid, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | October 2019 | Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25%, 3.00% Exit Fee | \$ 8,256 | 8,356 | 8,458 |
| RedSeal Inc. ⁽¹⁵⁾ | Software | Senior Secured | January 2020 | Interest rate PRIME + 7.75% or Floor rate of 11.25%, 5.95% Exit Fee | \$ 5,000 | 4,970 | 4,973 |
| Signpost, Inc. ⁽¹⁴⁾ | Software | Senior Secured | February 2020 | Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%, 3.75% Exit Fee | \$ 15,441 | 15,454 | 15,637 |
| Vela Trading Technologies | Software | Senior Secured | July 2022 | Interest rate daily LIBOR + 9.50% or Floor rate of 10.50% | \$ 20,000 | 19,471 | 19,471 |
| Wrike, Inc. ⁽¹²⁾⁽¹⁴⁾⁽¹⁷⁾ | Software | Senior Secured | February 2021 | Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 2.00%, 3.00% Exit Fee | \$ 10,113 | 9,880 | 9,945 |
| Subtotal: 1-5 Years Maturity | | | | | | 237,352 | 238,486 |
| Subtotal: Software (30.87%)* | | | | | | 258,623 | 258,159 |

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Specialty Pharmaceuticals

Under 1 Year Maturity

| | | | | | | | |
|--|------------------------------|----------------|-------------|---|----------|-------|-------|
| Jaguar Animal Health, Inc. ⁽¹¹⁾ | Specialty Pharmaceuticals | Senior Secured | August 2018 | Interest rate PRIME + 5.65% or Floor rate of 9.90%, 7.00% Exit Fee | \$ 1,350 | 1,725 | 1,725 |
|--|------------------------------|----------------|-------------|---|----------|-------|-------|

Subtotal: Under 1 Year Maturity

1,725 1,725

1-5 Years Maturity

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|--------------------------------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| Alimera Sciences, Inc. ⁽¹¹⁾⁽¹⁴⁾ | Specialty Pharmaceuticals | Senior Secured | November 2020 | Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00%, 4.00% Exit Fee | \$ 35,308 | \$ 35,282 | \$ 35,635 |
| Subtotal: 1-5 Years Maturity | | | | | | 35,282 | 35,635 |
| Subtotal: Specialty Pharmaceuticals (4.47%)* | | | | | | 37,007 | 37,360 |
| Surgical Devices | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Transmedics, Inc. ⁽¹³⁾ | Surgical Devices | Senior Secured | February 2020 | Interest rate PRIME + 5.30% or Floor rate of 9.55%, 6.70% Exit Fee | \$ 8,500 | 8,687 | 8,700 |
| Subtotal: 1-5 Years Maturity | | | | | | 8,687 | 8,700 |
| Subtotal: Surgical Devices (1.04%)* | | | | | | 8,687 | 8,700 |
| Sustainable and Renewable Technology | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| FuelCell Energy, Inc. ⁽¹²⁾ | Sustainable and Renewable Technology | Senior Secured | October 2018 | Interest rate PRIME + 5.50% or Floor rate of 9.50%, 8.50% Exit Fee | \$ 20,000 | 21,161 | 21,223 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾ | Sustainable and Renewable Technology | Senior Secured | August 2019 | Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee | \$ 15,000 | 14,698 | 14,698 |
| Proterra, Inc. ⁽¹¹⁾ | | Senior Secured | June 2019 | | \$ 5,000 | 5,155 | 5,178 |

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| | | | | | | | |
|---|--------------------------------------|----------------|--------------|--|------------------|------------------|------------------|
| | Sustainable and Renewable Technology | | | Interest rate PRIME + 6.95% or Floor rate of 10.20%, | | | |
| | Sustainable and Renewable Technology | Senior Secured | June 2019 | 7.00% Exit Fee Interest rate PRIME + 6.95% or Floor rate of 10.20%, | \$ 25,000 | 25,992 | 25,951 |
| | Sustainable and Renewable Technology | Senior Secured | June 2019 | 5.95% Exit Fee Interest rate PRIME + 5.75% or Floor rate of 9.25%, | \$ 10,000 | 10,179 | 10,193 |
| | | | | 4.95% Exit Fee | | | |
| Total Proterra, Inc. | | | | | \$ 40,000 | 41,326 | 41,322 |
| Rive Technology, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Senior Secured | January 2019 | Interest rate PRIME + 6.20% or Floor rate of 9.45%, | \$ 5,172 | 5,381 | 5,414 |
| | | | | 4.00% Exit Fee | | | |
| Tendril Networks ⁽¹²⁾ | Sustainable and Renewable Technology | Senior Secured | June 2019 | Interest rate FIXED 9.25%, | \$ 13,156 | 13,903 | 13,883 |
| | | | | 8.50% Exit Fee | | | |
| Subtotal: 1-5 Years Maturity | | | | | | 96,469 | 96,540 |
| Subtotal: Sustainable and Renewable Technology (11.54%)* | | | | | | 96,469 | 96,540 |
| Total: Debt Investments (155.46%)* | | | | | | 1,314,326 | 1,300,068 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|------------------------------|---|--------------------|---------------|---------------------------|----------------------------|
| Equity Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| NuGEN Technologies, Inc. ⁽¹⁵⁾ | Biotechnology Tools | Equity | Common Stock | 55,780 | \$ 500 | \$ |
| Subtotal: Biotechnology Tools (0.00%)* | | | | | 500 | |
| Communications & Networking | | | | | | |
| Achilles Technology Management Co II, Inc. ⁽⁷⁾⁽¹⁵⁾ | Communications & Networking | Equity | Common Stock | 100 | 3,100 | 242 |
| GlowPoint, Inc. ⁽⁴⁾ | Communications & Networking | Equity | Common Stock | 114,192 | 102 | 29 |
| Peerless Network Holdings, Inc. | Communications & Networking | Equity | Preferred Series A | 1,000,000 | 1,000 | 4,897 |
| Subtotal: Communications & Networking (0.62%)* | | | | | 4,202 | 5,168 |
| Diagnostic | | | | | | |
| Singulex, Inc. | Diagnostic | Equity | Common Stock | 937,998 | 750 | 708 |
| Subtotal: Diagnostic (0.08%)* | | | | | 750 | 708 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾ | Drug Delivery | Equity | Common Stock | 54,240 | 108 | 249 |
| BioQ Pharma Incorporated ⁽¹⁵⁾ | Drug Delivery | Equity | Preferred Series D | 165,000 | 500 | 774 |
| Edge Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Equity | Common Stock | 49,965 | 309 | 536 |
| Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Delivery | Equity | Common Stock | 125,000 | 1,500 | 1,144 |
| Revance Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Equity | Common Stock | 22,765 | 557 | 627 |
| Subtotal: Drug Delivery (0.40%)* | | | | | 2,974 | 3,330 |
| Drug Discovery & Development | | | | | | |
| Aveo Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Equity | Common Stock | 1,901,791 | 1,715 | 6,944 |
| Axovant Sciences Ltd. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Equity | Common Stock | 129,827 | 1,270 | 437 |
| Cerecor, Inc. ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 119,087 | 1,000 | 101 |

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| | | | | | | |
|--|------------------------------|--------|--------------|---------|-------|-----|
| Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 13,550 | 1,000 | 42 |
| Dicerna Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Equity | Common Stock | 142,858 | 1,000 | 821 |
| Dynavax Technologies ⁽⁴⁾⁽¹⁰⁾ | Drug Discovery & Development | Equity | Common Stock | 20,000 | 550 | 430 |
| Epirus Biopharmaceuticals, Inc. ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 200,000 | 1,000 | |
| Genocea Biosciences, Inc. ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 223,463 | 2,000 | 326 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|---------------------------------------|---|--------------------|---------------|---------------------------|----------------------------|
| Inotek Pharmaceuticals Corporation ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 3,778 | \$ 1,500 | \$ 7 |
| Insmmed, Incorporated ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 70,771 | 1,000 | 2,209 |
| Melinta Therapeutics | Drug Discovery & Development | Equity | Preferred Series 4 | 1,914,448 | 2,000 | 888 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 76,362 | 2,743 | 1,917 |
| Subtotal: Drug Discovery & Development (1.69%)* | | | | | 16,778 | 14,122 |
| Electronics & Computer Hardware | | | | | | |
| Identiv, Inc. ⁽⁴⁾ | Electronics & Computer Hardware | Equity | Common Stock | 6,700 | 34 | 31 |
| Subtotal: Electronics & Computer Hardware (0.00%)* | | | | | 34 | 31 |
| Information Services | | | | | | |
| DocuSign, Inc. | Information Services | Equity | Common Stock | 385,000 | 6,081 | 7,425 |
| Subtotal: Information Services (0.89%)* | | | | | 6,081 | 7,425 |
| Internet Consumer & Business Services | | | | | | |
| Blurb, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Equity | Preferred Series B | 220,653 | 175 | 33 |
| Brigade Group, Inc. (p.k.a. Philotic, Inc.) | Internet Consumer & Business Services | Equity | Common Stock | 9,023 | 93 | |
| Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾ | Internet Consumer & Business Services | Equity | Preferred Series C | 230,030 | 250 | 265 |
| | Internet Consumer & Business Services | Equity | Preferred Series D | 198,677 | 250 | 256 |

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| | | | | | | |
|---|----------------------------|----------------------|--|-----------|-------|-------|
| Total Lightspeed POS, Inc. | | | | 428,707 | 500 | 521 |
| OfferUp, Inc. | Internet Consumer & Equity | Preferred Series A | | 286,080 | 1,663 | 2,121 |
| | Business Services | | | | | |
| | Internet Consumer & Equity | Preferred Series A-1 | | 108,710 | 632 | 806 |
| | Business Services | | | | | |
| Total OfferUp, Inc. | | | | 394,790 | 2,295 | 2,927 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Equity | Preferred Series G | | 218,351 | 250 | 448 |
| | Business Services | | | | | |
| | Internet Consumer & Equity | Preferred Series H | | 87,802 | 250 | 259 |
| | Business Services | | | | | |
| Total Oportun (p.k.a. Progress Financial) | | | | 306,153 | 500 | 707 |
| RazorGator Interactive Group, Inc. | Internet Consumer & Equity | Preferred Series AA | | 34,783 | 15 | 51 |
| | Business Services | | | | | |
| Tectura Corporation ⁽⁷⁾ | Internet Consumer & Equity | Preferred Series BB | | 1,000,000 | | |
| | Business Services | | | | | |
| Subtotal: Internet Consumer & Business Services (0.51%)* | | | | | 3,578 | 4,239 |

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|-----------------------------|-----------------------------------|-----------------------|-----------|---------------------|----------------------|
| Media/Content/Info | | | | | | |
| Pinterest, Inc. | Media/Content/Info | Equity | Preferred Series Seed | 620,000 | \$ 4,085 | \$ 4,773 |
| Subtotal: Media/Content/Info (0.57%)* | | | | | 4,085 | 4,773 |
| Medical Devices & Equipment | | | | | | |
| AtriCure, Inc. ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 7,536 | 266 | 169 |
| Flownix Medical Incorporated | Medical Devices & Equipment | Equity | Preferred Series AA | 221,893 | 1,500 | |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 198,202 | | 848 |
| | Medical Devices & Equipment | Equity | Preferred Series A-1 | 191,210 | 425 | 919 |
| | Medical Devices & Equipment | Equity | Preferred Series A-2 | 191,626 | 500 | 868 |
| Total Gelesis, Inc. | | | | 581,038 | 925 | 2,635 |
| HercGamma, Inc. ⁽⁷⁾ | Medical Devices & Equipment | Equity | Common Stock | 100 | 523 | |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series E | 136,798 | 250 | 254 |
| | Medical Devices & Equipment | Equity | Preferred Series F | 73,971 | 155 | 196 |
| | Medical Devices & Equipment | Equity | Preferred Series G | 163,934 | 500 | 504 |
| Total Medrobotics Corporation | | | | 374,703 | 905 | 954 |
| Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series B | 6,185,567 | 3,000 | 389 |

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| | | | | | | |
|---|-----------------------------|--------|--------------------|-------------------|---------------|---------------|
| | Equipment | | | | | |
| | Medical Devices & Equipment | Equity | Preferred Series C | 1,927,309 | 655 | 110 |
| | Medical Devices & Equipment | Equity | Preferred Series D | 55,103,923 | 5,257 | 3,907 |
| | Medical Devices & Equipment | Equity | Preferred Series E | 15,638,888 | 1,308 | 1,496 |
| Total Optiscan Biomedical, Corp. | | | | 78,855,687 | 10,220 | 5,902 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Equity | Preferred Series B | 232,061 | 527 | 579 |
| Quanterix Corporation | Medical Devices & Equipment | Equity | Preferred Series D | 272,479 | 1,000 | 1,135 |
| Subtotal: Medical Devices & Equipment (1.36%)* | | | | | 15,866 | 11,374 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|---------------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Software | | | | | | |
| CapLinked, Inc. | Software | Equity | Preferred Series A-3 | 53,614 | \$ 51 | \$ 90 |
| Druva, Inc. | Software | Equity | Preferred Series 2 | 458,841 | 1,000 | 987 |
| | Software | Equity | Preferred Series 3 | 93,620 | 300 | 306 |
| Total Druva, Inc. | | | | 552,461 | 1,300 | 1,293 |
| ForeScout Technologies, Inc. | Software | Equity | Preferred Series D | 319,099 | 398 | 2,675 |
| | Software | Equity | Preferred Series E | 80,587 | 131 | 676 |
| Total ForeScout Technologies, Inc. | | | | 399,686 | 529 | 3,351 |
| HighRoads, Inc. | Software | Equity | Common Stock | 190 | 307 | |
| NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾ | Software | Equity | Preferred Series E | 669,173 | 963 | 1,378 |
| Palantir Technologies | Software | Equity | Preferred Series E | 727,696 | 5,431 | 5,379 |
| Sprinklr, Inc. | Software | Equity | Common Stock | 700,000 | 3,749 | 4,259 |
| WildTangent, Inc. ⁽¹⁵⁾ | Software | Equity | Preferred Series 3 | 100,000 | 402 | 182 |
| Subtotal: Software (1.91%)* | | | | | 12,732 | 15,932 |
| Surgical Devices | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Equity | Preferred Series B | 219,298 | 250 | 39 |
| | Surgical Devices | Equity | Preferred Series C | 656,538 | 282 | 54 |
| | Surgical Devices | Equity | Preferred Series D | 1,991,157 | 712 | 694 |
| | Surgical Devices | Equity | Preferred Series E | 2,786,367 | 429 | 460 |
| Total Gynesonics, Inc. | | | | 5,653,360 | 1,673 | 1,247 |
| Transmedics, Inc. | Surgical Devices | Equity | Preferred Series B | 88,961 | 1,100 | 342 |
| | Surgical Devices | Equity | Preferred Series C | 119,999 | 300 | 306 |
| | Surgical Devices | Equity | Preferred Series D | 260,000 | 650 | 889 |
| | Surgical Devices | Equity | Preferred Series F | 100,200 | 500 | 504 |
| Total Transmedics, Inc. | | | | 569,160 | 2,550 | 2,041 |
| Subtotal: Surgical Devices (0.39%)* | | | | | 4,223 | 3,288 |
| Sustainable and Renewable Technology | | | | | | |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable | Equity | Common Stock | 19,250 | 761 | |

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|-----------------------------------|--------------------------------------|--------|--------------------|-----------|-----|-----|
| | Technology | | | | | |
| Glori Energy, Inc. ⁽⁴⁾ | Sustainable and Renewable Technology | Equity | Common Stock | 18,208 | 165 | |
| Modumetal, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series C | 3,107,520 | 500 | 575 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|--------------------------------------|-----------------------------------|--------------------|-----------|---------------------|----------------------|
| Proterra, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series 5 | 99,280 | \$ 500 | \$ 528 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾ | Sustainable and Renewable Technology | Equity | Common Stock | 288 | 61,502 | 12,824 |
| Subtotal: Sustainable and Renewable Technology (1.67%)* | | | | | 63,428 | 13,927 |
| Total: Equity Investments (10.08%)* | | | | | 135,231 | 84,317 |
| Warrant Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| Labcyte, Inc. ⁽¹⁵⁾ | Biotechnology Tools | Warrant | Preferred Series C | 1,127,624 | 323 | 426 |
| Subtotal: Biotechnology Tools (0.05%)* | | | | | 323 | 426 |
| Communications & Networking | | | | | | |
| PeerApp, Inc. | Communications & Networking | Warrant | Preferred Series B | 298,779 | 61 | |
| Peerless Network Holdings, Inc. | Communications & Networking | Warrant | Preferred Series A | 135,000 | 95 | 379 |
| Spring Mobile Solutions, Inc. | Communications & Networking | Warrant | Common Stock | 2,834,375 | 418 | |
| Subtotal: Communications & Networking (0.05%)* | | | | | 574 | 379 |
| Consumer & Business Products | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Common Stock | 1,662,441 | 228 | |
| Intelligent Beauty, Inc. ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Preferred Series B | 190,234 | 230 | 231 |

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|--|---------------------------------|---------|----------------------|---------|-------|-------|
| The Neat Company ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Preferred Series C-1 | 540,540 | 365 | |
| Subtotal: Consumer & Business Products (0.03%)* | | | | | 823 | 231 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 176,730 | 786 | 264 |
| Agile Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 180,274 | 730 | 183 |
| BioQ Pharma Incorporated | Drug Delivery | Warrant | Common Stock | 459,183 | 1 | 838 |
| Celsion Corporation ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 13,927 | 428 | |
| Dance Biopharm, Inc. ⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 110,882 | 74 | |
| Edge Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 78,595 | 390 | 301 |
| Kaleo, Inc. (p.k.a. Intelliject, Inc.) | Drug Delivery | Warrant | Preferred Series B | 82,500 | 594 | 1,032 |
| Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 70,833 | 285 | 117 |
| Pulmatrix Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 25,150 | 116 | 10 |
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 72,379 | 266 | 1 |
| Subtotal: Drug Delivery (0.33%)* | | | | | 3,670 | 2,746 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|------------------------------|---|--------------------|---------------|---------------------------|----------------------------|
| Drug Discovery & Development | | | | | | |
| ADMA Biologics, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 89,750 | \$ 295 | \$ 8 |
| Anthera Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 5,022 | 984 | |
| Audentes Therapeutics, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 9,914 | 62 | 136 |
| Auris Medical Holding, AG ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 156,726 | 249 | 26 |
| Brickell Biotech, Inc. | Drug Discovery & Development | Warrant | Preferred Series C | 26,086 | 119 | |
| Cerecor, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 22,328 | 70 | |
| Chroma Therapeutics, Ltd. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Preferred Series D | 325,261 | 490 | |
| Cleveland BioLabs, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 7,813 | 105 | 2 |
| Concert Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 132,069 | 545 | 413 |
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 29,239 | 165 | 4 |
| CytRx Corporation ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 634,146 | 160 | 106 |
| Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 17,190 | 369 | |

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| | | | | | | |
|---|------------------------------|---------|--------------------|-----------|-----|----|
| Dicerna Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 200 | 28 | |
| Epirus Biopharmaceuticals, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 64,194 | 276 | |
| Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,009 | 142 | 41 |
| Genocea Biosciences, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,725 | 266 | 13 |
| Immune Pharmaceuticals ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 10,742 | 164 | |
| Melinta Therapeutics | Drug Discovery & Development | Warrant | Preferred Series 3 | 1,382,323 | 626 | 80 |
| Nanotherapeutics, Inc. ⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 171,389 | 838 | 78 |
| Neothetics, Inc. (p.k.a. Lithera, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 46,838 | 266 | 10 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|---------------------------------|---|--------------------|---------------|---------------------------|----------------------------|
| Neuralstem, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 5,783 | \$ 77 | \$ |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 75,214 | 178 | 516 |
| PhaseRx, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 63,000 | 125 | 2 |
| Savara Inc. (p.k.a. Mast Therapeutics, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 32,467 | 203 | 107 |
| Sorrento Therapeutics, Inc. ⁽⁴⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 306,748 | 889 | 106 |
| Stealth Bio Therapeutics Corp. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Preferred Series A | 487,500 | 116 | 130 |
| uniQure B.V. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 37,174 | 218 | 38 |
| XOMA Corporation ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 9,063 | 279 | 14 |
| Subtotal: Drug Discovery & Development (0.22%)* | | | | | 8,304 | 1,830 |
| Electronics & Computer Hardware | | | | | | |
| 908 DEVICES INC. ⁽¹⁵⁾ | Electronics & Computer Hardware | Warrant | Preferred Series D | 79,856 | 100 | 107 |
| Clustrix, Inc. | Electronics & Computer Hardware | Warrant | Common Stock | 50,000 | 12 | |
| Subtotal: Electronics & Computer Hardware (0.01%)* | | | | | 112 | 107 |
| Healthcare Services, Other | | | | | | |
| Chromadex Corporation ⁽⁴⁾⁽¹⁵⁾ | Healthcare Services, Other | Warrant | Common Stock | 139,673 | 157 | 184 |
| Subtotal: Healthcare Services, Other (0.02%)* | | | | | 157 | 184 |
| Information Services | | | | | | |

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| | | | | | | |
|--|----------------------|---------|----------------------|------------------|------------|------------|
| INMOBI Inc. ⁽⁵⁾⁽¹⁰⁾ | Information Services | Warrant | Common Stock | 65,587 | 82 | |
| InXpo, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Preferred Series C | 648,400 | 98 | 17 |
| | Information Services | Warrant | Preferred Series C-1 | 1,165,183 | 74 | 29 |
| Total InXpo, Inc. | | | | 1,813,583 | 172 | 46 |
| MDX Medical, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Common Stock | 2,250,000 | 246 | 254 |
| Netbase Solutions, Inc. | Information Services | Warrant | Preferred Series 1 | 60,000 | 355 | 351 |
| RichRelevance, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Preferred Series E | 112,612 | 98 | |
| Subtotal: Information Services (0.08%)* | | | | | 953 | 651 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|---------------------------------------|---|--------------------|---------------|---------------------------|----------------------------|
| Internet Consumer & Business Services | | | | | | |
| Aria Systems, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series G | 231,535 | \$ 73 | \$ |
| Blurb, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 234,280 | 636 | 5 |
| ClearObject, Inc. (p.k.a. CloudOne, Inc.) | Internet Consumer & Business Services | Warrant | Preferred Series E | 968,992 | 19 | 156 |
| Intent Media, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Common Stock | 140,077 | 168 | 206 |
| Just Fabulous, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series B | 206,184 | 1,102 | 2,300 |
| Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 245,610 | 20 | 41 |
| LogicSource ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 79,625 | 30 | 35 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Warrant | Preferred Series G | 174,562 | 78 | 186 |
| ShareThis, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 493,502 | 547 | |
| Snagajob.com, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series A | 1,800,000 | 782 | 1,311 |
| Tapjoy, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series D | 748,670 | 316 | 10 |
| Subtotal: Internet Consumer & Business Services (0.51%)* | | | | | 3,771 | 4,250 |
| Media/Content/Info | | | | | | |
| FanDuel, Inc. | Media/Content/Info | Warrant | Preferred Series A | 4,648 | 730 | 1,875 |
| | Media/Content/Info | Warrant | Common Stock | 15,570 | | |
| Total FanDuel, Inc. | | | | 20,218 | 730 | 1,875 |
| Machine Zone, Inc. ⁽¹⁶⁾ | Media/Content/Info | Warrant | Common Stock | 1,552,710 | 1,958 | 4,833 |
| Rhapsody International, Inc. ⁽¹⁵⁾ | Media/Content/Info | Warrant | Common Stock | 715,755 | 385 | 125 |
| WP Technology, Inc. (Wattpad, Inc.) ⁽⁵⁾⁽¹⁰⁾ | Media/Content/Info | Warrant | Common Stock | 255,818 | 4 | 8 |
| Zoom Media Group, Inc. | Media/Content/Info | Warrant | Preferred Series A | 1,204 | 348 | 32 |
| Subtotal: Media/Content/Info (0.82%)* | | | | | 3,425 | 6,873 |

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Medical Devices & Equipment

| | | | | | | |
|---|-----------------------------|---------|----------------------|---------|-----|-----|
| Amedica Corporation ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 103,225 | 459 | 2 |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series B-1 | 112,858 | 455 | 108 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|-----------------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Avedro, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series AA | 300,000 | \$ 401 | \$ 309 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Warrant | Preferred Series AA | 155,325 | 362 | |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 74,784 | 78 | 200 |
| InspireMD, Inc. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Medical Devices & Equipment | Warrant | Common Stock | 39,364 | 242 | |
| IntegenX, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series C | 547,752 | 15 | 24 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series E | 455,539 | 370 | 388 |
| Micell Technologies, Inc. | Medical Devices & Equipment | Warrant | Preferred Series D-2 | 84,955 | 262 | 241 |
| NetBio, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A | 7,841 | 408 | 107 |
| NinePoint Medical, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 587,840 | 170 | 95 |
| Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series D | 10,535,275 | 1,252 | 161 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Warrant | Preferred Series A | 500,000 | 402 | 446 |
| Quanterix Corporation | Medical Devices & Equipment | Warrant | Preferred Series C | 173,428 | 180 | 94 |
| | Medical Devices & Equipment | Warrant | Preferred Series D | 38,828 | 25 | 19 |
| Total Quanterix Corporation | | | | 212,256 | 205 | 113 |
| Sebacia, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series D | 778,301 | 133 | 133 |
| 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.) ⁽⁴⁾ | Medical Devices & Equipment | Warrant | Common Stock | 13,864 | 401 | |
| Tela Bio, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series B | 129,310 | 20 | 10 |
| ViewRay, Inc. ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 128,231 | 333 | 164 |

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| | | | | | | |
|---|--|--|--|--|-------|-------|
| Subtotal: Medical Devices & Equipment (0.30%)* | | | | | 6,156 | 2,501 |
|---|--|--|--|--|-------|-------|

Semiconductors

| | | | | | | |
|--|----------------|---------|----------------------|------------------|------------|------------|
| Achronix Semiconductor Corporation ⁽¹⁵⁾ | Semiconductors | Warrant | Preferred Series C | 360,000 | 160 | 80 |
| | Semiconductors | Warrant | Preferred Series D-2 | 750,000 | 99 | 358 |
| Total Achronix Semiconductor Corporation | | | | 1,110,000 | 259 | 438 |

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2017****(unaudited)****(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|---------------------|---|--------------------------|---------------|---------------------------|----------------------------|
| Aquantia Corp. | Semiconductors | Warrant | Preferred Series G | 196,831 | \$ 4 | \$ 172 |
| Avnera Corporation | Semiconductors | Warrant | Preferred Series E | 141,567 | 46 | 157 |
| Subtotal: Semiconductors (0.09%)* | | | | | 309 | 767 |
| Software | | | | | | |
| Actifio, Inc. | Software | Warrant | Common Stock | 73,584 | 249 | 75 |
| | Software | Warrant | Preferred Series F | 31,673 | 343 | 65 |
| Total Actifio, Inc. | | | | 105,257 | 592 | 140 |
| Braxton Technologies, LLC | Software | Warrant | Preferred Series A | 168,750 | 188 | |
| CareCloud Corporation ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 413,433 | 258 | 669 |
| Clickfox, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 1,038,563 | 330 | 580 |
| | Software | Warrant | Preferred Series C | 592,019 | 730 | 446 |
| | Software | Warrant | Preferred Series C-A | 2,218,214 | 230 | 4,628 |
| Total Clickfox, Inc. | | | | 3,848,796 | 1,290 | 5,654 |
| Evernote Corporation ⁽¹⁵⁾ | Software | Warrant | Common Stock | 62,500 | 106 | 139 |
| Fuze, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series F | 256,158 | 89 | 108 |
| Mattersight Corporation ⁽⁴⁾ | Software | Warrant | Common Stock | 357,143 | 538 | 214 |
| Message Systems, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 503,718 | 334 | 373 |
| Mobile Posse, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 396,430 | 130 | 238 |
| Neos, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 221,150 | 22 | 12 |
| NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾ | Software | Warrant | Preferred Series E | 225,586 | 33 | 135 |
| OneLogin, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 228,972 | 150 | 293 |
| Poplicus, Inc. | Software | Warrant | Common Stock | 132,168 | | |
| Quid, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series D | 71,576 | 1 | 6 |
| RedSeal Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C-Prime | 640,603 | 66 | 36 |
| Signpost, Inc. | Software | Warrant | Preferred Series C | 324,005 | 314 | 106 |
| Sonian, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 185,949 | 106 | 97 |
| Wrike, Inc. | Software | Warrant | Common Stock | 698,760 | 462 | 1,108 |
| Subtotal: Software (1.12%)* | | | | | 4,679 | 9,328 |

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Specialty Pharmaceuticals

| | | | | | | |
|---------------------------------------|------------------------------|---------|--------------|-----------|-----|-----|
| Alimera Sciences, Inc. ⁽⁴⁾ | Specialty Pharmaceuticals | Warrant | Common Stock | 1,717,709 | 861 | 515 |
|---------------------------------------|------------------------------|---------|--------------|-----------|-----|-----|

| | | | | | |
|---|--|--|--|-----|-----|
| Subtotal: Specialty Pharmaceuticals (0.06%)* | | | | 861 | 515 |
|---|--|--|--|-----|-----|

Surgical Devices

| | | | | | | |
|----------------------------------|------------------|---------|--------------------|-----------|-----|-----|
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Warrant | Preferred Series C | 180,480 | 75 | 13 |
| | Surgical Devices | Warrant | Preferred Series D | 1,575,965 | 320 | 252 |

| | | | | | | |
|------------------------|--|--|--|-----------|-----|-----|
| Total Gynesonics, Inc. | | | | 1,756,445 | 395 | 265 |
|------------------------|--|--|--|-----------|-----|-----|

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|---------------------------|-----------------------------------|---------------------|---------|---------------------|----------------------|
| Transmedics, Inc. | Surgical Devices | Warrant | Preferred Series B | 40,436 | \$ 225 | \$ 24 |
| | Surgical Devices | Warrant | Preferred Series D | 175,000 | 100 | 421 |
| | Surgical Devices | Warrant | Preferred Series F | 50,544 | 38 | 69 |
| Total Transmedics, Inc. | | | | 265,980 | 363 | 514 |
| Subtotal: Surgical Devices (0.09%)* | | | | | 758 | 779 |
| Sustainable and Renewable Technology | | | | | | |
| Agrivida, Inc. ⁽¹⁵⁾ | Sustainable and Renewable | Warrant | Preferred Series D | 471,327 | 120 | 138 |
| | Technology | | | | | |
| Alphabet Energy, Inc. ⁽¹⁵⁾ | Sustainable and Renewable | Warrant | Preferred Series 1B | 13,667 | 82 | |
| | Technology | | | | | |
| American Superconductor Corporation ⁽⁴⁾ | Sustainable and Renewable | Warrant | Common Stock | 58,823 | 39 | 24 |
| | Technology | | | | | |
| Brightsource Energy, Inc. | Sustainable and Renewable | Warrant | Preferred Series 1 | 116,666 | 104 | |
| | Technology | | | | | |
| Calera, Inc. ⁽¹⁵⁾ | Sustainable and Renewable | Warrant | Preferred Series C | 44,529 | 513 | |
| | Technology | | | | | |
| EcoMotors, Inc. ⁽¹⁵⁾ | Sustainable and Renewable | Warrant | Preferred Series B | 437,500 | 308 | |
| | Technology | | | | | |
| Fluidic, Inc. | Sustainable and Renewable | Warrant | Preferred Series D | 61,804 | 102 | |
| | Technology | | | | | |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | | Warrant | Common Stock | 530,811 | 181 | |

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| | | | | | | |
|--|--------------------------------------|---------|----------------------|---------|-----|-----|
| | Sustainable and Renewable | | | | | |
| | Technology | | | | | |
| | Sustainable and Renewable | Warrant | Preferred Series 2-A | 6,229 | 50 | |
| | Technology | | | | | |
| Total Flywheel Building Intelligence, Inc.(p.k.a. SCIEnergy, Inc.) | | | | 537,040 | 231 | |
| Fulcrum Bioenergy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series C-1 | 280,897 | 275 | 312 |
| GreatPoint Energy, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series D-1 | 393,212 | 548 | |
| Polyera Corporation ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series C | 311,609 | 338 | |
| Proterra, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series 4 | 477,517 | 41 | 582 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|--------------------------------------|-----------------------------------|-----------------------|-----------|---------------------|----------------------|
| Rive Technology, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series E | 234,477 | \$ 12 | \$ 16 |
| Stion Corporation ⁽⁶⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series Seed | 2,154 | 1,378 | |
| TAS Energy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series AA | 428,571 | 299 | |
| Tendril Networks | Sustainable and Renewable Technology | Warrant | Preferred Series 3-A | 1,019,793 | 189 | 90 |
| Subtotal: Sustainable and Renewable Technology (0.14%)* | | | | | 4,579 | 1,162 |
| Total: Warrant Investments (3.91%)* | | | | | 39,454 | 32,729 |
| Total Investments in Securities (169.45%)* | | | | | \$ 1,489,011 | \$ 1,417,114 |

* Value as a percent of net assets

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

(2) Interest rate PRIME represents 4.25% at September 30, 2017. Daily LIBOR and 12-month LIBOR represent 1.18% and 1.79%, respectively, at September 30, 2017.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled \$32.3 million, \$113.4 million and \$81.1 million respectively. The tax cost of investments is \$1.5 billion.

(4) Except for warrants in 38 publicly traded companies and common stock in 19 publicly traded companies, all investments are restricted at September 30, 2017 and were valued at fair value using Level 3 significant unobservable inputs as determined in good faith by the Company's board of directors (the Board of Directors). No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

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

(6) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the 1940 Act) in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.

(7) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.

(8) Debt is on non-accrual status at September 30, 2017, and is therefore considered non-income producing. Note that at September 30, 2017, only the \$11.0 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.

(9) Denotes that all or a portion of the debt investment is convertible debt.

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

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

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- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (14) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment companies, or SBIC, subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at September 30, 2017.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at September 30, 2017. Refer to Note 10.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|-----------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| Debt Investments | | | | | | | |
| Biotechnology Tools | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Excicure, Inc. ^{(11)(14A)} | Biotechnology Tools | Senior Secured | September 2019 | Interest rate PRIME + 6.45% or Floor rate of 9.95% | \$ 6,000 | \$ 5,971 | \$ 6,035 |
| Subtotal: 1-5 Years Maturity | | | | | | 5,971 | 6,035 |
| Subtotal: Biotechnology Tools (0.77%)* | | | | | | 5,971 | 6,035 |
| Communications & Networking | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Achilles Technology Management Co II, Inc. ^{(6)(13)(14B)} | Communications & Networking | Senior Secured | August 2017 | PIK Interest 10.50% | \$ 1,278 | 1,304 | 1,304 |
| OpenPeak, Inc. ⁽⁷⁾ | Communications & Networking | Senior Secured | April 2017 | Interest rate PRIME + 8.75% or Floor rate of 12.00% | \$ 12,211 | 8,975 | |
| Subtotal: Under 1 Year Maturity | | | | | | 10,279 | 1,304 |
| 1-5 Years Maturity | | | | | | | |
| Avanti Communications Group ⁽⁴⁾⁽⁹⁾ | Communications & Networking | Senior Secured | October 2019 | Interest rate FIXED 10.00% | \$ 8,025 | 7,212 | 4,825 |
| SkyCross, Inc. ^{(6)(7)(13)(14B)(15)} | Communications & Networking | Senior Secured | January 2018 | Interest rate FIXED 10.95%, PIK Interest 5.00% | \$ 16,758 | 16,900 | |
| Spring Mobile Solutions, Inc. ^{(12)(14B)} | Communications & Networking | Senior Secured | January 2019 | Interest rate PRIME + 6.70% or Floor rate of 9.95% | \$ 3,000 | 3,038 | 3,044 |

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Subtotal: 1-5 Years Maturity 27,150 7,869

Subtotal: Communications & Networking (1.16%)* 37,429 9,173

Consumer & Business Products

1-5 Years Maturity

Antenna79 (p.k.a. Pong Research Corporation)^{(14A)(15)}

Consumer & Business Senior Secured December 2019 Interest rate PRIME + \$ 20,000 19,837 19,837
Products

7.45% or Floor rate of 10.95%

Consumer & Business Senior Secured December 2018 Interest rate PRIME + \$ 1,000 965 965
Products

6.00% or Floor rate of 9.50%

Total Antenna79 (p.k.a. Pong Research Corporation) \$ 21,000 20,802 20,802

Nasty Gal^{(14B)(15)} Consumer & Business Senior Secured May 2019 Interest rate PRIME + \$ 13,241 13,148 13,148
Products

5.45% or Floor rate of 8.95%

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|------------------------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| Second Time Around (Simplify Holdings, LLC) ^{(14A)(15)} | Consumer & Business Products | Senior Secured | February 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.75% | \$ 2,280 | \$ 2,302 | \$ 2,283 |
| Subtotal: 1-5 Years Maturity | | | | | | 36,252 | 36,233 |
| Subtotal: Consumer & Business Products (4.60%)* | | | | | | 36,252 | 36,233 |
| Drug Delivery | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| AcelRx Pharmaceuticals, Inc. ^{(9)(10)(14A)(15)} | Drug Delivery | Senior Secured | October 2017 | Interest rate PRIME + 3.85% or Floor rate of 9.10% | \$ 20,466 | \$ 21,151 | \$ 21,151 |
| Celsion Corporation ^{(10)(14A)} | Drug Delivery | Senior Secured | June 2017 | Interest rate PRIME + 8.00% or Floor rate of 11.25% | \$ 2,246 | 2,575 | 2,575 |
| Subtotal: Under 1 Year Maturity | | | | | | 23,726 | 23,726 |
| 1-5 Years Maturity | | | | | | | |
| Agile Therapeutics, Inc. ^{(10)(14A)} | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 4.75% or Floor rate of 9.00% | \$ 16,500 | 16,524 | 16,434 |
| Apreece Pharmaceuticals Company ^{(11)(14A)} | Drug Delivery | Senior Secured | January 2020 | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 20,000 | 19,700 | 19,706 |

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| | | | | | | | |
|---|---------------|----------------|---------------|---|-----------|---------|---------|
| BioQ Pharma Incorporated ^{(10)(14A)(14B)} | Drug Delivery | Senior Secured | May 2018 | Interest rate PRIME + 8.00% or Floor rate of 11.25% | \$ 8,231 | 8,636 | 8,577 |
| | Drug Delivery | Senior Secured | May 2018 | Interest rate PRIME + 7.00% or Floor rate of 10.25% | \$ 2,464 | 2,511 | 2,509 |
| Total BioQ Pharma Incorporated | | | | | \$ 10,695 | 11,147 | 11,086 |
| Edge Therapeutics, Inc. ^{(11)(14A)(17)} | Drug Delivery | Senior Secured | February 2020 | Interest rate PRIME + 4.65% or Floor rate of 9.15% | \$ 15,000 | 15,004 | 15,045 |
| Pulmatrix Inc. ^{(8)(10)(14A)} | Drug Delivery | Senior Secured | July 2018 | Interest rate PRIME + 6.25% or Floor rate of 9.50% | \$ 5,954 | 6,022 | 6,013 |
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ^{(10)(14A)} | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 2.70% or Floor rate of 7.95% | \$ 12,123 | 12,325 | 12,238 |
| Subtotal: 1-5 Years Maturity | | | | | | 80,722 | 80,522 |
| Subtotal: Drug Delivery (13.23%)* | | | | | | 104,448 | 104,248 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| Drug Discovery & Development Under 1 Year Maturity | | | | | | | |
| Cerecor, Inc. ^{(11)(14A)} | Drug Discovery & Development | Senior Secured | August 2017 | Interest rate PRIME + 4.70% or Floor rate of 7.95% | \$ 2,374 | \$ 2,499 | \$ 2,499 |
| Neuralstem, Inc. ^{(14A)(15)} | Drug Discovery & Development | Senior Secured | April 2017 | Interest rate PRIME + 6.75% or Floor rate of 10.00% | \$ 3,766 | 3,996 | 3,996 |
| Subtotal: Under 1 Year Maturity | | | | | | 6,495 | 6,495 |
| 1-5 Years Maturity | | | | | | | |
| Auris Medical Holding, AG ^{(4)(9)(14B)} | Drug Discovery & Development | Senior Secured | January 2020 | Interest rate PRIME + 6.05% or Floor rate of 9.55% | \$ 12,500 | 12,317 | 12,326 |
| Aveo Pharmaceuticals, Inc. ^{(9)(12)(14A)(14B)} | Drug Discovery & Development | Senior Secured | December 2019 | Interest rate PRIME + 6.90% or Floor rate of 11.90% | \$ 10,000 | 10,269 | 10,218 |
| | Drug Discovery & Development | Senior Secured | December 2019 | Interest rate PRIME + 6.90% or Floor rate of 11.90% | \$ 5,000 | 4,926 | 4,918 |
| Total Aveo Pharmaceuticals, Inc. | | | | | \$ 15,000 | 15,195 | 15,136 |
| Bellicum Pharmaceuticals, Inc. ^{(14A)(14B)(15)} | | | | | | | |
| | Drug Discovery & Development | Senior Secured | March 2020 | Interest rate PRIME + 5.85% or Floor rate of 9.35% | \$ 15,000 | 15,212 | 15,387 |
| | Drug Discovery & Development | Senior Secured | March 2020 | Interest rate PRIME + 5.85% or Floor rate of 9.35% | \$ 5,000 | 4,981 | 5,049 |
| Total Bellicum Pharmaceuticals, Inc. | | | | | \$ 20,000 | 20,193 | 20,436 |
| Brickell Biotech, Inc. ^{(11)(14B)} | Drug Discovery & Development | Senior Secured | September 2019 | Interest rate PRIME + 5.70% or Floor rate of 9.20% | \$ 7,500 | 7,521 | 7,560 |
| Cerulean Pharma, Inc. ^{(12)(14B)} | | | July 2018 | | \$ 13,078 | 13,994 | 13,908 |

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| | | | | | | | |
|---|------------------------------|----------------|---------------|---|-----------|--------|--------|
| | Drug Discovery & Development | Senior Secured | | Interest rate PRIME + 1.55% or Floor rate of 7.30% | | | |
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ^{(10)(14A)} | Drug Discovery & Development | Senior Secured | December 2018 | Interest rate PRIME + 7.70% or Floor rate of 10.95% | \$ 19,548 | 19,276 | 19,372 |
| CytRx Corporation ^{(10)(14B)(15)} | Drug Discovery & Development | Senior Secured | February 2020 | Interest rate PRIME + 6.00% or Floor rate of 9.50% | \$ 25,000 | 25,086 | 25,166 |
| Epirus Biopharmaceuticals, Inc. ^{(7)(14A)} | Drug Discovery & Development | Senior Secured | April 2018 | Interest rate PRIME + 4.70% or Floor rate of 7.95% | \$ 3,066 | 3,349 | |
| Genocea Biosciences, Inc. ^{(10)(14A)} | Drug Discovery & Development | Senior Secured | January 2019 | Interest rate PRIME + 2.25% or Floor rate of 7.25% | \$ 17,000 | 17,313 | 17,376 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of | | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|---------------------------|--|----------------|---|------------------|---------------------|----------------------|
| | | Investment ⁽¹⁾ | | | | | | |
| Immune Pharmaceuticals ^{(10)(14B)} | Drug Discovery & Development | Senior Secured | | September 2018 | Interest rate PRIME + 4.75% or Floor rate of 10.00% | \$ 3,271 | \$ 3,350 | \$ 2,693 |
| Insmed, Incorporated ^{(10)(14A)} | Drug Discovery & Development | Senior Secured | | October 2020 | Interest rate PRIME + 4.75% or Floor rate of 9.25% | \$ 55,000 | 54,695 | 54,559 |
| Mast Therapeutics, Inc. ^{(14A)(15)} | Drug Discovery & Development | Senior Secured | | January 2019 | Interest rate PRIME + 5.70% or Floor rate of 8.95% | \$ 3,347 | 3,921 | 3,923 |
| Melinta Therapeutics ^{(12)(14A)} | Drug Discovery & Development | Senior Secured | | June 2018 | Interest rate PRIME + 3.75% or Floor rate of 8.25% | \$ 24,502 | 25,001 | 24,945 |
| Merrimack Pharmaceuticals, Inc. ⁽⁹⁾ | Drug Discovery & Development | Senior Secured | | December 2022 | Interest rate FIXED 11.50% | \$ 25,000 | 25,000 | 25,000 |
| Metuchen Pharmaceuticals LLC ^{(13)(14A)} | Drug Discovery & Development | Senior Secured | | October 2020 | Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35% | \$ 35,081 | 34,541 | 34,541 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ^{(14A)(15)} | Drug Discovery & Development | Senior Secured | | September 2020 | Interest rate PRIME + 2.75% or Floor rate of 8.50% | \$ 40,000 | \$ 39,388 | \$ 39,504 |
| PhaseRx, Inc. ^{(14B)(15)} | Drug Discovery & Development | Senior Secured | | December 2019 | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 6,000 | 5,921 | 5,945 |
| Sorrento Therapeutics, Inc. ^{(9)(14B)} | Drug Discovery & Development | Senior Secured | | December 2020 | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 50,000 | 48,069 | 48,069 |
| uniQure B.V. ^{(4)(9)(10)(14B)} | Drug Discovery & Development | Senior Secured | | May 2020 | Interest rate PRIME + 3.00% or Floor rate of 8.25% | \$ 20,000 | 20,133 | 20,081 |
| XOMA Corporation ^{(9)(14B)(15)} | Drug Discovery & Development | Senior Secured | | September 2018 | Interest rate PRIME + 2.15% or Floor rate of 9.40% | \$ 16,380 | 16,970 | 16,901 |
| Subtotal: 1-5 Years Maturity | | | | | | | 411,233 | 407,441 |

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| | | | | | | |
|---|---------------------------------|----------------|-----------|---|----------|-------------|
| Subtotal: Drug Discovery & Development (52.53%)* | | | | | 417,728 | 413,936 |
| Electronics & Computer Hardware 1-5 Years Maturity | | | | | | |
| Persimmon Technologies ^{(11)(13)(14B)} | Electronics & Computer Hardware | Senior Secured | June 2019 | Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.50% | \$ 7,012 | 7,096 7,134 |
| Subtotal: 1-5 Years Maturity | | | | | 7,096 | 7,134 |
| Subtotal: Electronics & Computer Hardware (0.91%)* | | | | | 7,096 | 7,134 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ | |
|---|---------------------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|--------|
| Healthcare Services, Other 1-5 Years Maturity | | | | | | | | |
| InstaMed Communications, LLC ^{(14B)(15)} | Healthcare Services, Other | Senior Secured | February 2019 | Interest rate PRIME + 6.75% or Floor rate of 10.00% | \$ 10,000 | \$ 10,125 | \$ 10,261 | |
| PH Group Holdings | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% or Floor rate of 10.95% | \$ 20,000 | 19,802 | 19,802 | |
| Subtotal: 1-5 Years Maturity | | | | | | 29,927 | 30,063 | |
| Subtotal: Healthcare Services, Other (3.82%)* | | | | | | 29,927 | 30,063 | |
| Internet Consumer & Business Services 1-5 Years Maturity | | | | | | | | |
| Aria Systems, Inc. ⁽¹⁰⁾⁽¹³⁾ | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95% | \$ 2,061 | 2,045 | 1,728 | |
| | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95% | \$ 18,463 | 18,307 | 15,467 | |
| Total Aria Systems, Inc. | | | | | | \$ 20,524 | 20,352 | 17,195 |
| CloudOne, Inc. ^{(10)(14B)} | Internet Consumer & Business Services | Senior Secured | April 2019 | Interest rate PRIME + 6.35% or Floor rate of 9.85% | \$ 5,000 | 5,091 | 5,138 | |
| Intent Media, Inc. ^{(13) (14A) (15)} | Internet Consumer & Business Services | Senior Secured | December 2018 | Interest rate PRIME + 5.25% or Floor rate of 8.75%, PIK Interest 1.00% | \$ 5,000 | 4,851 | 4,851 | |

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| | | | | | | | |
|--|---|----------------|---------------|---|-----------|--------|--------|
| LogicSource ^(14B) ⁽¹⁵⁾ | Internet Consumer & Business Services | Senior Secured | October 2019 | Interest rate PRIME + 6.25% or Floor rate of 9.75% | \$ 8,500 | 8,533 | 8,649 |
| Snagajob.com, Inc. ⁽¹²⁾ ⁽¹³⁾ ^(14A) | Internet Consumer & Business Services | Senior Secured | July 2020 | Interest rate PRIME + 5.15% or Floor rate of 9.15%, PIK Interest 1.95% | \$ 35,293 | 34,517 | 35,067 |
| Tectura Corporation ⁽⁷⁾ ⁽⁸⁾ ⁽¹³⁾ | Internet Consumer & Business Services | Senior Secured | June 2021 | Interest rate FIXED 6.00%, PIK Interest 3.00% | \$ 19,691 | 19,691 | 19,691 |
| | Internet Consumer & Business Services | Senior Secured | June 2021 | PIK Interest 8.00% | \$ 11,015 | 240 | |
| Total Tectura Corporation | | | | | \$ 30,706 | 19,931 | 19,691 |
| Subtotal: 1-5 Years Maturity | | | | | | 93,275 | 90,591 |
| Subtotal: Internet Consumer & Business Services (11.50%)* | | | | | | 93,275 | 90,591 |
| Media/Content/Info 1-5 Years Maturity | | | | | | | |
| FanDuel, Inc. ^(14B) | Media/Content/Info | Senior Secured | November 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.75% | \$ 20,000 | 19,352 | 19,352 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|-----------------------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| Machine Zone, Inc. ⁽¹³⁾⁽¹⁶⁾ | Media/Content/Info | Senior Secured | May 2018 | Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00% | \$ 103,785 | \$ 102,444 | \$ 103,083 |
| WP Technology, Inc. (Wattpad, Inc.) ^{(4)(9)(11)(14B)(17)} | Media/Content/Info | Senior Secured | April 2020 | Interest rate PRIME + 4.75% or Floor rate of 8.25% | \$ 5,000 | 5,029 | 5,099 |
| | Media/Content/Info | Senior Secured | April 2020 | Interest rate PRIME + 4.75% or Floor rate of 8.25% | \$ 2,500 | 2,471 | 2,510 |
| Total WP Technology, Inc. (Wattpad, Inc.) | | | | | \$ 7,500 | 7,500 | 7,609 |
| Subtotal: 1-5 Years Maturity | | | | | | 129,296 | 130,044 |
| Subtotal: Media/Content/Info (16.50%)* | | | | | | 129,296 | 130,044 |
| Medical Devices & Equipment Under 1 Year Maturity | | | | | | | |
| InspireMD, Inc. ^{(4)(9)(14B)} | Medical Devices & Equipment | Senior Secured | June 2017 | Interest rate PRIME + 5.00% or Floor rate of 10.50% | \$ 2,237 | 2,743 | 2,743 |
| Subtotal: Under 1 Year Maturity | | | | | | 2,743 | 2,743 |
| 1-5 Years Maturity | | | | | | | |
| Amedica Corporation ^{(8)(14B)(15)} | Medical Devices & Equipment | Senior Secured | January 2018 | Interest rate PRIME + 7.70% or Floor rate of 10.95% | \$ 7,417 | 8,816 | 8,715 |

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| | | | | | | | |
|--|-----------------------------|----------------|--------------|--|-----------|--------|--------|
| Aspire Bariatrics, Inc. ^{(14B)(15)} | Medical Devices & Equipment | Senior Secured | October 2018 | Interest rate PRIME + 4.00% or Floor rate of 9.25% | \$ 5,295 | 5,400 | 5,368 |
| Avedro, Inc. ^{(14A)(15)} | Medical Devices & Equipment | Senior Secured | June 2018 | Interest rate PRIME + 6.00% or Floor rate of 9.25% | \$ 9,777 | 9,975 | 9,982 |
| Flowonix Medical Incorporated ^{(12)(14B)} | Medical Devices & Equipment | Senior Secured | May 2018 | Interest rate PRIME + 4.75% or Floor rate of 10.00% | \$ 10,905 | 11,340 | 11,275 |
| | Medical Devices & Equipment | Senior Secured | March 2019 | Interest rate PRIME + 6.50% or Floor rate of 10.00% | \$ 4,255 | 4,243 | 4,214 |
| Total Flowonix Medical Incorporated | | | | | \$ 15,160 | 15,583 | 15,489 |
| Gamma Medica, Inc. ^{(10)(14B)} | Medical Devices & Equipment | Senior Secured | January 2018 | Interest rate PRIME + 6.50% or Floor rate of 9.75% | \$ 2,500 | 2,650 | 2,645 |
| IntegenX, Inc. ^{(14B)(15)} | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% or Floor rate of 10.05% | \$ 15,000 | 15,068 | 15,168 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost⁽²⁾ | Value⁽³⁾ |
|---|-----------------------------|---|----------------------|--|-------------------------|---------------------------|----------------------------|
| | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% or Floor rate of 10.05% | \$ 1,750 | \$ 1,694 | \$ 1,730 |
| Total IntegenX, Inc. | | | | | \$ 16,750 | 16,762 | 16,898 |
| Micell Technologies, Inc. ^{(11)(14B)} | Medical Devices & Equipment | Senior Secured | August 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.50% | \$ 8,277 | 8,255 | 8,321 |
| Quanta Fluid Solutions ^{(4)(9)(10)(14B)} | Medical Devices & Equipment | Senior Secured | April 2020 | Interest rate PRIME + 8.05% or Floor rate of 11.55% | \$ 12,500 | 12,547 | 12,500 |
| Quanterix Corporation ^{(10)(14A)} | Medical Devices & Equipment | Senior Secured | February 2018 | Interest rate PRIME + 2.75% or Floor rate of 8.00% | \$ 9,964 | 10,276 | 10,316 |
| SynergEyes, Inc. ^{(14B)(15)} | Medical Devices & Equipment | Senior Secured | January 2018 | Interest rate PRIME + 7.75% or Floor rate of 11.00% | \$ 2,347 | 2,762 | 2,719 |
| Subtotal: 1-5 Years Maturity | | | | | | 93,026 | 92,953 |
| Subtotal: Medical Devices & Equipment (12.15%)* | | | | | | 95,769 | 95,696 |
| Semiconductors | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Achronix Semiconductor Corporation ^{(14B)(15)(17)} | Semiconductors | Senior Secured | November 2017 | Interest rate PRIME + 7.00% or Floor rate of 10.50% | \$ 1,682 | 1,682 | 1,682 |
| Subtotal: Under 1 Year Maturity | | | | | | 1,682 | 1,682 |

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1-5 Years Maturity

Achronix Semiconductor Corporation^{(14B)(15)(17)}

| | | | | | | |
|----------------|----------------|-----------|---|----------|-------|-------|
| Semiconductors | Senior Secured | July 2018 | Interest rate PRIME + 8.25% or Floor rate of 11.50% | \$ 3,341 | 3,546 | 3,530 |
|----------------|----------------|-----------|---|----------|-------|-------|

Avnera Corporation^{(10)(14A)}

| | | | | | | |
|----------------|----------------|------------|--|----------|-------|-------|
| Semiconductors | Senior Secured | April 2018 | Interest rate PRIME + 5.25% or Floor rate of 8.50% | \$ 5,577 | 5,699 | 5,816 |
|----------------|----------------|------------|--|----------|-------|-------|

Subtotal: 1-5 Years Maturity

9,245 9,346

Subtotal: Semiconductors (1.40%)*

10,927 11,028

Software

Under 1 Year Maturity

JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.)^{(7)(13)(14C)(15)(18)}

| | | | | | | |
|----------|----------------|--------------|--|----------|-------|-----|
| Software | Senior Secured | October 2016 | Interest rate FIXED 5.75%, PIK Interest 10.75% | \$ 1,566 | 1,698 | 730 |
|----------|----------------|--------------|--|----------|-------|-----|

RedSeal Inc.⁽¹⁵⁾⁽¹⁷⁾

| | | | | | | |
|----------|----------------|-----------|--|----------|-------|-------|
| Software | Senior Secured | June 2017 | Interest rate PRIME + 3.25% or Floor rate of 6.50% | \$ 2,635 | 2,635 | 2,635 |
|----------|----------------|-----------|--|----------|-------|-------|

Subtotal: Under 1 Year Maturity

4,333 3,365

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company 1-5 Years Maturity | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|--------------|--------------------------------------|------------------|--|---------------------|---------------------|----------------------|
| Actifio, Inc. ^{(13)(14A)} | Software | Senior Secured | January 2019 | Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25% | \$ 30,961 | \$ 30,830 | \$ 30,918 |
| | Software | Senior Secured | January 2019 | Interest rate PRIME + 4.75% or Floor rate of 8.75%, PIK Interest 2.50% | \$ 10,171 | 9,929 | 10,036 |
| Total Actifio, Inc. | | | | | \$ 41,132 | 40,759 | 40,954 |
| Clickfox, Inc. ^{(12)(14C)} | Software | Senior Secured | May 2018 | Interest rate PRIME + 8.00% or Floor rate of 11.50% | \$ 12,000 | 12,261 | 12,273 |
| Cloud Technology Partners, Inc. ^(14A) | Software | Senior Secured | June 2018 | Interest rate PRIME + 3.05% or Floor rate of 7.05% | \$ 3,000 | 2,966 | 2,966 |
| | Software | Senior Secured | December 2019 | Interest rate PRIME + 5.75% or Floor rate of 9.75% | \$ 10,000 | 9,863 | 9,863 |
| Total Cloud Technology Partners, Inc. | | | | | \$ 13,000 | 12,829 | 12,829 |
| Druva, Inc. ^{(10)(12)(14B)(17)} | Software | Senior Secured | March 2018 | Interest rate PRIME + 4.60% or Floor rate of 7.85% | \$ 9,157 | 9,604 | 9,613 |
| | Software | Senior Secured | May 2018 | Interest rate PRIME + 4.60% or Floor rate of 7.85% | \$ 10,000 | 10,066 | 10,141 |
| Total Druva, Inc. | | | | | \$ 19,157 | 19,670 | 19,754 |
| Evernote Corporation ⁽¹⁵⁾⁽¹⁷⁾ | Software | Senior Secured | October 2020 | Interest rate PRIME + | \$ 6,000 | 5,961 | 5,961 |

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| | | | | | | | |
|--|----------|----------------|---------------|--|-----------|--------|--------|
| | | | | 5.45% or Floor rate of 8.95% | | | |
| Lithium Technologies, Inc. ^{(13)(14A)(15)(19)} | Software | Senior Secured | June 2020 | Interest rate PRIME + | \$ 25,019 | 24,999 | 24,999 |
| | | | | 6.45% or Floor rate of 9.95%, PIK Interest 1.80% | | | |
| JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ^{(7)(13)(14A)(15)} | Software | Senior Secured | March 2018 | Interest rate FIXED | \$ 13,000 | 12,747 | 5,477 |
| | | | | 5.75%, PIK Interest 10.75% | | | |
| Mattersight Corporation ⁽¹¹⁾⁽¹³⁾ | Software | Senior Secured | February 2020 | Interest rate PRIME + | \$ 22,664 | 22,023 | 22,280 |
| | | | | 6.25% or Floor rate of 9.75%, PIK Interest 2.15% | | | |
| OneLogin, Inc. ⁽¹³⁾⁽¹⁵⁾ | Software | Senior Secured | August 2019 | Interest rate PRIME + | \$ 15,369 | 15,249 | 15,488 |
| | | | | 6.45% or Floor rate of 9.95%, PIK Interest 3.25% | | | |
| Quid, Inc. ^{(13)(14A)(15)} | Software | Senior Secured | October 2019 | Interest rate PRIME + | \$ 8,116 | 8,126 | 8,220 |
| | | | | 4.75% or Floor rate of 8.25%, PIK Interest 2.25% | | | |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|---------------------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| RedSeal Inc. ^{(14A)(15)(17)} | Software | Senior Secured | June 2018 | Interest rate PRIME + 7.75% or Floor rate of 11.00% | \$ 5,000 | \$ 5,120 | \$ 5,107 |
| | Software | Senior Secured | January 2020 | Interest rate PRIME + 7.75% or Floor rate of 11.25% | \$ 5,000 | 4,880 | 4,880 |
| Total RedSeal Inc. | | | | | \$ 10,000 | 10,000 | 9,987 |
| Signpost, Inc. ^{(13)(14A)(15)} | Software | Senior Secured | February 2020 | Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75% | \$ 15,237 | 15,022 | 15,190 |
| Subtotal: 1-5 Years Maturity | | | | | | 199,646 | 193,412 |
| Subtotal: Software (24.97%)* | | | | | | 203,979 | 196,777 |
| Specialty Pharmaceuticals 1-5 Years Maturity | | | | | | | |
| Alimera Sciences, Inc. ^{(10)(13)(14A)} | Specialty Pharmaceuticals | Senior Secured | November 2020 | Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00% | \$ 35,041 | 34,606 | 34,798 |
| | | | | | | | |
| Jaguar Animal Health, Inc. ^{(10)(14B)} | Specialty Pharmaceuticals | Senior Secured | August 2018 | Interest rate PRIME + 5.65% or Floor rate of 9.90% | \$ 3,511 | 3,803 | 3,725 |
| | | | | | | | |
| Subtotal: 1-5 Years Maturity | | | | | | 38,409 | 38,523 |
| Subtotal: Specialty Pharmaceuticals (4.89%)* | | | | | | 38,409 | 38,523 |
| Surgical Devices 1-5 Years Maturity | | | | | | | |
| Transmedics, Inc. ^{(12)(14B)} | Surgical Devices | | February 2020 | Interest rate PRIME + | \$ 8,500 | 8,497 | 8,529 |

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| | | | | | | | |
|--|--------------------------------------|----------------|--------------|---|----------|-------|-------|
| | Senior Secured | | | 5.30% or Floor rate of 9.55% | | | |
| Subtotal: 1-5 Years Maturity | | | | | | 8,497 | 8,529 |
| Subtotal: Surgical Devices (1.08%)* | | | | | | 8,497 | 8,529 |
| Sustainable and Renewable Technology | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| American Superconductor Corporation ^{(10)(14B)} | | | | | | | |
| | Sustainable and Renewable Technology | Senior Secured | June 2017 | Interest rate PRIME + 7.25% or Floor rate of 11.00% | \$ 1,500 | 1,550 | 1,550 |
| Modumetal, Inc. ^{(11)(14C)(14D)} | | | | | | | |
| | Sustainable and Renewable Technology | Senior Secured | March 2017 | Interest rate PRIME + 8.70% or Floor rate of 11.95% | \$ 376 | 882 | 882 |
| | Sustainable and Renewable Technology | Senior Secured | October 2017 | Interest rate PRIME + 6.00% or Floor rate of 9.25% | \$ 3,370 | 4,115 | 4,115 |
| Total Modumetal, Inc. | | | | | \$ 3,746 | 4,997 | 4,997 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal Amount | Cost⁽²⁾ | Value⁽³⁾ |
|--|--------------------------------------|---|----------------------|--|-------------------------|---------------------------|----------------------------|
| Stion Corporation ^{(5)(14A)} | Sustainable and Renewable Technology | Senior Secured | February 2017 | Interest rate PRIME + 8.75% or Floor rate of 12.00% | \$ 333 | \$ 333 | \$ 333 |
| Sungevity, Inc. ^{(12)(14D)} | Sustainable and Renewable Technology | Senior Secured | October 2017 | Interest rate PRIME + 3.70% or Floor rate of 6.95% | \$ 35,000 | 39,834 | 29,709 |
| | Sustainable and Renewable Technology | Senior Secured | October 2017 | Interest rate PRIME + 3.70% or Floor rate of 6.95% | \$ 20,000 | 20,000 | 14,917 |
| Total Sungevity, Inc. | | | | | \$ 55,000 | 59,834 | 44,626 |
| Subtotal: Under 1 Year Maturity | | | | | | 66,714 | 51,506 |
| 1-5 Years Maturity | | | | | | | |
| FuelCell Energy, Inc. ^{(11)(14B)} | Sustainable and Renewable Technology | Senior Secured | October 2018 | Interest rate PRIME + 5.50% or Floor rate of 9.50% | \$ 20,000 | 20,488 | 20,707 |
| Proterra, Inc. ^{(10)(14A)(14B)} | Sustainable and Renewable Technology | Senior Secured | June 2019 | Interest rate PRIME + 6.95% or Floor rate of 10.20% | \$ 30,000 | 30,670 | 30,592 |
| | Sustainable and Renewable Technology | Senior Secured | June 2019 | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 10,000 | 9,921 | 9,916 |
| Total Proterra, Inc. | | | | | \$ 40,000 | 40,591 | 40,508 |
| Rive Technology, Inc. ^{(14A)(15)} | Sustainable and Renewable Technology | Senior Secured | January 2019 | Interest rate PRIME + 6.20% or Floor rate of 9.45% | \$ 7,500 | 7,586 | 7,650 |
| Tendril Networks ^{(11)(14B)} | Sustainable and Renewable Technology | Senior Secured | June 2019 | Interest rate FIXED 7.25% | \$ 15,000 | 15,405 | 15,324 |

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| | | | | | | | |
|---|--------------------------------------|----------------|------------|---|-----------|-----------|-----------|
| Verdezyne, Inc. ^{(14B)(15)} | Sustainable and Renewable Technology | Senior Secured | April 2019 | Interest rate PRIME + 8.25% or Floor rate of 11.75% | \$ 15,000 | 15,084 | 15,098 |
| Subtotal: 1-5 Years Maturity | | | | | | 99,154 | 99,287 |
| Subtotal: Sustainable and Renewable Technology (19.14%)* | | | | | | 165,868 | 150,793 |
| Total: Debt Investments (168.64%)* | | | | | | 1,384,871 | 1,328,803 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|-----------------------------------|----------------------|-----------|---------------------|----------------------|
| Equity Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| NuGEN Technologies, Inc. ⁽¹⁵⁾ | Biotechnology Tools | Equity | Preferred Series C | 189,394 | \$ 500 | \$ 575 |
| Subtotal: Biotechnology Tools (0.07%)* | | | | | 500 | 575 |
| Communications & Networking | | | | | | |
| Achilles Technology Management Co II, Inc. ⁽⁶⁾⁽¹⁵⁾ | | | | | | |
| | Communications & Networking | Equity | Common Stock | 100 | 4,000 | 3,396 |
| GlowPoint, Inc. ⁽³⁾ | Communications & Networking | Equity | Common Stock | 114,192 | 101 | 31 |
| Peerless Network Holdings, Inc. | Communications & Networking | Equity | Preferred Series A | 1,000,000 | 1,000 | 4,990 |
| Subtotal: Communications & Networking (1.07%)* | | | | | 5,101 | 8,417 |
| Consumer & Business Products | | | | | | |
| Market Force Information, Inc. | Consumer & Business Products | Equity | Common Stock | 480,261 | | 279 |
| | Consumer & Business Products | Equity | Preferred Series B-1 | 187,970 | 500 | 273 |
| Total Market Force Information, Inc. | | | | 668,231 | 500 | 552 |
| Subtotal: Consumer & Business Products (0.07%)* | | | | | 500 | 552 |
| Diagnostic | | | | | | |
| Singulex, Inc. | Diagnostic | Equity | Common Stock | 937,998 | 750 | 574 |
| Subtotal: Diagnostic (0.07%)* | | | | | 750 | 574 |

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Drug Delivery

| | | | | | | |
|--|---------------|--------|--------------------|---------|--------------|--------------|
| AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾ | Drug Delivery | Equity | Common Stock | 54,240 | 108 | 141 |
| BioQ Pharma Incorporated ⁽¹⁵⁾ | Drug Delivery | Equity | Preferred Series D | 165,000 | 500 | 542 |
| Edge Therapeutics, Inc. ⁽³⁾ | Drug Delivery | Equity | Common Stock | 161,856 | 1,000 | 2,023 |
| Merrion Pharmaceuticals, Plc ⁽⁴⁾⁽⁹⁾ | Drug Delivery | Equity | Common Stock | 20,000 | 9 | |
| Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Delivery | Equity | Common Stock | 125,000 | 1,500 | 731 |
| Revence Therapeutics, Inc. ⁽³⁾ | Drug Delivery | Equity | Common Stock | 22,765 | 557 | 472 |
| Subtotal: Drug Delivery (0.50%)* | | | | | 3,674 | 3,909 |

Drug Discovery & Development

| | | | | | | |
|--|---------------------------------|--------|--------------|---------|-------|-----|
| Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾ | Drug Discovery & Development | Equity | Common Stock | 426,931 | 1,060 | 231 |
| Cerecor, Inc. ⁽³⁾ | Drug Discovery & Development | Equity | Common Stock | 119,087 | 1,000 | 105 |
| Cerulean Pharma, Inc. ⁽³⁾ | Drug Discovery & Development | Equity | Common Stock | 135,501 | 1,000 | 96 |
| Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Equity | Common Stock | 142,858 | 1,000 | 411 |
| Dynavax Technologies ⁽³⁾⁽⁹⁾ | Drug Discovery & Development | Equity | Common Stock | 20,000 | 550 | 79 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|---------------------------------|-----------------------------------|--------------------|-----------|---------------------|----------------------|
| Epirus Biopharmaceuticals, Inc. | Drug Discovery & Development | Equity | Common Stock | 200,000 | \$ 1,000 | \$ |
| Genocea Biosciences, Inc. ⁽³⁾ | Drug Discovery & Development | Equity | Common Stock | 223,463 | 2,000 | 921 |
| Inotek Pharmaceuticals Corporation ⁽³⁾ | Drug Discovery & Development | Equity | Common Stock | 3,778 | 1,500 | 23 |
| Insmed, Incorporated ⁽³⁾ | Drug Discovery & Development | Equity | Common Stock | 70,771 | 1,000 | 936 |
| Melinta Therapeutics | Drug Discovery & Development | Equity | Preferred Series 4 | 1,914,448 | 2,000 | 2,042 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾ | Drug Discovery & Development | Equity | Common Stock | 76,362 | 2,743 | 1,175 |
| Subtotal: Drug Discovery & Development (0.76%)* | | | | | 14,853 | 6,019 |
| Electronics & Computer Hardware | | | | | | |
| Identiv, Inc. ⁽³⁾ | Electronics & Computer Hardware | Equity | Common Stock | 6,700 | 34 | 21 |
| Subtotal: Electronics & Computer Hardware (0.00%)* | | | | | 34 | 21 |
| Information Services | | | | | | |
| DocuSign, Inc. ⁽¹⁵⁾ | Information Services | Equity | Common Stock | 385,000 | 6,081 | 6,081 |
| Subtotal: Information Services (0.77%)* | | | | | 6,081 | 6,081 |
| Internet Consumer & Business Services | | | | | | |
| Blurb, Inc. ⁽¹⁵⁾ | | Equity | Preferred Series B | 220,653 | 175 | 197 |

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| | | | | | | |
|---|---------------------------------------|--------|----------------------|---------|-------|-------|
| | Internet Consumer & Business Services | | | | | |
| Brigade Group, Inc. (p.k.a. Philotic, Inc.) | Internet Consumer | Equity | Common Stock | 9,023 | 93 | |
| | & Business Services | | | | | |
| Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾ | Internet Consumer & Business Services | Equity | Preferred Series C | 230,030 | 250 | 228 |
| | Internet Consumer & Business Services | Equity | Preferred Series D | 198,677 | 250 | 221 |
| Total Lightspeed POS, Inc. | | | | 428,707 | 500 | 449 |
| OfferUp, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Equity | Preferred Series A | 286,080 | 1,663 | 1,663 |
| | Internet Consumer & Business Services | Equity | Preferred Series A-1 | 108,710 | 632 | 632 |
| Total OfferUp, Inc. | | | | 394,790 | 2,295 | 2,295 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Equity | Preferred Series G | 218,351 | 250 | 431 |
| | Internet Consumer & Business Services | Equity | Preferred Series H | 87,802 | 250 | 249 |
| Total Oportun (p.k.a. Progress Financial) | | | | 306,153 | 500 | 680 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|---------------------------------------|-----------------------------------|-----------------------|-----------|---------------------|----------------------|
| RazorGator Interactive Group, Inc. | Internet Consumer & Business Services | Equity | Preferred Series AA | 34,783 | \$ 15 | \$ 34 |
| Tectura Corporation | Internet Consumer & Business Services | Equity | Preferred Series BB | 1,000,000 | | |
| Subtotal: Internet Consumer & Business Services (0.46%)* | | | | | 3,578 | 3,655 |
| Media/Content/Info | | | | | | |
| Pinterest, Inc. | Media/Content/Info | Equity | Preferred Series Seed | 620,000 | 4,085 | 4,085 |
| Subtotal: Media/Content/Info (0.52%)* | | | | | 4,085 | 4,085 |
| Medical Devices & Equipment | | | | | | |
| AtriCure, Inc. ⁽³⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 7,536 | 266 | 147 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Equity | Preferred Series AA | 221,893 | 1,500 | 359 |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 198,202 | | 634 |
| | Medical Devices & Equipment | Equity | Preferred Series A-1 | 191,210 | 425 | 687 |
| | Medical Devices & Equipment | Equity | Preferred Series A-2 | 191,626 | 500 | 650 |
| Total Gelesis, Inc. | | | | 581,038 | 925 | 1,971 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series E | 136,798 | 250 | 216 |
| | Medical Devices & Equipment | Equity | Preferred Series F | 73,971 | 155 | 188 |

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| | | | | | | |
|--|-----------------------------|--------|--------------------|-------------------|---------------|--------------|
| | Equipment | | | | | |
| | Medical Devices & Equipment | Equity | Preferred Series G | 163,934 | 500 | 514 |
| | Equipment | | | | | |
| Total Medrobotics Corporation | | | | 374,703 | 905 | 918 |
| Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series B | 6,185,567 | 3,000 | 292 |
| | Medical Devices & Equipment | Equity | Preferred Series C | 1,927,309 | 655 | 85 |
| | Medical Devices & Equipment | Equity | Preferred Series D | 55,103,923 | 5,257 | 3,014 |
| | Medical Devices & Equipment | Equity | Preferred Series E | 13,573,546 | 1,136 | 1,138 |
| Total Optiscan Biomedical, Corp. | | | | 76,790,345 | 10,048 | 4,529 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Equity | Preferred Series B | 232,061 | 527 | 548 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|-----------------------------|-----------------------------------|----------------------|-----------|---------------------|----------------------|
| Quanterix Corporation | Medical Devices & Equipment | Equity | Preferred Series D | 272,479 | \$ 1,000 | \$ 1,086 |
| Subtotal: Medical Devices & Equipment (1.21%)* | | | | | 15,171 | 9,558 |
| Software | | | | | | |
| Box, Inc. ⁽³⁾ | Software | Equity | Common Stock | 611,442 | 4,709 | 8,475 |
| CapLinked, Inc. | Software | Equity | Preferred Series A-3 | 53,614 | 51 | 86 |
| Druva, Inc. | Software | Equity | Preferred Series 2 | 458,841 | 1,000 | 1,288 |
| ForeScout Technologies, Inc. | Software | Equity | Preferred Series D | 319,099 | 398 | 1,725 |
| | Software | Equity | Preferred Series E | 80,587 | 131 | 440 |
| Total ForeScout Technologies, Inc. | | | | 399,686 | 529 | 2,165 |
| HighRoads, Inc. | Software | Equity | Common Stock | 190 | 307 | |
| NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾ | Software | Equity | Preferred Series E | 669,173 | 963 | 1,025 |
| Palantir Technologies | Software | Equity | Preferred Series E | 727,696 | 5,431 | 5,431 |
| WildTangent, Inc. ⁽¹⁵⁾ | Software | Equity | Preferred Series 3 | 100,000 | 402 | 148 |
| Subtotal: Software (2.36%)* | | | | | 13,392 | 18,618 |
| Specialty Pharmaceuticals | | | | | | |
| QuatRx Pharmaceuticals Company | Specialty Pharmaceuticals | Equity | Preferred Series E | 241,829 | 750 | |
| | Specialty Pharmaceuticals | Equity | Preferred Series E-1 | 26,955 | | |
| | Specialty Pharmaceuticals | Equity | Preferred Series G | 4,667,636 | | |
| Total QuatRx Pharmaceuticals Company | | | | 4,936,420 | 750 | |
| Subtotal: Specialty Pharmaceuticals (0.00%)* | | | | | 750 | |
| Surgical Devices | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Equity | Preferred Series B | 219,298 | 250 | 37 |
| | Surgical Devices | Equity | Preferred Series C | 656,538 | 282 | 52 |
| | Surgical Devices | Equity | Preferred Series D | 1,991,157 | 712 | 671 |
| | Surgical Devices | Equity | Preferred Series E | 2,786,367 | 429 | 450 |

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| | | | | | | |
|--|------------------|--------|--------------------|-----------|--------------|--------------|
| Total Gynesonics, Inc. | | | | 5,653,360 | 1,673 | 1,210 |
| Transmedics, Inc. | Surgical Devices | Equity | Preferred Series B | 88,961 | 1,100 | 357 |
| | Surgical Devices | Equity | Preferred Series C | 119,999 | 300 | 291 |
| | Surgical Devices | Equity | Preferred Series D | 260,000 | 650 | 912 |
| | Surgical Devices | Equity | Preferred Series F | 100,200 | 500 | 523 |
| Total Transmedics, Inc. | | | | 569,160 | 2,550 | 2,083 |
| Subtotal: Surgical Devices (0.42%)* | | | | | 4,223 | 3,293 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|--------------------------------------|-----------------------------------|--------------------|------------|---------------------|----------------------|
| Sustainable and Renewable Technology | | | | | | |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable Technology | Equity | Common Stock | 19,250 | \$ 761 | \$ |
| Glori Energy, Inc. ⁽³⁾ | Sustainable and Renewable Technology | Equity | Common Stock | 18,208 | 165 | 1 |
| Modumetal, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series C | 3,107,520 | 500 | 533 |
| Proterra, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series 5 | 99,280 | 500 | 512 |
| Sungevity, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Equity | Preferred Series D | 68,807,339 | 6,750 | |
| TPI Composites, Inc. ⁽³⁾ | Sustainable and Renewable Technology | Equity | Common Stock | 78,018 | 273 | 1,251 |
| Subtotal: Sustainable and Renewable Technology (0.29%)* | | | | | 8,949 | 2,297 |
| Total: Equity Investments (8.59%)* | | | | | 81,641 | 67,654 |
| Warrant Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| Exicure, Inc. | Biotechnology Tools | Warrant | Preferred Series C | 104,348 | 107 | 181 |
| Labcyte, Inc. ⁽¹⁵⁾ | Biotechnology Tools | Warrant | Preferred Series C | 1,127,624 | 323 | 409 |
| Subtotal: Biotechnology Tools (0.07%)* | | | | | 430 | 590 |
| Communications & Networking | | | | | | |
| Intelepeer, Inc. ⁽¹⁵⁾ | Communications & Networking | Warrant | Common Stock | 117,958 | 102 | |
| OpenPeak, Inc. | Communications & Networking | Warrant | Common Stock | 108,982 | 149 | |
| PeerApp, Inc. | | Warrant | Preferred Series B | 298,779 | 61 | 14 |

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| | Communications & Networking | | | | | |
|---|--------------------------------|---------|--------------------|-----------|-------|-----|
| Peerless Network Holdings, Inc. | Communications & Networking | Warrant | Preferred Series A | 135,000 | 95 | 415 |
| SkyCross, Inc. ⁽⁶⁾⁽¹⁵⁾ | Communications & Networking | Warrant | Preferred Series F | 9,762,777 | 394 | |
| Spring Mobile Solutions, Inc. | Communications & Networking | Warrant | Common Stock | 2,834,375 | 418 | |
| Subtotal: Communications & Networking (0.05%)* | | | | | 1,219 | 429 |

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|---------------------------------|-----------------------------------|----------------------|-----------|---------------------|----------------------|
| Consumer & Business Products | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Common Stock | 1,662,441 | \$ 228 | \$ |
| Intelligent Beauty, Inc. ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Preferred Series B | 190,234 | 230 | 354 |
| IronPlanet, Inc. | Consumer & Business Products | Warrant | Preferred Series D | 1,155,821 | 1,076 | 5,574 |
| Nasty Gal ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Preferred Series C | 845,194 | 23 | |
| The Neat Company ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Preferred Series C-1 | 540,540 | 365 | |
| Subtotal: Consumer & Business Products (0.75%)* | | | | | 1,922 | 5,928 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 176,730 | 785 | 92 |
| Agile Therapeutics, Inc. ⁽³⁾ | Drug Delivery | Warrant | Common Stock | 180,274 | 730 | 269 |
| Aprecia Pharmaceuticals Company | Drug Delivery | Warrant | Preferred Series A-1 | 735,981 | 366 | 242 |
| BIND Therapeutics, Inc. ⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 152,586 | 488 | |
| BioQ Pharma Incorporated | Drug Delivery | Warrant | Common Stock | 459,183 | 1 | 264 |
| Celsion Corporation ⁽³⁾ | Drug Delivery | Warrant | Common Stock | 194,986 | 428 | |
| Dance Biopharm, Inc. ⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 110,882 | 74 | |
| Edge Therapeutics, Inc. ⁽³⁾ | Drug Delivery | Warrant | Common Stock | 78,595 | 390 | 402 |
| Kaleo, Inc. (p.k.a. Intelliject, Inc.) | Drug Delivery | Warrant | Preferred Series B | 82,500 | 594 | 391 |
| Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 70,833 | 285 | 17 |
| Pulmatrix Inc. ⁽³⁾ | Drug Delivery | Warrant | Common Stock | 25,150 | 116 | |

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| | | | | | | |
|---|------------------------------|---------|--------------------|-----------|-------|-----|
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ⁽³⁾ | Drug Delivery | Warrant | Common Stock | 72,379 | 266 | |
| Subtotal: Drug Delivery (0.21%)* | | | | 4,523 | 1,677 | |
| Drug Discovery & Development | | | | | | |
| ADMA Biologics, Inc. ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 89,750 | 295 | 43 |
| Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 40,178 | 984 | |
| Auris Medical Holding, AG ⁽³⁾⁽⁴⁾⁽⁹⁾ | Drug Discovery & Development | Warrant | Common Stock | 156,726 | 249 | 51 |
| Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾ | Drug Discovery & Development | Warrant | Common Stock | 2,069,880 | 396 | 123 |
| Brickell Biotech, Inc. | Drug Discovery & Development | Warrant | Preferred Series C | 26,086 | 119 | 139 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|------------------------------|---|--------------------|---------------|---------------------------|----------------------------|
| Cerecor, Inc. ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 22,328 | \$ 70 | \$ |
| Cerulean Pharma, Inc. ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 171,901 | 369 | 14 |
| Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾ | Drug Discovery & Development | Warrant | Preferred Series D | 325,261 | 490 | |
| Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 7,813 | 105 | |
| Concert Pharmaceuticals, Inc. ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 70,796 | 367 | 56 |
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 292,398 | 165 | 8 |
| CytRx Corporation ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 634,146 | 416 | 78 |
| Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 200 | 28 | |
| Epirus Biopharmaceuticals, Inc. | Drug Discovery & Development | Warrant | Common Stock | 64,194 | 276 | |
| Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,009 | 142 | 13 |
| Genocea Biosciences, Inc. ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,725 | 266 | 75 |
| Immune Pharmaceuticals ⁽³⁾ | Drug Discovery & Development | Warrant | Common Stock | 214,853 | 164 | |
| Mast Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 2,272,724 | 203 | 85 |
| Melinta Therapeutics | Drug Discovery & Development | Warrant | Preferred Series 3 | 1,382,323 | 626 | 295 |
| Nanotherapeutics, Inc. ⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 171,389 | 838 | 767 |
| Neothetics, Inc. (p.k.a. Lithera, Inc.) ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 46,838 | 266 | 29 |
| Neuralstem, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 75,187 | 77 | 1 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 69,840 | 152 | 157 |
| PhaseRx, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 63,000 | 125 | 15 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|---------------------------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Sorrento Therapeutics, Inc. ⁽³⁾⁽⁹⁾ | Drug Discovery & Development | Warrant | Common Stock | 306,748 | \$ 890 | \$ 632 |
| uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾ | Drug Discovery & Development | Warrant | Common Stock | 37,174 | 218 | 8 |
| XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 9,063 | 279 | 6 |
| Subtotal: Drug Discovery & Development (0.33%)* | | | | | 8,575 | 2,595 |
| Electronics & Computer Hardware | | | | | | |
| Clustrix, Inc. | Electronics & Computer Hardware | Warrant | Common Stock | 50,000 | 12 | |
| Persimmon Technologies | Electronics & Computer Hardware | Warrant | Preferred Series D | 63,348 | 40 | 509 |
| Subtotal: Electronics & Computer Hardware (0.06%)* | | | | | 52 | 509 |
| Healthcare Services, Other | | | | | | |
| Chromadex Corporation ⁽³⁾⁽¹⁵⁾ | Healthcare Services, Other | Warrant | Common Stock | 139,673 | 157 | 137 |
| Subtotal: Healthcare Services, Other (0.02%)* | | | | | 157 | 137 |
| Information Services | | | | | | |
| INMOBI Inc. ⁽⁴⁾⁽⁹⁾ | Information Services | Warrant | Common Stock | 46,874 | 82 | |
| InXpo, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Preferred Series C | 648,400 | 98 | 4 |
| | Information Services | Warrant | Preferred Series C-1 | 1,165,183 | 74 | 6 |
| Total InXpo, Inc. | | | | 1,813,583 | 172 | 10 |
| RichRelevance, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Preferred Series E | 112,612 | 98 | |
| Subtotal: Information Services (0.00%)* | | | | | 352 | 10 |
| Internet Consumer & Business Services | | | | | | |
| Aria Systems, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series E | 239,692 | 73 | |
| Blurb, Inc. ⁽¹⁵⁾ | | Warrant | Preferred Series C | 234,280 | 636 | 96 |

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| | Internet Consumer & Business Services | | | | | |
|------------------------------------|--|---------|----------------------|---------|-----|-----|
| CashStar, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C-2 | 727,272 | 130 | 24 |
| CloudOne, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series E | 968,992 | 19 | 46 |
| Intent Media, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Common Stock | 140,077 | 168 | 167 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|---------------------------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Just Fabulous, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series B | 206,184 | \$ 1,102 | \$ 1,093 |
| Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 245,610 | 20 | 31 |
| LogicSource ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 79,625 | 30 | 59 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Warrant | Preferred Series G | 174,562 | 78 | 190 |
| Prism Education Group, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series B | 200,000 | 43 | |
| ShareThis, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 493,502 | 547 | 1 |
| Snagajob.com, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series A | 1,575,000 | 640 | 1,075 |
| Tapjoy, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series D | 748,670 | 316 | 19 |
| Tectura Corporation | Internet Consumer & Business Services | Warrant | Preferred Series B-1 | 253,378 | 51 | |
| Subtotal: Internet Consumer & Business Services (0.36%)* | | | | | 3,853 | 2,801 |
| Media/Content/Info | | | | | | |
| FanDuel, Inc. | Media/Content/Info | Warrant | Preferred Series E-1 | 4,648 | 730 | 682 |
| Machine Zone, Inc. ⁽¹⁶⁾ | Media/Content/Info | Warrant | Common Stock | 1,552,710 | 1,958 | 2,729 |
| Rhapsody International, Inc. ⁽¹⁵⁾ | Media/Content/Info | Warrant | Common Stock | 715,755 | 385 | 7 |
| WP Technology, Inc. (Wattpad, Inc.) ⁽⁴⁾⁽⁹⁾ | Media/Content/Info | Warrant | Common Stock | 127,909 | 1 | 6 |
| Zoom Media Group, Inc. | Media/Content/Info | Warrant | Preferred Series A | 1,204 | 348 | 14 |
| Subtotal: Media/Content/Info (0.44%)* | | | | | 3,422 | 3,438 |
| Medical Devices & Equipment | | | | | | |
| Amedica Corporation ⁽³⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 103,225 | 459 | 14 |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series D | 395,000 | 455 | 217 |
| Avedro, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series AA | 300,000 | 401 | 254 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|-----------------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Flowonix Medical Incorporated | Medical Devices & Equipment | Warrant | Preferred Series AA | 155,325 | \$ 362 | \$ 21 |
| Gamma Medica, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A | 450,956 | 170 | 234 |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 74,784 | 78 | 153 |
| InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾ | Medical Devices & Equipment | Warrant | Common Stock | 39,364 | 242 | 20 |
| IntegenX, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series C | 547,752 | 15 | 35 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series E | 455,539 | 370 | 292 |
| Micell Technologies, Inc. | Medical Devices & Equipment | Warrant | Preferred Series D-2 | 84,955 | 262 | 347 |
| NetBio, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A | 7,841 | 408 | 158 |
| NinePoint Medical, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 587,840 | 170 | 65 |
| Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series D | 10,535,275 | 1,252 | 170 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Warrant | Preferred Series A | 500,000 | 402 | 355 |
| Quanterix Corporation | Medical Devices & Equipment | Warrant | Preferred Series C | 173,428 | 180 | 104 |
| SonaCare Medical, LLC (p.k.a. US HIFU, LLC) | Medical Devices & Equipment | Warrant | Preferred Series A | 6,464 | 188 | |
| Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾ | Medical Devices & Equipment | Warrant | Common Stock | 69,320 | 402 | |
| ViewRay, Inc. ⁽³⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 128,231 | 333 | 2 |
| Subtotal: Medical Devices & Equipment (0.31%)* | | | | | 6,149 | 2,441 |
| Semiconductors | | | | | | |
| Achronix Semiconductor Corporation ⁽¹⁵⁾ | Semiconductors | Warrant | Preferred Series C | 360,000 | 160 | 71 |
| | Semiconductors | Warrant | Preferred Series D-1 | 500,000 | 7 | 25 |

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| | | | | | | |
|--|----------------|---------|--------------------|---------|-----|-----|
| Total Achronix Semiconductor Corporation | | | | 860,000 | 167 | 96 |
| Aquantia Corp. | Semiconductors | Warrant | Preferred Series G | 196,831 | 4 | 88 |
| Avnera Corporation | Semiconductors | Warrant | Preferred Series E | 141,567 | 46 | 114 |
| Subtotal: Semiconductors (0.04%)* | | | | | 217 | 298 |

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|---------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Software | | | | | | |
| Actifio, Inc. | Software | Warrant | Common Stock | 73,584 | \$ 249 | \$ 83 |
| | Software | Warrant | Preferred Series F | 31,673 | 343 | 54 |
| Total Actifio, Inc. | | | | 105,257 | 592 | 137 |
| Braxton Technologies, LLC | Software | Warrant | Preferred Series A | 168,750 | 188 | |
| CareCloud Corporation ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 413,433 | 258 | 488 |
| Clickfox, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 1,038,563 | 330 | 63 |
| | Software | Warrant | Preferred Series C | 592,019 | 730 | 76 |
| | Software | Warrant | Preferred Series C-A | 2,218,214 | 230 | 1,604 |
| Total Clickfox, Inc. | | | | 3,848,796 | 1,290 | 1,743 |
| Cloud Technology Partners, Inc. | Software | Warrant | Preferred Series C | 113,960 | 34 | 35 |
| Evernote Corporation ⁽¹⁵⁾ | Software | Warrant | Common Stock | 62,500 | 106 | 110 |
| JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹⁵⁾ | Software | Warrant | Preferred Series E | 614,333 | 16 | |
| Mattersight Corporation ⁽³⁾ | Software | Warrant | Common Stock | 357,143 | 538 | 386 |
| Message Systems, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 503,718 | 334 | 325 |
| Mobile Posse, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 396,430 | 130 | 102 |
| Neos, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 221,150 | 22 | 64 |
| NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾ | Software | Warrant | Preferred Series E | 225,586 | 33 | 45 |
| OneLogin, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 228,972 | 150 | 188 |
| Poplicus, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 2,595,230 | | 6 |
| Quid, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series D | 71,576 | 1 | 8 |
| RedSeal Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C- | 640,603 | 66 | 65 |
| | | | Prime | | | |
| Signpost, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 324,005 | 314 | 167 |
| Soasta, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series E | 410,800 | 691 | 190 |
| Sonian, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 185,949 | 106 | 105 |

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| | | | | | | |
|---|------------------|---------|--------------------|-----------|-------|-----|
| Subtotal: Software (0.53%)* | | | | 4,869 | 4,164 | |
| Specialty Pharmaceuticals | | | | | | |
| Alimera Sciences, Inc. ⁽³⁾ | Specialty | Warrant | Common Stock | 1,717,709 | 860 | 421 |
| | Pharmaceuticals | | | | | |
| QuatRx Pharmaceuticals Company | Specialty | Warrant | Preferred Series E | 155,324 | 308 | |
| | Pharmaceuticals | | | | | |
| Subtotal: Specialty Pharmaceuticals (0.05%)* | | | | 1,168 | 421 | |
| Surgical Devices | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Warrant | Preferred Series C | 180,480 | 75 | 14 |
| | Surgical Devices | Warrant | Preferred Series D | 1,575,965 | 320 | 240 |
| Total Gynesonics, Inc. | | | | 1,756,445 | 395 | 254 |

See notes to consolidated financial statements

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

| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|--------------------------------------|---|----------------------|---------------|---------------------------|----------------------------|
| Transmedics, Inc. | Surgical Devices | Warrant | Preferred Series B | 40,436 | \$ 225 | \$ 16 |
| | Surgical Devices | Warrant | Preferred Series D | 175,000 | 100 | 405 |
| | Surgical Devices | Warrant | Preferred Series F | 50,544 | 38 | 56 |
| Total Transmedics, Inc. | | | | 265,980 | 363 | 477 |
| Subtotal: Surgical Devices (0.09%)* | | | | | 758 | 731 |
| Sustainable and Renewable Technology | | | | | | |
| Agrivida, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series D | 471,327 | 120 | 99 |
| Alphabet Energy, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series A | 86,329 | 82 | |
| American Superconductor Corporation ⁽³⁾ | Sustainable and Renewable Technology | Warrant | Common Stock | 58,823 | 39 | 85 |
| Beamreach Solar (p.k.a. Solixel, Inc.) ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series C | 1,171,625 | 1,162 | |
| Brightsource Energy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series 1 | 116,666 | 104 | |
| Calera, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series C | 44,529 | 513 | |
| EcoMotors, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series B | 437,500 | 308 | 30 |
| Fluidic, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series D | 61,804 | 102 | 20 |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable Technology | Warrant | Common Stock | 530,811 | 181 | |
| | Sustainable and Renewable Technology | Warrant | Preferred Series 2-A | 6,229 | 50 | |

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| | | | | | | |
|---|--------------------------------------|---------|----------------------|---------|-----|-----|
| Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | | | | 537,040 | 231 | |
| Fulcrum Bioenergy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series C-1 | 280,897 | 275 | 201 |

See notes to consolidated financial statements

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|--------------------------------------|-----------------------------------|-----------------------|-------------------|---------------------|----------------------|
| GreatPoint Energy, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series D-1 | 393,212 | \$ 548 | \$ |
| Polyera Corporation ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series C | 311,609 | 338 | |
| Proterra, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series 4 | 477,517 | 41 | 457 |
| Rive Technology, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series E | 234,477 | 12 | 3 |
| 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 | |
| | Sustainable and Renewable Technology | Warrant | Preferred Series C | 32,472,222 | 902 | |
| Total Sungevity, Inc. | | | | 52,472,222 | 1,445 | |
| TAS Energy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series AA | 428,571 | 299 | |
| Tendril Networks | Sustainable and Renewable Technology | Warrant | Preferred Series 3-A | 1,019,793 | 189 | 219 |
| Trilliant, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series A | 320,000 | 162 | 202 |
| Subtotal: Sustainable and Renewable Technology (0.17%)* | | | | | 7,348 | 1,316 |
| Total: Warrant Investments (3.49%)* | | | | | 45,014 | 27,485 |
| Total Investments in Securities (180.72%)* | | | | | \$ 1,511,526 | \$ 1,423,942 |

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* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$24.7 million, \$114.5 million and \$89.8 million respectively. The tax cost of investments is \$1.5 billion.
- (3) Except for warrants in 37 publicly traded companies and common stock in 19 publicly traded companies, all investments are restricted at December 31, 2016 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.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(unaudited)

(dollars in thousands)

- (5) Affiliate investment as defined under the 1940 Act in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
- (7) Debt is on non-accrual status at December 31, 2016, and is therefore considered non-income producing. Note that at December 31, 2016, only the \$11.0 million PIK loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (8) Denotes that all or a portion of the debt investment is convertible debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (14) Denotes that all or a portion of the debt investment includes an exit fee receivable.
 - A. This fee ranges from 1.0% to 5.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
 - B. This fee ranges from 5.0% to 10.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
 - C. This fee ranges from 10.0% to 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
 - D. This fee is greater than 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly owned SBIC subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at December 31, 2016.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at December 31, 2016. Refer to Note 10.
- (18) Repayment of debt investment is delinquent of the contractual maturity date as of December 31, 2016.
- (19) The stated PIK interest rate may be reduced to 1.45% subject to achievement of a milestone by the portfolio company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Description of Business and Basis of Presentation

Hercules Capital, Inc. (the Company) is a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a 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, Washington, DC, Santa Monica, CA, Hartford, CT, and San Diego, CA. 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 subject to tax as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended (the Code). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company, or RIC, under Subchapter M of the Code (see Note 5). As an investment company, the Company follows accounting and reporting guidance as set forth in Topic 946 (Financial Services Investment Companies) of the Financial Accounting Standards Board's (FASB) 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 received 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 \$107.9 million and \$279.9 million in assets, respectively, and they accounted for approximately 5.4% and 13.9% of the Company's total assets, respectively, prior to consolidation at September 30, 2017.

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

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 10 of Regulation S-X, the Company does not consolidate portfolio company investments. It is not appropriate for an investment company to consolidate a portfolio company that is

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not an investment company or that provides services to the Company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC Topic 946.

The accompanying consolidated interim financial statements have been prepared in conformity with U.S. GAAP for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim periods have been included. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the full fiscal year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2016. The year-end Consolidated Statement of Assets and Liabilities data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

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

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 September 30, 2017, approximately 89.5% 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 Topic 946 and measured in accordance with ASC Topic 820 (Fair Value Measurements). The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 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 Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of 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. 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;

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

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

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

Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset in connection with market data at the measurement date and for the extent of the instrument's anticipated life. Fair valued assets that are generally included in this category are 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 September 30, 2017 and as of December 31, 2016. The Company transfers investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the nine months ended September 30, 2017, there were no transfers between Levels 1 or 2.

| (in thousands) | Balance September 30, 2017 | 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 | \$ 1,300,068 | \$ | \$ | \$ 1,300,068 |
| Preferred Stock | 41,993 | | | 41,993 |
| Common Stock | 42,324 | 16,018 | | 26,306 |
| Warrants | 32,729 | | 3,520 | 29,209 |
| Escrow Receivable | 915 | | | 915 |
| Total | \$ 1,418,029 | \$ 16,018 | \$ 3,520 | \$ 1,398,491 |

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| (in thousands) | Balance December 31, 2016 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------|---------------------------------|---|---|---|
| Senior Secured Debt | \$ 1,328,803 | \$ | \$ 4,825 | \$ 1,323,978 |
| Preferred Stock | 39,418 | | | 39,418 |
| Common Stock | 28,236 | 17,271 | | 10,965 |
| Warrants | 27,485 | | 3,239 | 24,246 |
| Escrow Receivable | 1,382 | | | 1,382 |
| Total | \$ 1,425,324 | \$ 17,271 | \$ 8,064 | \$ 1,399,989 |

The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2017 and the year ended December 31, 2016.

| (in thousands) | Balance January 1, 2017 | Net Realized Gains (Losses) ⁽¹⁾ | Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾ | Purchases ⁽⁵⁾ | Sales | Repayments ⁽⁶⁾ | Gross Transfers into Level 3 ⁽³⁾ | Gross Transfers out of Level 3 ⁽³⁾ | Balance September 30, 2017 |
|-------------------|-------------------------------|---|---|--------------------------|-------------------|---------------------------|--|--|----------------------------------|
| Senior Debt | \$ 1,323,978 | \$ (24,318) | \$ 39,423 | \$ 498,613 | \$ | \$ (474,957) | \$ | \$ (62,671) | \$ 1,300,068 |
| Preferred Stock | 39,418 | (7,531) | 10,101 | 473 | (468) | | | | 41,993 |
| Common Stock | 10,965 | | (49,532) | 3,748 | (1,546) | | 62,671 | | 26,306 |
| Warrants | 24,246 | 755 | 9,650 | 1,784 | (7,226) | | | | 29,209 |
| Escrow Receivable | 1,382 | 11 | | 3,119 | (3,597) | | | | 915 |
| Total | \$ 1,399,989 | \$ (31,083) | \$ 9,642 | \$ 507,737 | \$(12,837) | \$ (474,957) | \$ 62,671 | \$ (62,671) | \$ 1,398,491 |

| (in thousands) | Balance January 1, 2016 | Net Realized Gains (Losses) ⁽¹⁾ | Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾ | Purchases ⁽⁵⁾ | Sales | Repayments ⁽⁶⁾ | Gross Transfers into Level 3 ⁽⁴⁾ | Gross Transfers out of Level 3 ⁽⁴⁾ | Balance December 31, 2016 |
|-------------------|-------------------------------|---|---|--------------------------|------------------|---------------------------|--|--|---------------------------------|
| Senior Debt | \$ 1,102,396 | \$ (6,968) | \$ (12,675) | \$ 687,353 | \$ | \$ (441,567) | \$ | \$ (4,561) | \$ 1,323,978 |
| Preferred Stock | 35,245 | (334) | (7,864) | 13,873 | (1,367) | | 626 | (761) | 39,418 |
| Common Stock | 1,527 | | (1,404) | 6,081 | | | 4,761 | | 10,965 |
| Warrants | 18,565 | (116) | 3,465 | 4,082 | (1,186) | | | (564) | 24,246 |
| Escrow Receivable | 2,967 | (6) | | 2,009 | (3,588) | | | | 1,382 |
| Total | \$ 1,160,700 | \$ (7,424) | \$ (18,478) | \$ 713,398 | \$(6,141) | \$ (441,567) | \$ 5,387 | \$ (5,886) | \$ 1,399,989 |

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

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

(3) Transfers into Level 3 during the nine months ended September 30, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. Transfers out of Level 3 during the nine months ended September 30, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.

(4) Transfers into Level 3 during the year ended December 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc. Transfers out of Level 3 during the year ended December 31, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an initial public offering, or IPO, and acquisition, respectively; the

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exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.

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

For the nine months ended September 30, 2017, approximately \$2.4 million in net unrealized appreciation and \$49.3 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. The depreciation on common stock during the period reflects the conversion of the Company's debt investment in Sungevity, Inc. to common stock

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at cost through a bankruptcy transaction and subsequent depreciation to fair value. For the same period, approximately \$1.1 million in net unrealized depreciation and \$10.2 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 2016, approximately \$9.1 million and \$1.4 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$25.7 million in net unrealized depreciation and \$2.8 million in net unrealized appreciation 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 as of September 30, 2017 and December 31, 2016. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

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

| Investment Type - Level | Fair Value at September 30, 2017 (in thousands) | Valuation Techniques/ | | | Weighted Average ⁽²⁾ |
|---|---|--|--|-----------------------------------|------------------------------------|
| | | Methodologies | Unobservable Input ⁽¹⁾ | Range | |
| Pharmaceuticals | \$ 14,794 | Originated Within 6 Months | Origination Yield | 13.22% | 13.22% |
| | 489,860 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.42% - 15.44% 0.00% - 0.75% | 12.98% |
| | 5,100 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 30.00% - 100.00% | |
| Technology | 152,443 | Originated Within 6 Months | Origination Yield | 10.46% - 17.49% | 11.57% |
| | 219,760 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.07% - 19.06% (0.25%) - 0.50% | 13.68% |
| | 21,960 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 20.00% - 100.00% | |
| Sustainable and Renewable Technology | 14,698 | Originated Within 6 Months | Origination Yield | 17.61% | 17.61% |
| | 81,842 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 11.78% - 14.49% 0.00% - 0.25% | 13.18% |
| Medical Devices | 32,798 | Originated Within 6 Months | Origination Yield | 10.38% - 13.18% | 11.06% |
| | 58,556 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.38% - 17.29% 0.00% - 0.75% | 12.77% |
| | | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 100.00% | |
| Lower Middle Market | 37,187 | Originated Within 6 Months | Origination Yield | 12.09% - 12.68% | 12.40% |
| | 20,145 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 8.81% 0.25% | 8.81% |
| | 2,995 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 100.00% | |
| | | Debt Investments Where Fair Value Approximates Cost | | | |
| | 147,930 | Debt Investments Maturing in Less than One Year | | | |
| \$1,300,068 | | Total Level Three Debt Investments | | | |

(1) 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

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increases (decreases) in the inputs in isolation may result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in the Company's Consolidated Schedule of Investments are included in the industries noted above as follows:

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

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.

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

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

| Investment Type - Level | Fair Value at December 31, 2016 (in thousands) | Valuation | | | Weighted Average ⁽²⁾ |
|--|--|---|--|------------------------------------|------------------------------------|
| | | Techniques/Methodologies | Unobservable Input ⁽¹⁾ | Range | |
| Pharmaceuticals | \$ 102,412 | Originated Within 6 Months | Origination Yield | 12.24% - 14.59% | 13.64% |
| | 434,718 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.07% - 15.62% (0.25%) - 0.75% | 12.44% |
| | 2,693 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 25.00% - 100.00% | |
| Technology | 93,674 | Originated Within 6 Months | Origination Yield | 7.29% - 16.53% | 13.69% |
| | 325,553 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 10.14% - 21.66% (0.50%) - 0.50% | 12.69% |
| | 24,706 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 20.00% - 100.00% | |
| Sustainable and Renewable Technology | 99,286 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 11.77% - 16.84% 0.00% - 0.25% | 13.45% |
| | 44,626 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 10.00% - 40.00% | |
| Medical Devices | 88,983 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 10.25% - 18.60% (0.25%) - 0.75% | 14.01% |
| Lower Middle Market | 25,017 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 8.85% - 15.79% 0.00% - 0.25% | 10.10% |
| | 13,148 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 100.00% | |
| Debt Investments Where Fair Value Approximates Cost | | | | | |
| | 25,000 | Imminent Payoffs ⁽⁴⁾ | | | |
| | 44,162 | Debt Investments Maturing in Less than One Year | | | |
| | \$1,323,978 | Total Level Three Debt Investments | | | |

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

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

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

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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.

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

| Investment Type - Level Three | Fair Value at September 30, 2017 (in thousands) | Valuation Techniques/ Methodologies | | | Weighted Average ⁽⁶⁾ |
|---|---|--|--|--------------------|------------------------------------|
| Equity and Warrant Investments | | Methodologies | Unobservable Input ⁽¹⁾ | Range | |
| Equity Investments | \$ 10,413 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 5.8x - 56.7x | 16.4x |
| | | | Revenue Multiple ⁽²⁾ | 0.4x - 6.2x | 3.2x |
| | | | Discount for Lack of Marketability ⁽³⁾ | 10.08% - 14.34% | 11.61% |
| | | | Average Industry Volatility ⁽⁴⁾ | 39.02% - 62.19% | 55.65% |
| | | | Risk-Free Interest Rate | 1.20% - 1.33% | 1.22% |
| | | | Estimated Time to Exit (in months) | 6 - 14 | 7 |
| | 19,167 | Market Adjusted OPM Backsolve | Market Equity Adjustment ⁽⁵⁾ | (16.27%) - 23.40% | 7.42% |
| | | | Average Industry Volatility ⁽⁴⁾ | 29.02% - 106.33% | 79.23% |
| | | | Risk-Free Interest Rate | 0.80% - 1.53% | 1.21% |
| | | | Estimated Time to Exit (in months) | 8 - 29 | 13 |
| | 38,719 | Other ⁽⁷⁾ | | | |
| Warrant Investments | 21,198 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 5.4x - 56.7x | 15.7x |
| | | | Revenue Multiple ⁽²⁾ | 0.4x - 7.5x | 2.8x |
| | | | Discount for Lack of Marketability ⁽³⁾ | 5.06% - 31.10% | 14.96% |
| | | | Average Industry Volatility ⁽⁴⁾ | 33.09% - 106.76% | 55.33% |
| | | | Risk-Free Interest Rate | 0.99% - 1.75% | 1.30% |
| | | | Estimated Time to Exit (in months) | 2 - 47 | 16 |
| | 6,056 | Market Adjusted OPM Backsolve | Market Equity Adjustment ⁽⁵⁾ | (69.77%) - 139.40% | 14.28% |
| | | | Average Industry Volatility ⁽⁴⁾ | 29.02% - 108.76% | 75.67% |
| | | | Risk-Free Interest Rate | 0.80% - 1.82% | 1.24% |
| | | | Estimated Time to Exit (in months) | 8 - 41 | 15 |
| | 1,955 | Other ⁽⁷⁾ | | | |
| Total Level Three Warrant and Equity Investments | \$97,508 | | | | |

- (1) 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, market equity adjustment factors, and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.
 (2) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.
 (3) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.
 (4) Represents the range of industry volatility used by market participants when pricing the investment.
 (5) Represents the range of changes in industry valuations since the portfolio company's last external valuation event.
 (6) Weighted averages are calculated based on the fair market value of each investment.
 (7) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

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| Investment Type - Level Three | Fair Value at December 31, 2016 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input ⁽¹⁾ | Range | Weighted Average ⁽⁵⁾ | | |
|----------------------------------|--|--|---|----------------------------------|--|----------------------|--------|
| Equity and Warrant Investments | \$9,258 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 0.0x - 38.7x | 12.3x | | |
| | | | Revenue Multiple ⁽²⁾ | 0.9x - 8.7x | 3.1x | | |
| | | | Discount for Lack of Marketability ⁽³⁾ | 13.75% - 25.97% | 16.73% | | |
| | | | Average Industry Volatility ⁽⁴⁾ | 45.54% - 113.16% | 61.06% | | |
| | | | Risk-Free Interest Rate | 0.79% - 1.50% | 0.91% | | |
| | | | Estimated Time to Exit (in months) | 10 - 38 | 15 | | |
| | | | 19,836 | Market Adjusted OPM Backsolve | Average Industry Volatility ⁽⁴⁾ | 29.93% - 109.95% | 73.49% |
| | | | | | Risk-Free Interest Rate | 0.65% - 1.44% | 0.92% |
| | | | | | Estimated Time to Exit (in months) | 10 - 34 | 15 |
| | | | | | 21,289 | Other ⁽⁶⁾ | |
| Warrant Investments | 8,959 | Market Comparable Companies | EBITDA Multiple ⁽²⁾ | 2.6x - 51.4x | 13.8x | | |
| | | | Revenue Multiple ⁽²⁾ | 0.4x - 6.1x | 2.5x | | |
| | | | Discount for Lack of Marketability ⁽³⁾ | 11.74% - 27.25% | 19.02% | | |
| | | | Average Industry Volatility ⁽⁴⁾ | 38.58% - 111.15% | 62.03% | | |
| | | | Risk-Free Interest Rate | 0.68% - 1.68% | 1.04% | | |
| | | | Estimated Time to Exit (in months) | 7 - 47 | 20 | | |
| | | | 9,713 | Market Adjusted OPM Backsolve | Average Industry Volatility ⁽⁴⁾ | 29.93% - 116.29% | 67.20% |
| | | | | | Risk-Free Interest Rate | 0.45% - 1.84% | 0.99% |
| | | | | | Estimated Time to Exit (in months) | 3 - 47 | 20 |
| | | | | | 5,574 | Other ⁽⁶⁾ | |
| Total Level Three Warrant | | | | | | | |
| and Equity Investments | \$74,629 | | | | | | |

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

Debt Investments

The Company follows the guidance set forth in ASC Topic 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy, which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. 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 Topic 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 as earned. The Company then applies the valuation methods as set forth below.

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The Company applies a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. The Company determines the yield at inception for each debt investment. The Company then uses senior secured, leveraged loan

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yields provided by third party providers to determine the change in market yields between inception of the debt investment 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 an analysis of, 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 investment 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 investment 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 are valued at the prevailing market price as of the valuation date.

Equity-Related Securities and Warrants

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

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

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Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of September 30, 2017 there were no material past due escrow receivables.

Portfolio Composition

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

The following table summarizes the Company's realized gains and losses and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three and nine months ended September 30, 2017 and 2016.

| Portfolio Company | Type | For the Three Months Ended September 30, 2017 | | | | For the Nine Months Ended September 30, 2017 | | | | |
|--|-----------|---|-----------------------------|--|---|--|--|---|----------------------|-------------|
| | | Fair Value at September 30, 2017 | Change in Investment Income | Net Change in Unrealized Appreciation/Depreciation | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | Net Change in Unrealized Appreciation/Depreciation | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | |
| Control Investments | | | | | | | | | | |
| Achilles Technology Management Co II, Inc. | Control | \$ 242 | \$ 3 | \$ (46) | \$ | \$ (485) | \$ 155 | \$ (2,254) | \$ | \$ (486) |
| HereGamma, Inc. | Control | | | (523) | | | | (523) | | |
| SkyCross, Inc. | Control | | | | 15,058 | (15,058) | | 1,842 | 15,452 | (15,452) |
| Tectura Corporation | Control | 23,140 | 462 | 2,995 | | | 1,361 | 2,995 | 51 | (51) |
| Second Time Around (Simplify Holdings, LLC) | Control | | | 140 | | | | 140 | | |
| Total Control Investments | | \$ 23,382 | \$ 465 | \$ 2,566 | \$ 15,058 | \$ (15,543) | \$ 1,516 | \$ 2,200 | \$ 15,503 | \$ (15,989) |
| Affiliate Investments | | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 6,064 | \$ | \$ 72 | \$ | \$ | \$ | \$ 1,192 | \$ | \$ |
| Stion Corporation | Affiliate | | | | | | 2 | | | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | Affiliate | 27,522 | 248 | 4,537 | | | 248 | (48,678) | | |
| Total Affiliate Investments | | \$ 33,586 | \$ 248 | \$ 4,609 | \$ | \$ | \$ 250 | \$ (47,486) | \$ | \$ |
| Total Control & Affiliate Investments | | \$ 56,968 | \$ 713 | \$ 7,175 | \$ 15,058 | \$ (15,543) | \$ 1,766 | \$ (45,286) | \$ 15,503 | \$ (15,989) |

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(in thousands)

| Portfolio Company | Type | Fair Value at September 30, 2016 | For the Three Months Ended September 30, 2016 | | | For the Nine Months Ended September 30, 2016 | | | |
|--|-----------|----------------------------------|---|---|---|--|--|--|----------------------|
| | | | Investment Income | Net Change in Unrealized Appreciation/Depreciation ⁽¹⁾ | Reversal of Unrealized Appreciation/Depreciation ⁽¹⁾ | Realized Gain/(Loss) | Net Change in Unrealized Appreciation/Depreciation | Reversal of Unrealized Appreciation/Depreciation | Realized Gain/(Loss) |
| Control Investments | | | | | | | | | |
| SkyCross, Inc. | Control | \$ | \$ | \$ | \$ | \$ | \$ (3,421) | \$ | \$ |
| Achilles Technology Management Co II, Inc. | Control | 4,991 | 16 | | | 16 | | | |
| Total Control Investments | | \$ 4,991 | \$ 16 | \$ | \$ | \$ 16 | \$ (3,421) | \$ | \$ |
| Affiliate Investments | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 5,102 | \$ | \$ 553 | \$ | \$ 12 | \$ (2,833) | \$ | \$ |
| Sion Corporation | Affiliate | 821 | 30 | | | 133 | 539 | 648 | |
| Total Affiliate Investments | | \$ 5,923 | \$ 30 | \$ 553 | \$ | \$ 145 | \$ (2,294) | \$ 648 | \$ |
| Total Control & Affiliate Investments | | \$ 10,914 | \$ 46 | \$ 553 | \$ | \$ 161 | \$ (5,715) | \$ 648 | \$ |

(1) Represents reversals of prior period net unrealized depreciation upon being realized as a loss due to write off.

In July 2017, the Company acquired the primary assets of Second Time Around (Simplify Holdings, LLC) as part of an article 9 consensual foreclosure and public auction. These assets represent the remaining possible recovery on the Company's debt and as such this investment is classified as a control investment as of September 30, 2017.

In June 2017, the Company acquired 100% ownership of the equity in HercGamma, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2017, HercGamma, Inc. acquired the assets of a medical device company that develops advanced digital imaging to detect breast cancer, as part of an article 9 consensual foreclosure and public auction for consideration with an estimated fair value of \$1.2 million. The Company's investment in HercGamma, Inc. is carried on the consolidated statement of assets and liabilities at fair value. In September 2017, the Company reduced the cost basis of its equity position by \$646,000 with net proceeds from an asset sale.

In April 2017, the Company's investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as a control investment as a result of obtaining more than 25% of the portfolio company's voting securities. In April 2017, under Section 363 of the Bankruptcy Code, Sungevity, Inc. entered into a \$50.0 million asset purchase agreement and DIP financing facility with a group of investors, led by Northern Pacific Group and including the Company. On April 7, 2017, the U.S. Bankruptcy Court approved the DIP financing facility and on April 17, the U.S. Bankruptcy Court approved the asset purchase agreement. On April 26, 2017, Solar Spectrum Holdings LLC, a new company backed by the investment group, announced that it had acquired certain assets of Sungevity, Inc. as part of the bankruptcy court-approved sale. As a result, the cost basis of the Company's debt investment in Sungevity, Inc. was converted to an equity position in Solar Spectrum Holdings LLC and the Company's warrant and equity positions in Sungevity, Inc. were written off for a realized loss.

In August 2017, the Company's ownership in Solar Spectrum Holdings LLC was diluted below 25% as a result of additional equity contributions by other investors to fund the acquisition of Horizon Solar Power, Inc. by Solar Spectrum Holdings LLC. The Company made a \$15.0 million debt investment to fund the acquisition. Accordingly, the Company's equity and new debt investment in Solar Spectrum Holdings LLC became classified as affiliate investments as of September 30, 2017.

In January 2017, the Company's investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In March 2017, the Company's warrants in Tectura Corporation expired and were written off for a realized loss.

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In June 2016, the Company's investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In September 2017, the Company's investments were deemed wholly worthless and written off for a realized loss.

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In June 2016, the Company also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, the Company made a \$1.0 million and \$250,000 debt investment, respectively, in Achilles Technology Management II, Inc. to provide working capital under the terms of a loan servicing agreement.

In August 2017, the Company's debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, the Company's equity investment in Achilles Technology Management II, Inc. was reduced by \$900,000 in lieu of a success fee on the repayment of our debt investment. The remaining equity investment in Achilles Technology Management II, Inc. is carried on the consolidated statement of assets and liabilities at fair value.

The following table shows the fair value of the Company's portfolio of investments by asset class as of September 30, 2017 and December 31, 2016:

| (in thousands) | September 30, 2017 | | December 31, 2016 | |
|-----------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Senior Secured Debt with Warrants | \$ 838,253 | 59.1% | \$ 1,078,779 | 75.7% |
| Senior Secured Debt | 494,544 | 34.9% | 277,509 | 19.5% |
| Preferred Stock | 41,993 | 3.0% | 39,418 | 2.8% |
| Common Stock | 42,324 | 3.0% | 28,236 | 2.0% |
| Total | \$ 1,417,114 | 100.0% | \$ 1,423,942 | 100.0% |

The increase in senior secured debt and the decrease in senior secured debt with warrants during the period is primarily due to an increase in new debt investments that do not include detachable equity enhancement features.

A summary of the Company's investment portfolio, at value, by geographic location as of September 30, 2017 and December 31, 2016 is shown as follows:

| (in thousands) | September 30, 2017 | | December 31, 2016 | |
|----------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| United States | \$ 1,292,617 | 91.2% | \$ 1,362,223 | 95.6% |
| England | 66,598 | 4.7% | 18,395 | 1.3% |
| Netherlands | 20,495 | 1.4% | 20,089 | 1.4% |
| Cayman Islands | 14,925 | 1.1% | | 0.0% |
| Switzerland | 11,611 | 0.8% | 12,377 | 0.9% |
| Canada | 10,868 | 0.8% | 8,095 | 0.6% |
| Israel | | 0.0% | 2,763 | 0.2% |
| Total | \$ 1,417,114 | 100.0% | \$ 1,423,942 | 100.0% |

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The following table shows the fair value of the Company's portfolio by industry sector at September 30, 2017 and December 31, 2016:

| (in thousands) | September 30, 2017 | | December 31, 2016 | |
|---------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Drug Discovery & Development | \$ 392,952 | 27.7% | \$ 422,550 | 29.7% |
| Software | 283,419 | 20.0% | 219,559 | 15.4% |
| Media/Content/Info | 146,956 | 10.4% | 137,567 | 9.7% |
| Sustainable and Renewable Technology | 111,629 | 7.9% | 154,406 | 10.9% |
| Internet Consumer & Business Services | 106,734 | 7.5% | 97,047 | 6.8% |
| Drug Delivery | 97,866 | 6.9% | 109,834 | 7.7% |
| Medical Devices & Equipment | 79,106 | 5.6% | 107,695 | 7.6% |
| Healthcare Services, Other | 67,139 | 4.7% | 30,200 | 2.1% |
| Specialty Pharmaceuticals | 37,875 | 2.7% | 38,944 | 2.7% |
| Information Services | 23,998 | 1.7% | 6,091 | 0.4% |
| Consumer & Business Products | 21,061 | 1.5% | 42,713 | 3.0% |
| Semiconductors | 15,780 | 1.1% | 11,326 | 0.8% |
| Surgical Devices | 12,767 | 0.9% | 12,553 | 0.9% |
| Electronics & Computer Hardware | 7,606 | 0.5% | 7,664 | 0.5% |
| Biotechnology Tools | 5,971 | 0.4% | 7,200 | 0.5% |
| Communications & Networking | 5,547 | 0.4% | 18,019 | 1.3% |
| Diagnostic | 708 | 0.1% | 574 | 0.0% |
| Total | \$ 1,417,114 | 100.0% | \$ 1,423,942 | 100.0% |

No single portfolio investment represents more than 10% of the fair value of the investments as of September 30, 2017 and December 31, 2016.

Portfolio Activity

During the three and nine months ended September 30, 2017, the Company funded and or restructured investments in debt securities totaling approximately \$146.1 million, and \$482.8 million, respectively. During the three and nine months ended September 30, 2017, the Company funded equity investments totaling approximately \$559,000 and \$4.5 million, respectively. During the nine months ended September 30, 2017, the Company converted approximately \$62.7 million of debt to equity at cost in two portfolio companies.

During the three and nine months ended September 30, 2016, the Company funded and or restructured investments in debt securities totaling approximately \$130.7 million and \$454.4 million, respectively. During the nine months ended September 30, 2016, the Company funded equity investments totaling approximately \$7.1 million. During the nine months ended September 30, 2016, the Company converted approximately \$4.6 million of debt to equity in two portfolio companies. During the three and nine months ended September 30, 2016, the Company converted \$512,000 of warrants to equity in two portfolio companies.

During the three and nine months ended September 30, 2017, the Company recognized net realized losses of \$24.5 million and \$26.9 million, respectively. During the three months ended September 30, 2017, the Company recorded gross realized gains of \$1.3 million primarily from the sale or acquisition of the Company's holdings in three portfolio companies, including Axovant Sciences Ltd. (\$460,000), CashStar, Inc. (\$235,000), and Aveo Pharmaceuticals, Inc. (\$227,000). These gains were offset by gross realized losses of \$25.8 million primarily from the liquidation or write off of the Company's warrant and equity investments in seven portfolio companies and debt investments in three portfolio companies.

During the nine months ended September 30, 2017, the Company recorded gross realized gains of \$12.9 million primarily from the sale or acquisition of the Company's holdings in four portfolio companies, including IronPlanet, Inc. (\$5.1 million), Box, Inc. (\$4.0 million), TPI Composites, Inc. (\$1.2 million) and Edge Therapeutics, Inc. (\$708,000). These gains were offset by gross realized losses of \$39.8 million primarily from the liquidation or write off of the Company's warrant and equity investments in nineteen portfolio companies and the Company's debt investment in four portfolio companies.

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During the three and nine months ended September 30, 2016, the Company recognized net realized gains of \$7.9 and \$3.4 million, respectively. During the three months ended September 30, 2016, the Company recorded gross realized gains of \$9.4 million primarily from the acquisition of the Company's holdings in three portfolio companies, including Box, Inc. (\$7.8 million), Touchcommerce, Inc. (\$698,000) and ReachLocal (\$610,000). These gains were offset by gross realized losses of \$1.5 million primarily from the liquidation or write off of the Company's warrant and equity investments in one portfolio company and the Company's debt investment in one portfolio company.

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

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 September 30, 2017, approximately 85.6% of the Company's debt investments were in a senior secured first lien position, with 44.6% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property and 41.0% secured by a first priority security in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property. Another 14.1% of the Company's debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property, and the remaining 0.3% were unsecured as a result of the terms of the acquisition of one of our portfolio companies during the period. At September 30, 2017 the Company had no equipment only liens on material investments.

Income Recognition

The Company records interest income on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect that principal, interest and other obligations due will be collected in full, the Company will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or the Company 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 and is in the process of collection.

At September 30, 2017, the Company had five debt investments on non-accrual with a cumulative investment cost and approximate fair value of \$14.0 million and \$3.0 million, respectively. At December 31, 2016, the Company had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$43.9 million and \$6.2 million, respectively. The decrease in the cost and fair value of debt investments on non-accrual between December 31, 2016 and September 30, 2017 is the result of the liquidation of two debt investments that were on non-accrual at December 31, 2016, offset by placing two new debt investments on non-accrual status during the period. During the three and nine months ended September 30, 2017, the Company recognized a realized loss of approximately \$23.8 million on the write off of two debt investments that were on non-accrual at December 31, 2016.

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Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$33.4 million of unamortized fees at September 30, 2017, of which approximately \$30.2 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$3.2 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2016 the Company had approximately \$38.2 million of unamortized fees, of which approximately \$35.8 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$2.4 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 fee income, 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. The Company recorded approximately \$1.2 million and \$1.9 million in one-time fee income during the three months ended September 30, 2017 and 2016, respectively. The Company recorded approximately \$7.3 million and \$2.8 million in one-time fee income during the nine months ended September 30, 2017 and 2016, respectively.

In addition, the Company may also be entitled to an exit fee 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 September 30, 2017 the Company had approximately \$26.1 million in exit fees receivable, of which approximately \$22.8 million was included as a component of the cost basis of the Company's current debt investments and approximately \$3.3 million was a deferred receivable related to expired commitments. At December 31, 2016 the Company had approximately \$32.8 million in exit fees receivable, of which approximately \$30.3 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$2.5 million was deferred related to expired commitments.

The Company has debt investments in its portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$2.5 million and \$2.1 million in PIK income during the three months ended September 30, 2017 and 2016, respectively. The Company recorded approximately \$7.2 million and \$5.7 million in PIK income during the nine months ended September 30, 2017 and 2016, respectively.

To maintain the Company's ability to be subject to tax as a RIC, PIK and exit fee income generally must be accrued and distributed to stockholders in the form of dividends for U.S. federal income tax purposes even though the cash has not yet been collected. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three and nine months ended September 30, 2017 and 2016.

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,

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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 borrowings of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The fair value of the Company's outstanding borrowings is based on observable market trading prices or quotations and unobservable market rates as applicable for each instrument.

Based on market quotations on or around September 30, 2017, the 2021 Asset-Backed Notes and 2022 Convertible Notes were quoted for 1.002 and 1.019 per dollar at par value, respectively. At September 30, 2017, the 2024 Notes were trading on the NYSE for \$25.42 per share at par value. The par value at underwriting for the 2024 Notes was \$25.00 per share. 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 is approximately \$197.3 million, compared to the carrying amount of \$190.2 million as of September 30, 2017.

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 following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's outstanding borrowings at September 30, 2017 and December 31, 2016:

(in thousands)

| Description ⁽¹⁾⁽²⁾ | September 30, 2017 | Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|-------------------------------|-----------------------|-------------------------------|--------------------------------|----------------------------------|
| 2021 Asset-Backed Notes | \$ 65,578 | \$ | \$ 65,578 | \$ |
| 2022 Convertible Notes | 234,313 | | 234,313 | |
| 2024 Notes | 262,853 | | 262,853 | |
| SBA Debentures | 197,275 | | | 197,275 |
| Total | \$ 760,019 | \$ | \$ 562,744 | \$ 197,275 |

(in thousands)

| Description | December 31, 2016 | Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|-------------------------------------|----------------------|-------------------------------|--------------------------------|----------------------------------|
| Wells Facility ⁽¹⁾ | \$ 5,016 | \$ | \$ | \$ 5,016 |
| 2021 Asset-Backed Notes | 109,376 | | 109,376 | |
| April 2019 Notes ⁽²⁾ | 65,909 | | 65,909 | |
| September 2019 Notes ⁽²⁾ | 46,920 | | 46,920 | |
| 2024 Notes | 256,919 | | 256,919 | |
| SBA Debentures | 202,364 | | | 202,364 |
| Total | \$ 686,504 | \$ | \$ 479,124 | \$ 207,380 |

(1) As of September 30, 2017, there were no borrowings outstanding on both the Wells Facility and Union Facility.

(2) The 2019 Notes were redeemed in full on February 24, 2017.

4. Borrowings***Outstanding Borrowings***

At September 30, 2017 and December 31, 2016, the Company had the following available and outstanding borrowings:

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| (in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|------------------------------------|--------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|
| | Total Available | Principal | Carrying Value ⁽¹⁾ | Total Available | Principal | Carrying Value ⁽¹⁾ |
| SBA Debentures ⁽²⁾ | \$ 190,200 | \$ 190,200 | \$ 187,983 | \$ 190,200 | \$ 190,200 | \$ 187,501 |
| 2019 Notes ⁽³⁾ | | | | 110,364 | 110,364 | 108,818 |
| 2024 Notes | 258,510 | 258,510 | 251,716 | 252,873 | 252,873 | 245,490 |
| 2021 Asset-Backed Notes | 65,476 | 65,476 | 64,860 | 109,205 | 109,205 | 107,972 |
| 2022 Convertible Notes | 230,000 | 230,000 | 223,097 | | | |
| Wells Facility ⁽⁴⁾ | 120,000 | | | 120,000 | 5,016 | 5,016 |
| Union Bank Facility ⁽⁴⁾ | 75,000 | | | 75,000 | | |
| Total | \$ 939,186 | \$ 744,186 | \$ 727,656 | \$ 857,642 | \$ 667,658 | \$ 654,797 |

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- (1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted premium or discount, if any, associated with the loan as of the balance sheet date.
- (2) At both September 30, 2017 and December 31, 2016, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) The 2019 Notes were redeemed in full on February 24, 2017.
- (4) Availability subject to the Company meeting the borrowing base requirements.

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASC Subtopic 835-30 (Interest Imputation of Interest), debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, were as follows as of September 30, 2017 and December 31, 2016:

| (in thousands) | September 30, 2017 | December 31, 2016 |
|------------------------------------|--------------------|-------------------|
| SBA Debentures | \$ 2,217 | \$ 2,699 |
| 2019 Notes | | 1,546 |
| 2024 Notes | 6,889 | 7,482 |
| 2021 Asset-Backed Notes | 616 | 1,233 |
| 2022 Convertible Notes | 3,938 | |
| Wells Facility ⁽¹⁾ | 271 | 501 |
| Union Bank Facility ⁽¹⁾ | 453 | 768 |
| Total | \$ 14,384 | \$ 14,229 |

- (1) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASC Subtopic 835-30.

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of September 30, 2017, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of September 30, 2017. As of September 30, 2017, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2017 the Company held investments in HT II in 32 companies with a fair value of approximately \$77.0 million, accounting for approximately 5.4% of the Company's total investment portfolio at September 30, 2017. HT II held approximately \$107.9 million in assets and accounted for approximately 5.4% of the Company's total assets prior to consolidation at September 30, 2017.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of September 30, 2017, 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 September 30, 2017. As of September 30, 2017, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2017, the Company held investments in HT III in 45 companies with a fair value of approximately \$200.8 million, accounting for approximately 14.2% of the Company's total investment portfolio at September 30, 2017. HT III held approximately \$279.9 million in assets and accounted for approximately 13.9% of the Company's total assets prior to consolidation at September 30, 2017.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 2017 as a result of having sufficient capital as defined under the SBA regulations.

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

The average amount of debentures outstanding for the three and nine months ended September 30, 2017 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.56% and 4.51%, respectively. The average amount of debentures outstanding for the three and nine months ended September 30, 2017 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.46% and 3.42%, respectively.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

| (in thousands) | Three Months | | Nine Months | |
|--|--------------------------|-----------------|--------------------------|-----------------|
| | Ended September 30, 2017 | 2016 | Ended September 30, 2017 | 2016 |
| Interest expense | \$ 1,757 | \$ 1,757 | \$ 5,212 | \$ 5,231 |
| Amortization of debt issuance cost (loan fees) | 158 | 168 | 482 | 504 |
| Total interest expense and fees | \$ 1,915 | \$ 1,925 | \$ 5,694 | \$ 5,735 |
| Cash paid for interest expense and fees | \$ 3,499 | \$ 3,499 | \$ 6,942 | \$ 6,961 |

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In aggregate, at September 30, 2017, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At September 30, 2017, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

The Company reported the following SBA debentures outstanding principal balances as of September 30, 2017 and December 31, 2016:

| (in thousands) Issuance/Pooling Date | Maturity Date | Interest Rate ⁽¹⁾ | September 30, 2017 | December 31, 2016 |
|--------------------------------------|-------------------|------------------------------|--------------------|-------------------|
| 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

In April and July 2012, the Company issued \$84.5 million in aggregate principal amount of 7.00% notes due 2019 (the April 2019 Notes). In September and October 2012, the Company issued \$85.9 million in aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes). The April 2019 Notes and September 2019 Notes are together referred to as the 2019 Notes.

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. The remaining 2019 Notes were fully redeemed on February 24, 2017.

As of December 31, 2016, the 2019 Notes payable outstanding principal balance consisted of:

| (in thousands) | December 31, 2016 |
|---|-------------------|
| April 2019 Notes | \$ 64,490 |
| September 2019 Notes | 45,874 |
| Total 2019 Notes principal outstanding | \$ 110,364 |

The April 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGZ. The September 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGY. For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

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| (in thousands) | Three Months | | Nine Months | |
|--|--------------------------|----------|--------------------------|----------|
| | Ended September 30, 2017 | 2016 | Ended September 30, 2017 | 2016 |
| Interest expense | \$ | \$ 1,931 | \$ 1,159 | \$ 5,794 |
| Amortization of debt issuance cost (loan fees) | | 160 | 1,546 | 480 |
| Total interest expense and fees | \$ | \$ 2,091 | \$ 2,705 | \$ 6,274 |
| Cash paid for interest expense and fees | \$ | \$ 1,931 | \$ 1,911 | \$ 5,794 |

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2024 Notes

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 6.25% unsecured notes due 2024 (the 2024 Notes). On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes.

On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover over-allotments on April 29, 2016.

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

On October 11, 2016, the Company entered into a debt distribution agreement, pursuant to which it may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as its sales agent (the 2024 Notes Agent). Sales of the 2024 Notes may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the Securities Act), including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

The 2024 Notes Agent receives a commission from the Company equal to up to 2.00% of the gross sales of any 2024 Notes sold through the 2024 Notes Agent under the debt distribution agreement. The 2024 Notes Agent is not required to sell any specific principal amount of 2024 Notes, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the 2024 Notes. The 2024 Notes are expected to trade flat, which means that purchasers in the secondary market will not pay, and sellers will not receive, any accrued and unpaid interest on the 2024 Notes that is not reflected in the trading price.

During the nine months ended September 30, 2017, the Company sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. The Company did not sell any notes under the debt distribution agreement during the three months ended September 30, 2017. During the year ended December 31, 2016, the Company sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of September 30, 2017 approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

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

The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after July 30, 2017, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2024 Notes bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2014, and trade on the NYSE under the trading symbol HTGX . See Note 12 Subsequent Events .

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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 and other distributions as well as the 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 Securities Exchange Act of 1934, as amended (the Exchange Act). The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of September 30, 2017, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

As of September 30, 2017 and December 31, 2016, the components of the carrying value of the 2024 Notes were as follows:

| (in thousands) | September 30, 2017 | December 31, 2016 |
|---|--------------------|-------------------|
| Principal amount of debt | \$ 258,510 | \$ 252,873 |
| Unamortized debt issuance cost | (6,889) | (7,482) |
| Original issue premium, net of amortization | 95 | 99 |
| Carrying value of 2024 Notes | \$ 251,716 | \$ 245,490 |

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 4,039 | \$ 3,926 | \$ 12,065 | \$ 7,910 |
| Amortization of debt issuance cost (loan fees) | 252 | 229 | 752 | 448 |
| Amortization of original issue premium | (13) | | (43) | |
| Total interest expense and fees | \$ 4,278 | \$ 4,155 | \$ 12,774 | \$ 8,358 |
| Cash paid for interest expense and fees | \$ 4,053 | \$ 3,827 | \$ 12,069 | \$ 7,046 |

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. The 2021 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1, LLC as trust depositor (the 2014 Trust Depositor), Hercules Capital Funding Trust 2014-1 as issuer (the 2014 Securitization Issuer), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a

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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 is paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 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 Section 2(a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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

At September 30, 2017 and December 31, 2016, the 2021 Asset-Backed Notes had an outstanding principal balance of \$65.5 million and \$109.2 million, respectively.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 632 | \$ 1,103 | \$ 2,327 | \$ 3,381 |
| Amortization of debt issuance cost (loan fees) | 197 | 366 | 618 | 832 |
| Total interest expense and fees | \$ 829 | \$ 1,469 | \$ 2,945 | \$ 4,213 |
| Cash paid for interest expense and fees | \$ 697 | \$ 1,110 | \$ 2,485 | \$ 3,388 |

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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 segregated these funds and classified them as restricted cash. There was approximately \$7.8 million and \$8.3 million of restricted cash as of September 30, 2017 and December 31, 2016, respectively, funded through interest collections.

Convertible Notes***2016 Convertible Notes***

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible notes due 2016 (the 2016 Convertible Notes). The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016.

Prior to the close of business on October 14, 2015, holders were able to convert their 2016 Convertible Notes only under certain circumstances set forth in the indenture governing the 2016 Convertible Notes. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders were able to convert their 2016 Convertible Notes at any time. Throughout the life of the 2016 Convertible Notes, holders of approximately \$74.8 million of the 2016 Convertible Notes exercised their conversion rights. These 2016 Convertible Notes were settled with a combination of cash equal to the outstanding principal amount of the 2016 Convertible Notes and approximately 1.6 million shares of the Company's common stock, or \$24.3 million.

The 2016 Convertible Notes were accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2016 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2016 Convertible Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the 2016 Convertible Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company recorded interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

For the three and nine months ended September 30, 2016, the components of interest expense, fees and cash paid for interest expense for the 2016 Convertible Notes were as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------|---------------------------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ | \$ | \$ 352 |
| Amortization of debt issuance cost (loan fees) | | | | 44 |
| Accretion of original issue discount | | | | 82 |
| Total interest expense and fees | \$ | \$ | \$ | \$ 478 |
| Cash paid for interest expense and fees | \$ | \$ | \$ | \$ 440 |

The estimated effective interest rate of the debt component of the 2016 Convertible Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the three and nine months ended September 30, 2016.

2022 Convertible Notes

On January 25, 2017, the Company issued \$230.0 million in aggregate principal amount of 4.375% Convertible Notes due 2022 (the 2022 Convertible Notes), which amount includes the additional \$30.0 million aggregate principal amount of 2022 Convertible Notes issued pursuant to the initial purchaser's exercise in full of

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its overallotment option. The 2022 Convertible Notes were issued pursuant to an Indenture, dated January 25, 2017 (the "2022 Convertible Notes Indenture"), between the Company and U.S. Bank, National Association, as trustee (the "2022 Trustee"). The sale of the 2022 Convertible Notes generated net proceeds of approximately \$225.5 million, including \$4.5 million of debt issuance costs.

The 2022 Convertible Notes mature on February 1, 2022, unless previously converted or repurchased in accordance with their terms. The 2022 Convertible Notes bear interest at a rate of 4.375% per year payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2017.

The 2022 Convertible Notes are unsecured obligations of the Company and rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to the Company's existing and future 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 August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of September 30, 2017, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

The Company may not redeem the 2022 Convertible Notes at its option prior to maturity. No sinking fund is provided for the 2022 Convertible Notes. In addition, if certain corporate events occur, holders of the 2022 Convertible Notes may require the Company to repurchase for cash all or part of their 2022 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

The 2022 Convertible Notes Indenture contains certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) 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 2022 Convertible Notes and the 2022 Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the 2022 Convertible Notes Indenture. The Company offered and sold the 2022 Convertible Notes to the initial purchaser in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, for resale by the initial purchaser to qualified institutional buyers (as defined in the Securities Act) pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Company relied on these exemptions from registration based in part on representations made by the initial purchaser in connection with the sale of the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with ASC Subtopic 470-20 ("Debt Instruments with Conversion and Other Options"). In accounting for the 2022 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2022 Convertible Notes were approximately 98.5% and 1.5%, respectively. The original issue discount of 1.5%, or \$3.4 million, attributable to the conversion feature of the 2022 Convertible Notes was recorded in capital in excess of par

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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 4.76%.

As of September 30, 2017, the components of the carrying value of the 2022 Convertible Notes were as follows:

| (in thousands) | September 30, 2017 |
|---|--------------------|
| Principal amount of debt | \$ 230,000 |
| Unamortized debt issuance cost | (3,938) |
| Original issue discount, net of accretion | (2,965) |
| Carrying value of 2022 Convertible Notes | \$ 223,097 |

For the three and nine months ended September 30, 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------|---------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 2,602 | \$ | \$ 6,876 | \$ |
| Amortization of debt issuance cost (loan fees) | 213 | | 558 | |
| Accretion of original issue discount | 168 | | 448 | |
| Total interest expense and fees | \$ 2,983 | \$ | \$ 7,882 | \$ |
| Cash paid for interest expense and fees | \$ 5,199 | \$ | \$ 5,199 | \$ |

The estimated effective interest of the debt component of the 2022 Convertible Notes, equal to the stated interest rate of 4.375% plus the accretion of the original issue discount, was approximately 4.76% for the three and nine months ended September 30, 2017. As of September 30, 2017, the Company is in compliance with the terms of the indentures governing the 2022 Convertible Notes.

Credit Facilities

As of September 30, 2017 and December 31, 2016, the Company has two available credit facilities, the Wells Facility and the Union Bank Facility.

Wells Facility

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostark Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility

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relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2017, this non-use fee was \$153,000 and \$450,000, respectively. For the three and nine months ended September 30, 2016, this non-use fee was \$155,000 and \$336,000, 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 September 30, 2017, the minimum tangible net worth covenant increased to \$727.2 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million, the issuance of 7.3 million shares of common stock issued under an At-The-Market (ATM) equity distribution agreement (the Prior Equity Distribution Agreement) with JMP Securities (JMP) for gross proceeds of \$95.0 million during the year ended December 31, 2016, and the issuance of 4.1 million shares of common stock issued under the Prior Equity Distribution Agreement and a new ATM equity distribution agreement in September 2017 (the Equity Distribution Agreement) with JMP for gross proceeds of \$57.0 million during the nine months ended September 30, 2017. See Note 6 Stockholders' Equity.

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 \$8.5 million on the available facility during the nine months ended September 30, 2017 offset by repayments of \$13.5 million. The Company had aggregate draws of \$168.3 million on the available facility during the nine months ended September 30, 2016 offset by repayments of \$218.3 million. At December 31, 2016 there was \$5.0 million, respectively, of borrowings outstanding on this facility. There were no borrowings outstanding on the facility as of September 30, 2017.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|---------------|---------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 66 | \$ 115 | \$ 282 | \$ 842 |
| Amortization of debt issuance cost (loan fees) | 66 | 115 | 280 | 341 |
| Total interest expense and fees | \$ 66 | \$ 115 | \$ 282 | \$ 842 |
| Cash paid for interest expense and fees | \$ 207 | \$ 677 | \$ 677 | \$ 577 |
| <i>Union Bank Facility</i> | | | | |

On May 5, 2016, the Company, through a special purpose wholly owned subsidiary, Hercules Funding III LLC (Hercules Funding III), as borrower, entered into the credit facility (the Union Bank Facility) with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Union Bank Facility from time to time. The Union Bank Facility replaced the company's credit facility (the Prior Union Bank Facility) entered into on August 14, 2014 (as amended and restated from time to time) with MUFG Union Bank,

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as the arranger and administrative agent, and the lenders party to the Prior Union Bank Facility from time to time. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

On July 18, 2016, the Company entered into the First Amendment to the Loan and Security Agreement, dated as of May 5, 2016 with MUFG Union Bank, N.A. The Amendment amends certain definitions relating to borrowings which accrue interest based on the London Interbank Offered Rate (LIBOR Loans) and (ii) the method(s) for calculating interest on and the paying of certain fees related to such LIBOR Loans.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2017, the company incurred non-use fees of \$96,000 and \$284,000, respectively. For the three and nine months ended September 30, 2016, the company incurred non-use fees under the Prior Union Bank Facility of \$96,000 and \$277,000, respectively.

The Union Bank Facility also includes various financial and other covenants applicable to the Company and its subsidiaries, in addition to those applicable to Hercules Funding III, including covenants relating to certain changes of control of the Company and Hercules Funding III. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014.

As of September 30, 2017, the minimum tangible net worth covenant increased to \$774.3 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 issuance of 7.3 million shares of common stock issued under the Prior Equity Distribution Agreement for net proceeds of \$92.8 million during the year ended December 31, 2016, and the issuance of 4.1 million shares of common stock issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement for net proceeds of \$56.3 million during the nine months ended September 30, 2017. See Note 6 Stockholders' Equity.

The Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

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

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The Company did not make any draws or repayments on the available facility during the nine months ended September 30, 2017. The Company had aggregate draws of \$25.0 million on the available facility during the nine months ended September 30, 2016 offset by repayments of \$25.0 million. At September 30, 2017 and December 31, 2016, there were no borrowings outstanding on the Union Bank Facility.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|---------------|---------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ | \$ | \$ |
| Amortization of debt issuance cost (loan fees) | 91 | 112 | 315 | 244 |
| Total interest expense and fees | \$ 91 | \$ 112 | \$ 315 | \$ 299 |
| Cash paid for interest expense and fees | \$ 114 | \$ | \$ 351 | \$ 38 |

5. Income Taxes

The Company intends to operate so as to qualify to be subject to tax as a RIC under Subchapter M of the Code and, as such, will not be subject to U.S. federal income tax on the portion of taxable income (including gains) distributed as dividends for U.S. federal income tax purposes to stockholders. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

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 generally at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for distributions paid, to its stockholders. The amount to be paid out as a distribution is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company's earnings fall below the amount of dividend distributions declared, however, a portion of the total amount of the Company's distributions for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

During the three months ended September 30, 2017, the Company declared a distribution of \$0.31 per share. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's taxable year generally based upon its taxable income for the full taxable year and distributions paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. If the Company had determined the tax attributes of our distributions taxable year-to-date as of September 30, 2017, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of the Company's 2017 distributions to stockholders will be.

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company makes distributions treated as dividends for U.S. federal income tax purposes 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 calendar years. The Company will not be subject to this excise tax on any amount on which the Company incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's retained net capital gains).

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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 incur 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 distributions 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, distributions declared and paid by the Company in a taxable year may differ from the Company's taxable income for that taxable year as such distributions may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

The Company has taxable subsidiaries which hold certain portfolio investments in an effort to limit potential legal liability and/or comply with source-income type requirements contained in the RIC tax provisions of the Code. These taxable subsidiaries are consolidated for U.S. GAAP and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated financial statements, and are recorded at fair value. These taxable subsidiaries are not consolidated with the Company for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments. Any income generated by these taxable subsidiaries generally would be subject to tax at normal corporate tax rates based on its taxable income.

Taxable income for the nine months ended September 30, 2017 was approximately \$65.9 million or \$0.80 per share. Taxable net realized losses for the same period was \$7.7 million or approximately \$0.09 per share. Taxable income for the nine months ended September 30, 2016 was approximately \$66.1 million or \$0.91 per share. Taxable net realized gains for the same period were \$8.1 million or approximately \$0.11 per share.

For the nine months ended September 30, 2017, the Company paid approximately \$1.0 million of tax expense and had no accrued but unpaid tax expense as of the balance sheet date. For the nine months ended September 30, 2016, the Company paid approximately \$201,000 of tax expense and had approximately \$333,000 of accrued but unpaid tax expense as of the balance sheet date.

The Company intends to distribute 100% of spillover earnings, which consists of ordinary income and long-term capital gains, from the Company's taxable year ended December 31, 2016 to the Company's stockholders during 2017.

6. Stockholder's Equity

On August 16, 2013, the Company entered into the Prior Equity Distribution Agreement. On March 7, 2016, the Company renewed the Prior Equity Distribution Agreement and on December 21, 2016, we further amended the agreement to increase the total shares available under the program. The Prior Equity Distribution Agreement, as amended, provided that the Company may offer and sell up to 12.0 million shares of its common stock from time to time through JMP, as its sales agent.

On September 7, 2017, the Company terminated the Prior Equity Distribution Agreement and entered into the new Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior Equity Distribution agreement are no longer available for issuance. The Equity Distribution Agreement provides that the Company may offer and sell up to 12.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the three months ended September 30, 2017, the Company sold 768,000 shares of common stock for total accumulated net proceeds of approximately \$9.4 million, including \$155,000 of offering expenses under the Equity Distribution Agreement.

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During the nine months ended September 30, 2017, the Company sold 4.1 million shares of common stock, of which 3.3 million shares and 768,000 shares were issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement, respectively. During the nine months ended September 30, 2017, the Company received total accumulated net proceeds of approximately \$56.3 million, including \$687,000 of offering expenses, from these sales, of which \$46.9 million, including offering expenses of \$532,000, was received under the Prior Equity Distribution Agreement and \$9.4 million, including offering expenses of \$155,000, was received under the Equity Distribution Agreement, respectively.

During the three and nine months ended September 30, 2016, the Company sold 2.1 million and 4.1 million shares of common stock under the Prior Equity Distribution Agreement for total accumulated net proceeds of approximately \$26.5 million and \$50.2 million, respectively, including \$986,000 and \$1.8 million of offering expenses, respectively.

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 September 30, 2017 approximately 11.2 million shares remain available for issuance and sale under the Equity Distribution Agreement. See Note 12 Subsequent Events.

On August 27, 2015, the Company's Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock until August 23, 2016, after which the plan expired. In January 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.

The Company has issued stock options for common stock subject to future issuance, of which 587,844 and 668,171 were outstanding at September 30, 2017 and December 31, 2016, respectively.

7. Equity Incentive Plan

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 12.0 million shares of common stock.

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. On June 21, 2017, the 2006 Plan expired in accordance with its terms and no additional awards may be granted under the 2006 Plan. 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.

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During 2012, the Compensation Committee adopted a policy that provided for awards with different vesting schedules for short and long-term awards. All restricted stock grants under the 2004 Plan made prior to March 4, 2013 continue to vest on a monthly basis following their one year anniversary over the succeeding 36 months. Under the 2004 Plan, restricted stock awarded subsequent to March 3, 2013 vests subject to continued employment based on two vesting schedules: short-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.

On December 29, 2016, the Company's Board of Directors approved a further amendment and restatement of the 2004 Plan. The amended plan provides, in addition to the preexisting types of awards available for grant thereunder and among other things, (1) for the grant of restricted stock units; (2) for the deferral of the receipt of the shares of the Company's common stock underlying vested restricted stock units; (3) that grantees may receive up to 10% of the value of the tentative restricted stock unit grants proposed for any grantee in the form of an option to acquire shares of the Company's common stock; (4) that awards of restricted stock units may include performance vesting conditions; (5) that awards may require that all or a portion of the shares of the Company's common stock delivered in respect of any vested restricted stock unit award be subject to a specified post-delivery holding period; and (6) that restricted stock unit awards may accrue dividend equivalents in respect of the Company's common stock underlying any restricted stock unit award payable in the form of cash or additional shares of the Company's common stock to the extent, and in respect of, any vested restricted stock units.

The following table summarizes the common stock option activities for the nine months ended September 30, 2017 and 2016:

| | Nine Months Ended September 30, | | 2016 | |
|--|---------------------------------|---------------------------------|----------------------|---------------------------------|
| | 2017 | Weighted Average Exercise Price | Common Stock Options | Weighted Average Exercise Price |
| Outstanding at December 31, | 668,171 | \$ 13.73 | 622,171 | \$ 14.25 |
| Granted | 91,000 | \$ 14.41 | 200,000 | \$ 11.94 |
| Exercised | (26,824) | \$ 11.23 | (23,334) | \$ 10.85 |
| Forfeited | (38,393) | \$ 14.02 | (64,338) | \$ 13.98 |
| Expired | (106,110) | \$ 15.40 | (53,495) | \$ 14.96 |
| Outstanding at September 30, | 587,844 | \$ 13.63 | 681,004 | \$ 13.66 |
| Shares Expected to Vest at September 30, | 210,464 | \$ 13.63 | 323,213 | \$ 13.66 |

The following table summarizes common stock options outstanding and exercisable at September 30, 2017:

(Dollars in thousands,

except exercise price)

| Range of exercise prices | Options Outstanding | | | Weighted Average Exercise Price | Options Exercisable | | |
|--------------------------|---------------------|------------------------------------|---------------------------|---------------------------------|---------------------|------------------------------------|---------------------------|
| | Number of shares | Options Remaining Contractual Life | Aggregate Intrinsic Value | | Number of shares | Options Remaining Contractual Life | Aggregate Intrinsic Value |
| \$9.25 - \$14.02 | 311,039 | 5.62 | \$ 301,369 | \$ 12.12 | 155,326 | 4.97 | \$ 198,039 |
| \$14.56 - \$16.34 | 276,805 | 4.35 | | \$ 15.34 | 222,054 | 3.87 | |
| \$9.25 - \$16.34 | 587,844 | 5.02 | \$ 301,369 | \$ 13.63 | 377,380 | 4.32 | \$ 198,039 |

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

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All options may be exercised for a period ending seven years after the date of grant. At September 30, 2017 options for 377,380 shares were exercisable at a weighted average exercise price of approximately \$13.94 per share with a weighted average remaining contractual term of 4.32 years.

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The Company determined that the fair value of options granted under the Plans during the nine months ended September 30, 2017 and 2016 was approximately \$63,000 and \$89,000, respectively. During the nine months ended September 30, 2017 and 2016, approximately \$56,000 and \$144,000 of share-based cost due to stock option grants was expensed, respectively. As of September 30, 2017 there was approximately \$99,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average remaining vesting period of 1.94 years.

The Company follows ASC Topic 718 (Compensation Stock Compensation) 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. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the nine months ended September 30, 2017 and 2016:

| | Nine Months Ended September 30, | |
|--------------------------|--|---------------|
| | 2017 | 2016 |
| Expected Volatility | 23.07% | 23.73% |
| Expected Dividends | 10% | 10% |
| Expected term (in years) | 4.5 | 4.5 |
| Risk-free rate | 1.57% - 2.02% | 0.87% - 1.63% |

During the nine months ended September 30, 2017 and 2016 the Company granted 10,111 shares and 552,214 shares, respectively, of restricted stock awards pursuant to the Plans. The Company determined that the fair value of restricted stock awards granted under the Plans during the nine months ended September 30, 2017 and 2016 was approximately \$150,000 and \$6.6 million, respectively. As of September 30, 2017, there was approximately \$4.0 million of total unrecognized compensation costs related to restricted stock awards. These costs are expected to be recognized over a weighted average remaining vesting period of 1.09 years.

The following table summarizes the activities for the Company's unvested restricted stock awards for the nine months ended September 30, 2017 and 2016:

| | Nine Months Ended September 30, | | | |
|----------------------------------|--|---|--------------------------------|---|
| | 2017 | | 2016 | |
| | Restricted Stock Awards | Weighted Average Grant Date Fair Value | Restricted Stock Awards | Weighted Average Grant Date Fair Value |
| Unvested at December 31, | 799,558 | \$ 12.54 | 850,072 | \$ 13.59 |
| Granted | 10,111 | \$ 14.83 | 552,214 | \$ 12.01 |
| Vested | (425,511) | \$ 12.63 | (505,182) | \$ 13.59 |
| Forfeited | (9,529) | \$ 12.95 | (26,573) | \$ 12.85 |
| Unvested at September 30, | 374,629 | \$ 12.49 | 870,531 | \$ 12.61 |

During the nine months ended September 30, 2017 the Company granted 600,461 shares of restricted stock units pursuant to the Plans based on the December 2016 amended terms. The Company determined that the fair value of restricted stock units granted under the Plans during the nine months ended September 30, 2017 was approximately \$8.5 million. As of September 30, 2017, there was approximately \$6.4 million of total unrecognized compensation costs related to restricted stock units. These costs are expected to be recognized over a weighted average remaining vesting period of 2.32 years.

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The following table summarizes the activities for the Company's unvested restricted stock units for the nine months ended September 30, 2017:

| | Nine Months Ended September 30, 2017 | Weighted Average Grant Date Fair Value |
|--------------------------------------|---|---|
| | Restricted Stock Units | |
| Unvested at December 31, | | \$ |
| Granted | 600,461 | \$ 14.21 |
| Distribution Equivalent Unit Granted | 41,243 | \$ 13.30 |
| Vested | | \$ |
| Forfeited | (21,252) | \$ 13.65 |
| Unvested at September 30, | 620,452 | \$ 13.28 |

During the nine months ended September 30, 2017, the Company expensed approximately \$5.6 million of compensation expense related to restricted stock awards and restricted stock units. The Company had approximately \$5.5 million in compensation expense related to restricted stock awards during the nine months ended September 30, 2016.

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.

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) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------------|---------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Numerator | | | | |
| Net increase in net assets resulting from operations | \$ 33,072 | \$ 30,812 | \$ 60,633 | \$ 54,582 |
| Less: Distributions declared-common and restricted shares | (25,667) | (23,201) | (76,997) | (68,408) |
| Undistributed earnings (loss) | 7,405 | 7,611 | (16,364) | (13,826) |
| Undistributed earnings (loss)-common shares | 7,368 | 7,516 | (16,364) | (13,826) |
| Add: Distributions declared-common shares | 25,538 | 22,911 | 76,520 | 67,406 |
| Numerator for basic and diluted change in net assets per common share | \$ 32,906 | \$ 30,427 | \$ 60,156 | \$ 53,580 |
| Denominator | | | | |
| Basic weighted average common shares outstanding | 82,496 | 74,122 | 82,073 | 72,685 |
| Common shares issuable | 111 | 35 | 100 | 17 |
| | 82,607 | 74,157 | 82,173 | 72,702 |

Weighted average common shares outstanding assuming dilution

Change in net assets per common share

| | | | | |
|---------|---------|---------|---------|---------|
| Basic | \$ 0.40 | \$ 0.41 | \$ 0.73 | \$ 0.74 |
| Diluted | \$ 0.40 | \$ 0.41 | \$ 0.73 | \$ 0.74 |

In the table above, unvested share-based payment awards that have non-forfeitable rights to distributions or distribution equivalents are treated as participating securities for calculating earnings per share. Unvested common stock options and restricted stock units are also included in the denominator for the purpose of calculating diluted earnings per share.

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For the three and nine months ended September 30, 2017, the effect of the 2022 Convertible Notes under the treasury stock method is anti-dilutive and, accordingly, is excluded from the calculation of diluted earnings per share. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such, there was no potential dilutive effect for the three and nine months ended September 30, 2016.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the three months ended September 30, 2017, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 3.9 million shares related to 2022 Convertible Notes, 72,379 shares of unvested common stock options, and no shares of unvested restricted stock units. For the nine months ended September 30, 2017, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 2.5 million shares related to 2022 Convertible Notes, 43,593 shares of unvested common stock options, and no shares of unvested restricted stock units. For three and nine months ended September 30, 2016, the number of anti-dilutive shares related to unvested common stock options was 646,783 shares and 679,253 shares, respectively.

At September 30, 2017 and December 31, 2016, the Company was authorized to issue 200.0 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

9. Financial Highlights

Following is a schedule of financial highlights for the nine months ended September 30, 2017 and 2016:

| | Nine Months Ended September 30, | |
|--|--|----------------|
| | 2017 | 2016 |
| Per share data⁽¹⁾: | | |
| Net asset value at beginning of period | \$ 9.90 | \$ 9.94 |
| Net investment income | 0.88 | 0.92 |
| Net realized gain (loss) on investments | (0.33) | 0.05 |
| Net unrealized appreciation (depreciation) on investments | 0.19 | (0.22) |
| Total from investment operations | 0.74 | 0.75 |
| Net increase in net assets from capital share transactions ⁽¹⁾ | 0.23 | 0.03 |
| Distributions of net investment income ⁽⁶⁾ | (0.94) | (0.94) |
| Stock-based compensation expense included in investment income ⁽²⁾ | 0.07 | 0.08 |
| Net asset value at end of period | \$ 10.00 | \$ 9.86 |
| Ratios and supplemental data: | | |
| Per share market value at end of period | \$ 12.90 | \$ 13.56 |
| Total return ⁽³⁾ | (2.31%) | 19.47% |
| Shares outstanding at end of period | 83,615 | 76,400 |
| Weighted average number of common shares outstanding | 82,073 | 72,685 |
| Net assets at end of period | \$ 836,284 | \$ 753,589 |
| Ratio of total expense to average net assets ⁽⁴⁾ | 11.08% | 11.13% |
| Ratio of net investment income before investment gains and losses to average net assets ⁽⁴⁾ | 11.59% | 12.39% |
| Portfolio turnover rate ⁽⁵⁾ | 34.54% | 28.69% |
| Weighted average debt outstanding | \$ 773,271 | \$ 620,769 |
| Weighted average debt per common share | \$ 9.42 | \$ 8.54 |

- (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 Topic 718 (Compensation Stock Compensation), net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the nine months ended September 30, 2017 and 2016 equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the

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distribution. As such, the total return is not annualized. The total return does not reflect any sales load that must be paid by investors.

(4) These ratios are calculated based on weighted average net assets for the relevant period and are annualized.

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- (5) The portfolio turnover rate for the nine months ended September 30, 2017 and 2016 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period. As such, portfolio turnover rate is not annualized.
- (6) Includes distributions on unvested shares.

10. Commitments and Contingencies

The Company's commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, the Company's credit agreements contain customary lending provisions which allow the Company 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 September 30, 2017, the Company had approximately \$46.3 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones.

The Company also had approximately \$72.0 million of non-binding term sheets outstanding at September 30, 2017. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

The fair value of the Company's unfunded commitments is 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 market indices and given the existence of milestones, conditions and/or obligations imbedded in the borrowing agreements.

As of September 30, 2017, the Company's 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 | Unfunded Commitments⁽¹⁾ |
|--------------------------|---|
| NewVoiceMedia Limited | \$ 15,000 |
| Evernote Corporation | 10,000 |
| Aquantia Corp. | 6,500 |
| Wrike, Inc. | 5,000 |
| MDX Medical, Inc. | 4,500 |
| 908 DEVICES INC. | 2,500 |
| Verastem, Inc. | 2,500 |
| RedSeal Inc. | 302 |
| Total | \$ 46,302 |

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

Certain premises are leased under agreements which expire at various dates through February 2023. Total rent expense amounted to approximately \$443,000 and \$1.3 million during the three and nine months ended September 30, 2017. Total rent expense amounted to approximately \$420,000 and \$1.3 million during the same period ended September 30, 2016.

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The Company's contractual obligations as of September 30, 2017 include:

| Contractual Obligations ⁽¹⁾ | Total | Payments due by period (in thousands) | | | After 5 years |
|--|-------------------|---------------------------------------|------------------|-------------------|-------------------|
| | | Less than 1 year | 1 - 3 years | 3 - 5 years | |
| Borrowings ⁽²⁾⁽³⁾⁽⁵⁾ | \$ 744,186 | \$ 140,476 | \$ 51,200 | \$ 344,250 | \$ 208,260 |
| Operating Lease Obligations ⁽⁴⁾ | 4,370 | 1,831 | 1,149 | 1,145 | 245 |
| Total | \$ 748,556 | \$ 142,307 | \$ 52,349 | \$ 345,395 | \$ 208,505 |

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) Includes \$190.2 million in principal outstanding under the SBA debentures, \$258.5 million of the 2024 Notes, \$230.0 million of the 2022 Convertible Notes and \$65.5 million of the 2021 Asset-Backed Notes as of September 30, 2017.

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

(4) Facility leases.

(5) Reflects announced redemption of a portion of the 2024 Notes in November 2017. See Note 12 Subsequent Events.

The Company may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise.

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

11. Recent Accounting Pronouncements

In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which, among other things, requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted for certain provisions. The Company does not believe that ASU 2016-01 will have a material impact on its consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Additionally, the ASU requires the classification of all cash payments on leases within operating activities in the Consolidated Statement of Cash Flows. ASU 2016-02 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. Early adoption is permitted. The Company does not believe that ASU 2016-02 will have a material impact on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. There is not a material impact from adopting this standard on the Company's financial statements. The Company has adopted this standard for the nine months ended September 30, 2017.

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In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues including, among other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted. The Company does not believe that ASU 2016-15 will have a material impact on its consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. The amendment should be adopted retrospectively. The Company does not believe that ASU 2016-18 will have a material impact on its consolidated financial statements and disclosures.

12. Subsequent Events

Distribution Declaration

On October 25, 2017 the Board of Directors declared a cash distribution of \$0.31 per share. The cash distribution was paid on November 20, 2017 to stockholders of record as of November 13, 2017. This distribution represents the Company's forty-ninth consecutive distribution since the Company's IPO, bringing the total cumulative distribution to date to \$13.71 per share.

2022 Notes

On October 23, 2017, the Company issued \$150.0 million in aggregate principal amount of 4.625% Notes due 2022 (the 2022 Notes). The 2022 Notes were issued pursuant to an Indenture, dated September 7, 2017 (the 2022 Notes Indenture), between the Company and U.S. Bank, National Association, as trustee (the 2022 Trustee). The sale of the 2022 Notes generated net proceeds of approximately \$147.9 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount of approximately \$1.9 million, were approximately \$2.1 million.

The Company intends to use the net proceeds from this offering to repurchase or otherwise redeem a portion of its 2024 Notes, (ii) to fund investments in debt and equity securities in accordance with its investment objective and (iii) for working capital and other general corporate purposes. The 2022 Notes mature on October 23, 2022, unless previously repurchased in accordance with their terms. The 2022 Notes bear interest at a rate of 4.625% per year payable semiannually in arrears on April 23 and October 23 of each year, commencing on April 23, 2018.

The 2022 Notes will be unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated, or junior, in right of payment to the 2022 Notes. The 2022 Notes are not guaranteed by any of the Company's current or future subsidiaries. The 2022 Notes rank pari passu, or equally, in right of payment with all of the Company's existing and future liabilities that are not so subordinated, or junior. The 2022 Notes effectively rank subordinated, or junior, 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. The 2022 Notes rank structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by subsidiaries, financing vehicles or similar facilities of the Company.

The Company may redeem some or all of the 2022 Notes at any time, or from time to time, at the redemption price set forth under the terms of the indenture after September 23, 2022. No sinking fund is provided for the 2022 Notes. The 2022 Notes were issued in denominations of \$2,000 and integral multiples of \$1,000 thereof.

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Redemption of 2024 Notes

On October 24, 2017, the Board of Directors approved a redemption of \$75.0 million of outstanding aggregate principal amount of the 2024 Notes, and notice for such redemption has been provided. The Company has publicly announced its intention to redeem this portion of the 2024 Notes on November 23, 2017.

Appointment of Directors

On October 25, 2017, the Board of Directors elected Jorge Titinger and Brad Koenig as directors of the Company. There are no arrangements or understandings between Mr. Titinger or Mr. Koenig and any other persons pursuant to which they were elected as directors of the Company. Both Mr. Titinger and Mr. Koenig will each be entitled to the applicable annual retainer pursuant to the Company's director compensation arrangements, under terms consistent with those previously disclosed by the Company. They will also be entitled to enter an indemnification agreement with the Company.

Mr. Titinger's Board election will be effective at the time of the 2017 Annual Meeting of Stockholders (the Annual Meeting) and will fill the position vacated by Susanne Lyons who will be stepping down at the Annual Meeting. His appointment will be ratified at the Annual Meeting as a Class I director for a term expiring in 2020. At the time Mr. Titinger joins the Board, he will be appointed to the Compensation Committee and will serve as chairman.

Mr. Koenig will hold office as a Class II director for a term expiring in 2018. He will serve on the Audit Committee and Nominating and Corporate Governance Committee.

ATM Equity Program Issuances

Subsequent to September 30, 2017, and as of October 30, 2017, the Company sold 567,000 shares of common stock for total accumulated net proceeds of approximately \$7.1 million, including \$65,000 of offering expenses, under the Equity Distribution Agreement. As of October 30, 2017, approximately 10.7 million shares remain available for issuance and sale under the ATM equity program.

Departure of Officer

On October 27, 2017, the Company and Mark Harris mutually agreed that Mr. Harris would separate from the Company and end his tenure as Chief Financial Officer and Chief Accounting Officer effective November 2, 2017. Mr. Harris' separation did not result from any disagreements with the Company regarding its operations, policies, practices or any issues regarding financial disclosures, accounting or legal matters.

Appointment of Officers

Effective October 31, 2017, the Board of Directors appointed David Lund, the Company's former Chief Financial Officer, as the Company's Interim Chief Financial Officer and Gerard R. Waldt, Jr., the Company's current Controller, as the Company's Interim Chief Accounting Officer.

Asset Acquisition

On November 1, 2017, the Company, through a wholly owned subsidiary, Bearcub Acquisitions LLC, entered into, and consummated the transactions contemplated by, a definitive asset purchase agreement with Ares Capital Corporation to acquire select venture loan assets for approximately \$125.8 million in cash.

Management Structure

The Company has decided to suspend its review of alternative investment management structures and will remain an internally managed business development company for the foreseeable future.

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Portfolio Company Developments

As of October 30, 2017, the Company held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, including

Aquantia Corp. and three companies which filed confidentially under the Jumpstart Our Business Startups Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all. In addition, subsequent to September 30, 2017, the following companies announced or completed liquidity events:

1. In August 2017, the Company's former portfolio company Cempra, Inc. and current portfolio company Melinta Therapeutics, Inc. announced that they had entered into a definitive agreement under which Melinta Therapeutics, Inc. will merge with a subsidiary of Cempra, Inc. The merger is expected to create a NASDAQ-listed company and close in the fourth quarter of 2017, subject to the approval of the stockholders of each company as well as other customary conditions.
2. In October 2017, the Company's portfolio company Neothetics, Inc., announced they have entered into a definitive agreement under which privately-held Evofem Biosciences will merge with a wholly-owned subsidiary of Neothetics in an all-stock transaction. Upon closing of this transaction, Neothetics will be renamed Evofem Biosciences, Inc.
3. In October 2017, the Company's portfolio company ForeScout Technologies, Inc., completed its initial public offering.

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Schedule 12 14

HERCULES CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

For the Nine Months Ended September 30, 2017

(in thousands)

| Portfolio Company | Investment ⁽¹⁾ | Amount of Interest Credited to Income ⁽²⁾ | Realized Gain (Loss) | As of December 31, 2016 Fair Value | Gross Additions ⁽³⁾ | Gross Reductions ⁽⁴⁾ | Net Change in Unrealized Appreciation/ (Depreciation) | As of September 30, 2017 Fair Value |
|---|---------------------------|--|----------------------|------------------------------------|--------------------------------|---------------------------------|---|-------------------------------------|
| Control Investments | | | | | | | | |
| Majority Owned Control Investments | | | | | | | | |
| Achilles Technology Management Co II, Inc. | Senior Debt | \$ 144 | \$ (486) | \$ 1,304 | \$ 74 | \$ (1,378) | \$ | \$ |
| | Common Stock | | | 3,396 | | (900) | (2,254) | 242 |
| HercGamma, Inc. ⁽⁶⁾ | Common Stock | | | | 1,169 | (646) | (523) | |
| Total Majority Owned Control Investments | | \$ 144 | \$ (486) | \$ 4,700 | \$ 1,243 | \$ (2,924) | \$ (2,777) | \$ 242 |
| Other Control Investments | | | | | | | | |
| SkyCross, Inc. | Senior Debt | \$ | \$ (15,058) | \$ | \$ | \$ (16,900) | \$ 16,900 | \$ |
| | Preferred Warrants | | (394) | | | (394) | 394 | |
| Tectura Corporation ⁽⁵⁾ | Senior Debt | 1,361 | | | 20,385 | (240) | 2,995 | 23,140 |
| | Preferred Warrants | | (51) | | 51 | (102) | 51 | |
| Second Time Around (Simplify Holdings, LLC) ⁽⁸⁾ | Senior Debt | | | | 1,781 | (1,921) | 140 | |
| Total Other Control Investments | | \$ 1,361 | \$ (15,503) | \$ | \$ 22,217 | \$ (19,557) | \$ 20,480 | \$ 23,140 |
| Total Control Investments | | \$ 1,505 | \$ (15,989) | \$ 4,700 | \$ 23,460 | \$ (22,481) | \$ 17,703 | \$ 23,382 |
| Affiliate Investments | | | | | | | | |
| Optiscan BioMedical, Corp. | Preferred Stock | \$ | \$ | \$ 4,529 | \$ 173 | \$ | \$ 1,201 | \$ 5,903 |
| | Preferred Warrants | | | 170 | | | (9) | 161 |
| Stion Corporation | Senior Debt | 2 | | 333 | | (333) | | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁷⁾ | Senior Debt | 246 | | | 14,698 | | | 14,698 |
| | Common Stock | | | | 61,502 | | (48,678) | 12,824 |
| Total Affiliate Investments | | \$ 248 | \$ | \$ 5,032 | \$ 76,373 | \$ (333) | \$ (47,486) | \$ 33,586 |
| Total Control and Affiliate Investments | | \$ 1,753 | \$ (15,989) | \$ 9,732 | \$ 99,833 | \$ (22,814) | \$ (29,783) | \$ 56,968 |

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- (1) Stock and warrants are generally non-income producing and restricted.
- (2) Represents the total amount of interest or dividends credited to income for the period an investment was an affiliate or control investment.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities.
- (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 previously recognized depreciation on investments that become control or affiliate investments during the period.
- (5) As of March 31, 2017, the Company's investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board.
- (6) As of June 30, 2017, the Company's wholly owned subsidiary HercGamma, Inc. became classified as a control investment as a result of an investment in a portfolio company whereby the subsidiary obtained a controlling financial interest.
- (7) As of September 30, 2017, the Company's investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as an affiliate investment due to a reduction in equity ownership. Note that this investment was classified as a control investment as of June 30, 2017 after the Company obtained a controlling financial interest.
- (8) As of September 30, 2017, the Company's investment in Second Time Around (Simplify Holdings, LLC) became classified as a control investment as a result of obtaining a controlling financial interest.

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Schedule 12 14

HERCULES CAPITAL, INC.**SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES**

As of September 30, 2017

(in thousands)

| Portfolio Company | Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal or Shares | Cost | Value ⁽²⁾ |
|---|---------------------------------------|-----------------------------------|---------------|---|---------------------|------------------|----------------------|
| Control Investments | | | | | | | |
| Majority Owned Control Investments | | | | | | | |
| Achilles Technology Management Co II, Inc. | Communications & Networking | Common Stock | | | 100 | \$ 3,100 | \$ 242 |
| HercGamma, Inc. | Medical Devices & Equipment | Common Stock | | | 100 | 523 | |
| Total Majority Owned Control Investments (0.03%)* | | | | | | \$ 3,623 | \$ 242 |
| Other Control Investments | | | | | | | |
| Tectura Corporation | Internet Consumer & Business Services | Senior Secured Debt | June 2021 | Interest rate FIXED 6.00%, PIK Interest 3.00% | \$ 20,145 | \$ 20,145 | \$ 20,145 |
| | Internet Consumer & Business Services | Senior Secured Debt | June 2021 | PIK Interest 8.00% | \$ 11,015 | 240 | 2,995 |
| | Internet Consumer & Business Services | Preferred Series BB Equity | | | 1,000,000 | | |
| Total Tectura Corporation | | | | | | 20,385 | 23,140 |
| Second Time Around (Simplify Holdings, LLC) | Consumer & Business Products | Senior Secured Debt | February 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.75%, 4.75% Exit Fee | 1,746 | 1,781 | |
| Total Other Control Investments (2.77%)* | | | | | | \$ 22,166 | \$ 23,140 |
| Total Control Investments (2.80%)* | | | | | | \$ 25,789 | \$ 23,382 |
| Affiliate Investments | | | | | | | |
| Optiscan BioMedical, Corp. | Medical Devices & Equipment | Preferred Series B Equity | | | 6,185,567 | \$ 3,000 | \$ 389 |
| | Medical Devices & Equipment | Preferred Series C Equity | | | 1,927,309 | 655 | 110 |
| | Medical Devices & Equipment | Preferred Series D Equity | | | 55,103,923 | 5,257 | 3,907 |
| | Medical Devices & Equipment | Preferred Series E Equity | | | 15,638,888 | 1,308 | 1,496 |
| | Medical Devices & Equipment | Preferred Series D Warrants | | | 10,535,275 | 1,252 | 161 |

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| | | | | | | | |
|---|---|------------------------|-------------|--|-----------|-------------------|------------------|
| Total Optiscan BioMedical, Corp. Stion Corporation | | | | | | 11,472 | 6,064 |
| | Sustainable & Renewable Energy Technology | Preferred Series | | | | | |
| | | Seed Warrants | | | 2,154 | 1,378 | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | Sustainable & Renewable Energy Technology | Senior Secured Debt | August 2019 | Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee | \$ 15,000 | 14,698 | 14,698 |
| | Sustainable & Renewable Energy Technology | Common Stock | | | 288 | 61,502 | 12,824 |
| Total Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | | | | | | \$ 76,200 | \$ 27,522 |
| Total Affiliate Investments (4.02%)* | | | | | | \$ 89,050 | \$ 33,586 |
| Total Control and Affiliate Investments (6.81%)* | | | | | | \$ 114,839 | \$ 56,968 |

* Value as a percent of net assets

(1) Stock and warrants are generally non-income producing and restricted.

(2) All of the Company's control and affiliate investments are Level 3 investments valued using significant unobservable inputs.

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\$600,000,000

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 \$600,000,000 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.

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 high-growth, innovative venture capital-backed companies in a variety of technology, life sciences and sustainable and renewable technology industries. 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, Washington, DC, Santa Monica, CA, Hartford, CT and San Diego, CA. Our goal is to be the leading structured debt financing provider for venture capital-backed companies in technology-related industries requiring sophisticated and customized financing solutions. 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 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. 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 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.

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol HTGC. On August 30, 2017, the last reported sale price of a share of our common stock on the NYSE, was \$12.31. The net asset value per share of our common stock at June 30, 2017 (the last date prior to the date of this prospectus on which we determined net asset value) was \$9.87.

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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 14 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 September 7, 2017

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

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended (the Securities Act), we may offer, from time to time, up to \$600,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities on the terms to be determined at the time of the offering. We may sell our securities through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Please carefully read this prospectus and any such supplements together with the additional information described under Where You Can Find Additional Information in the Summary and Risk Factors sections before you make an investment decision.

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

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SUMMARY

This summary highlights some of the information in this prospectus and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus and the documents that are referenced in this prospectus, together with any accompanying supplements. In this prospectus, unless the context otherwise requires, the Company, Hercules, HTGC, we, us and our refer to Hercules Capital, Inc. and its wholly owned subsidiaries and its affiliated securitization trusts on or after February 25, 2016 and Hercules Technology Growth Capital, Inc. and its wholly owned subsidiaries and its affiliated securitization trusts prior to February 25, 2016 unless the context otherwise requires.

Our Company

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a variety of technology, life sciences and sustainable and renewable technology industries. Our investment objective is to maximize our portfolio's 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. Effective January 1, 2006, we elected to be treated for tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of June 30, 2017, our total assets were approximately \$1.6 billion, of which our investments comprised \$1.4 billion at fair value and \$1.5 billion at cost. Since inception through June 30, 2017, we have made debt and equity commitments of approximately \$6.9 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly-owned small business investment companies, or SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$104.8 million and \$271.5 million in assets, respectively, and accounted for approximately 5.8% and 14.9% of our total assets, respectively, prior to consolidation at June 30, 2017. At June 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations for additional information regarding our SBIC subsidiaries. As of June 30, 2017, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 34 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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The following chart shows the ownership structure and relationship of certain entities with us.

Our Market Opportunity

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

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

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

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

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

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

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

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

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

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

Our Business Strategy

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

Leverage the Experience and Industry Relationships of Our Management Team and Investment Professionals. We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Our investment professionals have, on average, more than 15 years of experience as equity investors in, and/or lenders to, technology-related companies. In addition, our team members have originated structured debt, debt with warrants and equity investments in over 380 technology-related companies, representing approximately \$6.9 billion in commitments from inception to June 30, 2017, and have developed a network of industry contacts with investors and other participants within the venture capital and private equity communities. In addition, members of our management team also have operational, research and development and finance experience with technology-related companies. We have established contacts with leading venture capital and private equity fund sponsors, public and private companies, research institutions and other industry participants, which we believe will enable us to identify and attract well-positioned prospective portfolio companies.

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We focus our investing activities generally in industries in which our investment professionals have investment experience. We believe that our focus on financing technology-related companies will enable us to leverage our expertise in structuring prospective investments, to assess the value of both tangible and intangible assets, to evaluate the business prospects and operating characteristics of technology-related companies and to identify and originate potentially attractive investments with these types of 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 (typically between 24-48 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment. Although we do not currently engage in hedging transactions, we may engage in hedging transactions in the future utilizing instruments such as forward contracts, currency options and interest rate swaps, caps, collars, and floors.

Historically our structured debt investments to technology-related companies typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investment. In addition, in some cases, we receive the right to make additional equity investments in our portfolio companies, including the right to convert some portion of our debt into equity, in connection with future equity financing rounds. We believe these equity interests will create the potential for meaningful long-term capital gains in connection with the future liquidity events of these technology-related companies.

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. Unlike many of our competitors that only invest in companies that fit a specific set of investment parameters, we have the flexibility to structure our investments to suit the particular needs of our portfolio companies. We offer customized financing solutions ranging from senior debt, including below-investment grade debt instruments (also known as "junk bonds"), to equity capital, with a focus on structured debt with warrants.

We use our relationships in the financial sponsor community to originate investment opportunities. Because venture capital and private equity funds typically invest solely in the equity securities of their portfolio companies, we believe that our debt investments will be viewed as an attractive and complimentary source of capital, both by the portfolio company and by the portfolio company's financial sponsor. In addition, we believe that many venture capital and private equity fund sponsors encourage their portfolio companies to use debt financing for a portion of their capital needs as a means of potentially enhancing equity returns, minimizing equity dilution and increasing valuations prior to a subsequent equity financing round or a liquidity event.

Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, including select publicly listed companies and select special opportunity lower middle market companies that require additional capital to fund acquisitions, recapitalizations and refinancings and established-stage companies. We believe that this provides us with a broader range of potential investment opportunities than those available to many of our competitors, who generally focus their investments on a particular stage in a company's development. Because of the flexible structure of our investments and the extensive experience of our investment professionals, we believe we are well positioned to take advantage of these investment opportunities at all stages of prospective portfolio companies' development.

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

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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. We are not subject to requirements to return invested capital to investors nor do we have a finite investment horizon. Capital providers that are subject to such limitations are often required to seek a liquidity event more quickly than they otherwise might, which can result in a lower overall return on an investment.

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. As of June 30, 2017, our proprietary SQL-based database system included approximately 48,000 technology-related companies and approximately 9,600 venture capital firms, private equity sponsors/investors, as well as various other industry contacts. This proprietary SQL system allows us to maintain, cultivate and grow our industry relationships while providing us with comprehensive details on companies in the technology-related industries and their financial sponsors.

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 be subject to corporate-level federal income taxes on any ordinary income or capital gains that we distribute as dividends for U.S. federal income tax purposes to our stockholders, which allows us to reduce or eliminate our corporate level tax. See Certain United States Federal Income Tax Considerations. To maintain our ability to be subject to tax as a RIC, we must meet specified source-of-income and asset diversification requirements and distribute each taxable year dividends for U.S. federal income tax purposes of an amount generally at least equal to 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 subject to tax as a C corporation.

Assuming we continue to be treated as a RIC under the Code, distributions from our taxable earnings (including net realized securities gains) paid to our U.S. resident shareholders generally will be subject to U.S. federal income tax at rates applicable to ordinary income or capital gains, as appropriate, and all or a portion of such distributions paid to qualifying shareholders not resident in the U.S. (*i.e.*, foreign shareholders) generally would not be subject U.S. nonresident withholding tax. See Certain United States Federal Income Tax Considerations.

Use of Proceeds

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

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Leverage

We borrow funds to make additional investments, and we have granted, and may in the future grant, a security interest in our assets to a lender in connection with any such borrowings, including any borrowings by any of our subsidiaries. We use this practice, which is known as leverage, to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See Risk Factors. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. We received an exemptive order from the Securities and Exchange Commission, or 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 dividends for U.S. federal income tax purposes each taxable year to our stockholders of an amount at least equal to 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 as dividends for U.S. federal income tax purposes to our stockholders. See Certain United States Federal Income Tax Considerations. We pay regular quarterly distributions based upon an estimate of annual taxable income available for distribution to stockholders as well as the amount of any taxable income carried over from the prior taxable year for distribution in the current taxable 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.

Table of Contents**Index to Financial Statements****Recent Developments****Evaluation of Alternative Management Structures**

On May 3, 2017, we filed preliminary proxy materials with the SEC for a special meeting of stockholders to seek approval for a proposed advisory agreement with Hamilton Advisers LLC. However, after receiving feedback from our stockholders, on May 15, 2017, we decided to postpone the proposed special meeting of stockholders indefinitely and formally withdrew the proxy materials containing our proposal seeking stockholder approval of our plans to externalize our management structure to expand our ongoing review process. We, along with our professional advisors, are currently evaluating alternatives with respect to our management structure. The evaluation process is still ongoing, and we are continuing to move forward in evaluating various options, but we currently have no definitive timeline for completion. While internal management has served us well since our formation, our board of directors (the Board of Directors) has concluded that there are limitations to that management structure that may operate to our disadvantage. To that end, we are exploring the possibility of externalizing our management structure as a means of addressing those concerns; and, we are also examining various alternatives that could be pursued with respect to externalization if we determine that externalization is the proper course to follow. We and our independent directors are working with advisors to assist in these efforts. This program will result in us incurring additional and unusual expense until this project is concluded. Should we determine to pursue externalization, which would be subject to approval by our stockholders, it could involve some disruption (at least on a temporary basis) and expense during the period of transition.

Distribution Declaration

On July 26, 2017, our Board of Directors declared a cash distribution of \$0.31 per share to be paid on August 21, 2017 to stockholders of record as of August 14, 2017. This distribution represented our forty-eighth consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$13.40 per share.

Closed and Pending Commitments

As of August 30, 2017, we have:

Closed debt and equity commitments of approximately \$93.2 million to new and existing portfolio companies and funded approximately \$73.5 million subsequent to June 30, 2017.

Pending commitments (signed non-binding term sheets) of approximately \$20.0 million. The table below summarizes our year-to-date closed and pending commitments as follows:

| Closed Commitments and Pending Commitments (in millions) | | | |
|---|-----------------|--|-----------------|
| January 1 | June 30, 2017 | Closed Commitments | \$ 397.0 |
| July 1 | August 30, 2017 | Closed Commitments ^(a) | \$ 93.2 |
| | | Pending Commitments (as of August 30, 2017) ^(b) | \$ 20.0 |
| Closed and Pending Commitments as of August 30, 2017 | | | \$ 510.2 |

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

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

Portfolio Company Developments

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As of August 30, 2017, we held warrants or equity positions in six companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All six companies

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filed confidentially under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all. In addition, subsequent to June 30, 2017, our portfolio companies announced the following liquidity events:

1. **JumpStart Games, Inc.** was acquired by NetDragon Websoft Holdings Limited, a global leader in building internet communities. The acquisition was completed by NetDragon in Hong Kong on July 4, 2017. Terms of the transaction were not disclosed. Hercules initially committed \$13.0 million in venture debt financing to JumpStart in March 2014. Hercules is scheduled to receive quarterly interest payments through June 30, 2018; and the potential to receive principal repayment of a portion of its outstanding obligation at maturity on June 30, 2018, subject to adjustments of JumpStart.
2. **Nasty Gal**, a Los Angeles, CA-based fashion retail website for girls that sells vintage clothing, shoes and accessories, was acquired in February 2017 by Boohoo.com, a Manchester, England-based online fashion retailer, for \$20.0 million in consideration for Nasty Gal's intellectual property assets and customer databases. Hercules initially committed \$20.0 million in venture debt financing. On February 28, 2017, Hercules received a partial payment of \$12.6 million from the sale of Nasty Gal assets, with full repayment expected upon close of escrow. In July 2017, Hercules received final payment. The Company realized an IRR of approximately 19.1% from its loan repayments and equity/warrant gains.
3. **Jaguar Animal Health, Inc.** (NASDAQ: JAGX) entered a binding merger agreement on May 26, 2017 with Napo Pharmaceuticals, a company that focuses on the development and commercialization of proprietary pharmaceuticals for the global marketplace in collaboration with local partners. In addition, Jaguar Animal Health and Napo Pharmaceuticals announced the filing of two Orphan Drug Designation Applications with U.S. Food & Drug Administration (FDA) for Mytesi for serious unmet medical needs.

The merger became effective on July 31, 2017, at which point Jaguar Animal Health's name changed to Jaguar Health, Inc. and Napo began operating as a wholly-owned subsidiary of Jaguar. Although Jaguar's name has changed, the public company will continue to trade under the same Nasdaq ticker symbol: JAGX.

Departure of Officer

On June 26, 2017, Andrew Olson announced his resignation, effective July 21, 2017, from his position as Vice President of Finance and Senior Controller. Gerard R. Waldt, Jr., the Company's current Assistant Controller, will assume the position of Controller.

General Information

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

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We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC, under the Securities Exchange Act of 1934, as amended, or 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 Capital, Inc.

| | |
|--|-----------------------------|
| Stockholder Transaction Expenses (as a percentage of the public offering price): | |
| Sales load (as a percentage of offering price) ⁽¹⁾ | % |
| Offering expenses | % |
| Dividend reinvestment plan fees | % |
| Total stockholder transaction expenses (as a percentage of the public offering price) | % |
| Annual Expenses (as a percentage of net assets attributable to common stock):⁽⁵⁾ | |
| Operating expenses | 5.71% ⁽⁶⁾⁽⁷⁾ |
| Interest and fees paid in connection with borrowed funds | 5.53% ⁽⁸⁾ |
| Total annual expenses | 11.24%⁽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-months ended June 30, 2017, which is approximately \$834.2 million.
- (6) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the six-months ended June 30, 2017, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. This percentage for the year ended December 31, 2016 was 6.21%. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Management.
- (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, 2017, including our Wells Facility, Union Bank Facility, the 2024 Notes, the 2022 Convertible Notes, the 2021 Asset-Backed Notes and the SBA debentures, each of which is defined herein. This percentage for the year ended December 31, 2016 was 5.04%.
- (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, 2016 was 11.25%. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

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Example

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

| | 1 Year | 3 Years | 5 Years | 10 Years |
|--|---------------|----------------|----------------|-----------------|
| You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return | \$ 109 | \$ 307 | \$ 483 | \$ 836 |

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 distributions at net asset value (NAV), 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 NAV. 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 2016, 2015, 2014, 2013, and 2012 and the financial statement of operations data for fiscal 2016, 2015, 2014, 2013, and 2012 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, but not all of which are presented in this Form N-2. 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, 2017 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, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

| (in thousands, except per share amounts) | For the Six-Months Ended June 30, (unaudited) | | For the Year Ended December 31, | | | | |
|--|---|------------------|---------------------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Investment income: | | | | | | | |
| Interest | \$ 83,367 | \$ 76,095 | \$ 158,727 | \$ 140,266 | \$ 126,618 | \$ 123,671 | \$ 87,603 |
| Fees | 11,450 | 6,382 | 16,324 | 16,866 | 17,047 | 16,042 | 9,917 |
| Total investment income | 94,817 | 82,477 | 175,051 | 157,132 | 143,665 | 139,713 | 97,520 |
| Operating expenses: | | | | | | | |
| Interest | 18,861 | 14,589 | 32,016 | 30,834 | 28,041 | 30,334 | 19,835 |
| Loan fees | 4,186 | 2,267 | 5,042 | 6,055 | 5,919 | 4,807 | 3,917 |
| General and administrative: | | | | | | | |
| Legal expenses | 2,867 | 2,677 | 4,823 | 3,079 | 1,366 | 1,440 | 799 |
| Other expenses | 5,947 | 5,303 | 11,283 | 13,579 | 8,843 | 7,914 | 7,309 |
| Total general and administrative | 8,814 | 7,980 | 16,106 | 16,658 | 10,209 | 9,354 | 8,108 |
| Employee Compensation: | | | | | | | |
| Compensation and benefits | 11,262 | 10,016 | 22,500 | 20,713 | 16,604 | 16,179 | 13,326 |
| Stock-based compensation | 3,742 | 4,174 | 7,043 | 9,370 | 9,561 | 5,974 | 4,227 |
| Total employee compensation | 15,004 | 14,190 | 29,543 | 30,083 | 26,165 | 22,153 | 17,553 |
| Total operating expenses | 46,865 | 39,026 | 82,707 | 83,630 | 70,334 | 66,648 | 49,413 |
| Other income (loss) | | | 8,000 | (1) | (1,581) | | |
| Net investment income | 47,952 | 43,451 | 100,344 | 73,501 | 71,750 | 73,065 | 48,107 |
| Net realized gain (loss) on investments | (2,475) | (4,443) | 4,576 | 5,147 | 20,112 | 14,836 | 3,168 |
| Net change in unrealized appreciation (depreciation) on investments | (17,916) | (15,238) | (36,217) | (35,732) | (20,674) | 11,545 | (4,516) |
| Total net realized and unrealized gain (loss) | (20,391) | (19,681) | (31,641) | (30,585) | (562) | 26,381 | (1,348) |
| Net increase (decrease) in net assets resulting from operations | \$ 27,561 | \$ 23,770 | \$ 68,703 | \$ 42,916 | \$ 71,188 | \$ 99,446 | \$ 46,759 |
| Change in net assets per common share (basic) | \$ 0.33 | \$ 0.32 | \$ 0.91 | \$ 0.60 | \$ 1.12 | \$ 1.67 | \$ 0.93 |
| Distributions declared per common share: | \$ 0.62 | \$ 0.62 | \$ 1.24 | \$ 1.24 | \$ 1.24 | \$ 1.11 | \$ 0.95 |

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| (in thousands, except per share amounts) | For the Six-Months Ended June 30, (unaudited) | | | For the Year Ended December 31, | | | |
|--|---|--------------|--------------|---------------------------------|--------------|------------|------------|
| | 2017 | 2016 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Balance sheet data: | | | | | | | |
| Investments, at value | \$ 1,395,469 | \$ 1,291,310 | \$ 1,423,942 | \$ 1,200,638 | \$ 1,020,737 | \$ 910,295 | \$ 906,300 |
| Cash and cash equivalents | 160,412 | 13,478 | 13,044 | 95,196 | 227,116 | 268,368 | 182,994 |
| Total assets | 1,588,709 | 1,331,815 | 1,464,204 | 1,334,761 | 1,299,223 | 1,221,715 | 1,123,643 |
| Total liabilities | 771,258 | 613,435 | 676,260 | 617,627 | 640,359 | 571,708 | 607,675 |
| Total net assets | 817,451 | 718,380 | 787,943 | 717,134 | 658,864 | 650,007 | 515,968 |
| Other Data: | | | | | | | |
| Total return ⁽³⁾ | (2.04%) | 7.24% | 26.87% | (9.70%) | (1.75%) | 58.49% | 28.28% |
| Total debt investments, at value | 1,287,623 | 1,211,782 | 1,328,803 | 1,110,209 | 923,906 | 821,988 | 827,540 |
| Total warrant investments, at value | 32,530 | 25,091 | 27,485 | 22,987 | 25,098 | 35,637 | 29,550 |
| Total equity investments, at value | 75,316 | 65,905 | 67,654 | 67,442 | 71,733 | 52,670 | 49,210 |
| Unfunded Commitments ⁽²⁾ | 57,595 | 71,157 | 59,683 | 75,402 | 147,689 | 69,091 | 19,265 |
| Net asset value per share ⁽¹⁾ | \$ 9.87 | \$ 9.66 | \$ 9.90 | \$ 9.94 | \$ 10.18 | \$ 10.51 | \$ 9.75 |

(1) Based on common shares outstanding at period end

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

(3) The total return equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the issuance. The total return does not reflect any sales load that must be paid by investors.

The following tables set forth certain quarterly financial information for each of the last eight quarters ended December 31, 2016 and the quarters ending March 31, 2017 and June 30, 2017. 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) | For the Quarter Ended (unaudited) | |
|---|--------------------------------------|-------------------|
| | June 30, 2017 | March 31, 2017 |
| Total investment income | \$ 48,452 | \$ 46,365 |
| Net investment income | 25,275 | 22,678 |
| Net increase (decrease) in net assets resulting from operations | 33,149 | (5,588) |
| Change in net assets resulting from operations per common share (basic) | \$ 0.40 | \$ (0.07) |

| (in thousands, except per share data) | Quarter Ended | | | |
|---|-------------------|------------------|-----------------------|----------------------|
| | March 31, 2016 | June 30, 2016 | September 30, 2016 | December 31, 2016 |
| Total investment income | \$ 38,939 | \$ 43,538 | \$ 45,102 | \$ 47,472 |
| Net investment income | 20,097 | 23,354 | 23,776 | 33,117 |
| Net increase in net assets resulting from operations | 14,295 | 9,475 | 30,812 | 14,121 |
| Change in net assets resulting from operations per common share (basic) | \$ 0.20 | \$ 0.13 | \$ 0.41 | \$ 0.18 |

| (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 | 12,993 | 16,781 | 23,590 | 20,137 |
| Net increase in net assets resulting from operations | 21,919 | 2,752 | 4,075 | 14,170 |
| Change in net assets resulting from operations per common share (basic) | \$ 0.33 | \$ 0.03 | \$ 0.05 | \$ 0.20 |

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RISK FACTORS

Investing in our securities may be speculative and involves a high degree of risk. You should consider carefully the risks described below and all other information contained in this prospectus, including our financial statements and the related notes and the schedules and exhibits to this prospectus. The risks set forth below 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 risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Related to our Business Structure

We are evaluating alternative management structures.

We, along with our professional advisors, are currently evaluating alternatives with respect to our management structure. While internal management has served us well since our formation, the Board of Directors has concluded that there are limitations to that management structure that may operate to our disadvantage. As an internally managed business development company, the size and categories of our assets under management is limited. Assuming we remain internally managed, we are and will be unable to offer as wide a variety of financial products to prospective portfolio companies and sponsors as an externally managed business development company, which has a greater ability to spread its operating costs over a larger, more diversified asset base, enabling the funds it advises to benefit from cost savings and greater management resources. Additionally, as an internally managed business development company, our ability to offer more competitive and flexible compensation structures, such as offering both a profit sharing plan and an equity incentive plan, is subject to the limitations imposed by the 1940 Act, which limits our ability to attract and retain talented investment management professionals. As such, if we remain an internally managed business development company, these limitations could inhibit our ability to grow, pursue our business plan and attract and retain professional talent, any or all of which may have a negative impact on our business, financial condition and results of operations.

To that end, we are exploring the possibility of externalizing our management structure as a means of addressing those concerns; and, we are also examining various alternatives that could be pursued with respect to externalization if we determine that externalization is the proper course to follow. We and our independent directors are working with advisors to assist in these efforts. This program will result in us incurring additional and unusual expense until this project is concluded. Should we determine to pursue externalization, which would be subject to approval by our stockholders, it could involve some disruption (at least on a temporary basis) and expense during the period of transition including, among other things, those arising from the transition of our current employees and investment professionals, along with the transition for the responsibility of the provision of certain key services for our business moving from the Company to an external investment adviser and/or administrator. There can be no assurance regarding the outcome of our examination of alternatives, including with respect to whether the Board of Directors recommends externalization to our stockholders, the terms of any external management agreement (including with respect to fees) or the identity of any external manager that may be recommended by the Board of Directors.

As an internally managed business development company, we are subject to certain restrictions that may adversely affect our business.

We are currently evaluating alternatives with respect to our management structure, including externalizing our management structure. We have not decided on any course of action, and there can be no assurance regarding the outcome of our examination of alternatives, including with respect to whether we decide to recommend externalization of our management to our stockholders. If we remain an internally managed business development company, we will continue to be subject to certain restrictions that may place us at a competitive disadvantage to other similar business development companies that are externally managed. As an internally

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managed business development company, the size and categories of our assets under management is limited, and we are unable to offer as wide a variety of financial products to prospective portfolio companies and sponsors (potentially limiting the size and diversification of our asset base). We therefore may not achieve efficiencies of scale and greater management resources available to externally managed business development companies. Additionally, as an internally managed business development company, our ability to offer more competitive and flexible compensation structures, such as offering both a profit sharing plan and an equity incentive plan, is subject to the limitations imposed by the 1940 Act, which limits our ability to attract and retain talented investment management professionals. As such, if we remain an internally managed business development company, these limitations could inhibit our ability to grow, pursue our business plan and attract and retain professional talent, any or all of which may have a negative impact on our business, financial condition and results of operations.

If we externalize our management structure, we will be dependent upon key personnel of the external adviser.

If we externalize our management structure, the external adviser will depend on the efforts, skills, reputations and business contacts of its key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by the external adviser's professionals. The loss of the services of any of them could have a material adverse effect on us and could harm the external adviser's ability to manage our business.

If we externalize our management structure, our external adviser may experience conflicts of interest in connection with the management of the Company.

If we externalize our management structure, our external adviser may experience conflicts of interest in connection with the management of the Company, including, but not limited to, the following:

The members, officers and other personnel of the external adviser allocate their time, resources and other services between the Company and other investment and business activities in which they may be involved. This may include providing a broad range of financial services to companies in which we invest, in compliance with applicable law, and generally being paid fees for such services. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders;

The external adviser may compete with certain of its affiliates, including other entities it manages, for investments for us, subjecting the external adviser to potential conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on our behalf;

The compensation payable by us to the external adviser will be approved by the Board of Directors consistent with the exercise of the requisite standard of care applicable to trustees under state law. Such compensation is payable, in most cases, regardless of the quality of the assets acquired, the services provided to us or whether we make distributions to stockholders. There is the possibility that if we are managed by an external investment adviser, we will be subject to higher fees and expenses, but such arrangements will not be determined until the specific fee arrangement entered into with the external adviser is finalized;

Affiliated investment vehicles formed in the future and managed by the external adviser or its affiliates may have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. As a result, the external adviser may face conflicts in allocating investment opportunities between us and such other entities;

The external adviser and its affiliates may not be not restricted from forming additional investment funds, from entering into other investment advisory relationships (including, among others, relationships with clients that are employee benefit plans subject to ERISA and related regulations), or from engaging in other business activities without the prior approval of our stockholders or our Board

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of Directors, even though such activities may be in competition with us and/or may involve substantial time and resources of the external adviser, which could detract from the external adviser's time spent on our business;

The external adviser and its affiliates may give advice and recommend securities to other clients which may differ from, or be contrary to, advice given to, or securities recommended or bought for, us even though their investment objectives may be similar to ours; and

To the extent not restricted by confidentiality requirements or applicable law, the external adviser may apply experience and information gained in providing services to our portfolio companies in providing services to competing companies invested in by affiliates' other clients.

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

As an internally managed business development company, our ability to achieve our investment objectives and to make distributions to our stockholders depends upon the performance of our senior management. 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 any 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 or our senior management that restricts them 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.

As an internally managed business development company, our compensation structure is determined and set by our Board of Directors. This structure currently includes salary and bonus and incentive compensation, which is issued through grants and subsequent vesting of restricted stock. We are not generally permitted by the 1940 Act to employ an incentive compensation structure that directly ties performance of our investment portfolio and results of operations to compensation owing to our granting of restricted stock as incentive compensation.

Members of our senior management may receive offers of more flexible and attractive compensation arrangements from other companies, particularly from investment advisers to externally managed business development companies that are not subject to the same limitations on incentive-based compensation that we, as an internally managed business development company are subject to. We do not currently have agreements with our senior management that prohibit them from leaving and competing with our business. In addition, the evaluation of alternative management structures discussed above may lead to changes in our management structure. A departure by one or more members of our senior management could have a negative impact on our business, financial condition and results of operations.

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

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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 may be the target of litigation.

We may be the target of securities litigation in the future, particularly if the trading price of our common stock and our debt securities fluctuates significantly. We could also generally be subject to litigation, including derivative actions by our stockholders. Any litigation could result in substantial costs and divert management's attention and resources from our business and cause a material adverse effect on our business, financial condition and results of operations.

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 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 be unable to capitalize on certain 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. An increasing number of competitors may also have the effect of compressing our margins, which could harm our ability to retain employees, increase our operating costs, and decrease the amount and frequency of future distributions. 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. Organizational growth and scale-up of our investments could strain our existing managerial, investment, financial and other resources. Management of the Company's growth divert financial resources from other projects. Failure to manage our future growth effectively could lead to a decrease in our future distributions and have a material adverse effect on our business, financial condition and results of operations.

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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 being subject to excise taxes and to minimize or avoid being subject to income taxes, we intend to make distributions to our stockholders treated as dividends for U.S. federal income tax purposes generally of an amount at least equal to 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 NAV. This characteristic of closed-end investment companies is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our NAV. If our common stock trades below its NAV, 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 NAV could decline. In addition, our results of operations and financial condition could be adversely affected.

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

At June 30, 2017, portfolio investments, whose fair value is determined in good faith by the Board of Directors, were approximately 87.8% of our total assets. We expect our investments to continue to consist primarily of securities issued by privately-held companies, the fair value of which is not readily determinable. In addition, we are not permitted to maintain a general reserve for anticipated loan losses. Instead, we are required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value.

There is no single standard for determining fair value in good faith. We value these securities at fair value as determined in good faith by our Board of Directors, based on the recommendations of our Audit Committee. In making a good faith determination of the value of these securities, we generally start with the cost basis of each security, which includes the amortized original issue discount, or OID, and payment-in-kind, or PIK, interest, if any. The Audit Committee uses its best judgment in arriving at the fair value of these securities. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while applying a valuation process for the types of investments we make, which includes but is not limited to deriving a hypothetical exit price.

However, the Board of Directors retains ultimate authority as to the appropriate valuation of each investment. Because such valuations are inherently uncertain and may be based on estimates, our determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. We adjust quarterly the valuation of our portfolio to reflect the Board of Directors determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized appreciation or depreciation. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

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

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

As of June 30, 2017, we had no borrowings outstanding under the Wells Facility and the Union Bank Facility. In addition, as of June 30, 2017, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$258.5 million in aggregate principal amount of 6.25% notes due 2024 (the 2024 Notes), approximately \$230.0 million in aggregate principal amount of 4.375% convertible notes due 2022 (the 2022 Convertible Notes) and approximately \$87.7 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).

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 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 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 June 30, 2017 our asset coverage ratio under our regulatory requirements as a business development company was 241.9% 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 and was 206.7% when including all SBA leverage.

Based on assumed leverage equal to 93.8% of our net assets as of June 30, 2017, our investment portfolio would have been required to experience an annual return of at least 3.1% to cover annual interest payments on our additional indebtedness.

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

| | Annual Return on Our Portfolio (Net of Expenses) | | | | |
|--|---|----------|---------|-------|----------|
| | -10% | -5% | 0% | 5% | 10% |
| Corresponding return to stockholder ⁽¹⁾ | (25.54%) | (15.83%) | (6.11%) | 3.61% | (13.33%) |

(1) Assumes \$1.6 billion in total assets, \$766.4 million in debt outstanding, \$817.5 million in stockholders' equity, and an average cost of funds of 6.5%, which is the approximate average cost of borrowed funds, including our Credit Facilities, 2022 Convertible Notes, 2024 Notes, our SBA debentures and our 2021 Asset-Backed Notes for the period ended June 30, 2017. Actual interest payments may be different.

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

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

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

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

In addition to regulatory requirements that restrict our ability to raise capital, our Credit Facilities and the 2024 Notes contain various covenants which, if not complied with, could require accelerated repayment under the facility or require us to repurchase the 2024 Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

The credit agreements governing our Credit Facilities and the 2024 Notes require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, debt to equity and interest coverage. Our ability to continue to comply with these covenants in the future depends on many factors, some of which are beyond our control. There are no assurances that we will be able to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver from the lenders under our Credit Facilities and could accelerate repayment under the facilities or the 2024 Notes and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay a sufficient amount of distributions and

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maintain our ability to be subject to tax as a RIC. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases. See Management's Discussion and Analysis of Financial Condition of Results of Operations Borrowings.

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

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies. An inability to obtain debt capital may also limit our ability to refinance existing indebtedness, particularly during periods of adverse credit market conditions when refinancing indebtedness may not be available under interest rates and other terms acceptable to us or at all.

We are subject to certain risks as a result of our interests in connection with the 2014 Debt Securitization and our equity interest in the 2014 Securitization Issuer.

On November 13, 2014, in connection with the 2014 Debt Securitization and the offering of the 2021 Asset-Backed Notes by Hercules Capital Funding Trust 2014-1 (the 2014 Securitization Issuer), we sold and/or contributed to Hercules Capital Funding 2014-1 LLC, as trust depositor (the 2014 Trust Depositor), certain senior loans made to certain of our portfolio companies (the 2014 Loans), which the 2014 Trust Depositor in turn sold and/or contributed to the 2014 Securitization Issuer in exchange for 100% of the equity interest in the 2014 Securitization Issuer, cash proceeds and other consideration. Following these transfers, the 2014 Securitization Issuer, and not the 2014 Trust Depositor or us, held all of the ownership interest in the 2014 Loans.

As a result of the 2014 Debt Securitization, we hold, indirectly through the 2014 Trust Depositor, 100% of the equity interests in the 2014 Securitization Issuer. As a result, we consolidate the financial statements of the 2014 Trust Depositor and the 2014 Securitization Issuer, as well as our other subsidiaries, in our consolidated financial statements. Because the 2014 Trust Depositor and the 2014 Securitization Issuer is disregarded as an entity separate from its owners for U.S. federal income tax purposes, the sale or contribution by us to the 2014 Trust Depositor, and by the 2014 Trust Depositor to the 2014 Securitization Issuer, as applicable, did not constitute a taxable event for U.S. federal income tax purposes. If the U.S. Internal Revenue Service (IRS) were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

Further, a failure of the 2014 Securitization Issuer to be treated as a disregarded entity for U.S. federal income tax purposes would constitute an event of default pursuant to the indenture under the 2014 Debt Securitization, upon which the trustee under the 2014 Debt Securitization (the 2014 Trustee), may and will at the direction of a supermajority of the holders of the 2021 Asset-Backed Notes (the 2021 Noteholders), declare the 2021 Asset-Backed Notes, to be immediately due and payable and exercise remedies under the applicable indenture, including (i) to institute proceedings for the collection of all amounts then payable on the 2021 Asset-Backed Notes, or under the applicable indenture, enforce any judgment obtained, and collect from the 2014 Securitization Issuer and any other obligor upon the 2021 Asset-Backed Notes monies adjudged due; (ii) institute proceedings from time to time for the complete or partial foreclosure of the applicable indenture with respect to the property of the 2014 Securitization Issuer; (iii) exercise any remedies as a secured party under the relevant Uniform Commercial Code and take other appropriate action under applicable law to protect and enforce the rights and remedies of the 2014 Trustee and the 2021 Noteholders; or (iv) sell the property of the 2014 Securitization Issuer or any portion thereof or rights or interest therein at one or more public or private sales called and conducted in any matter permitted by law. Any such exercise of remedies could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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An event of default in connection with the 2014 Debt Securitization could give rise to a cross-default under our other material indebtedness.

The documents governing our other material indebtedness contain customary cross-default provisions that could be triggered if an event of default occurs in connection with the 2014 Debt Securitization. An event of default with respect to our other indebtedness could lead to the acceleration of such indebtedness and the exercise of other remedies as provided in the documents governing such other indebtedness. This could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

We may not receive cash distributions in respect of our indirect ownership interests in the 2014 Securitization Issuer.

Apart from fees payable to us in connection with our role as servicer of the 2014 Loans and the reimbursement of related amounts under the documents governing the 2014 Debt Securitization, we receive cash in connection with the 2014 Debt Securitization only to the extent that the 2014 Trust Depositor receives payments in respect of its equity interests in the 2014 Securitization Issuer. The respective holders of the equity interests in the 2014 Securitization Issuer are the residual claimants on distributions, if any, made by the 2014 Securitization Issuer after the respective 2021 Noteholders and other claimants have been paid in full on each payment date or upon maturity of the 2021 Asset-Backed Notes, subject to the priority of payments under the 2014 Debt Securitization documents governing the 2014 Debt Securitization. To the extent that the value of a 2014 Securitization Issuer's portfolio of loans is reduced as a result of conditions in the credit markets (relevant in the event of a liquidation event), other macroeconomic factors, distressed or defaulted loans or the failure of individual portfolio companies to otherwise meet their obligations in respect of the loans, or for any other reason, the ability of the 2014 Securitization Issuer to make cash distributions in respect of the 2014 Trust Depositor's equity interests would be negatively affected and consequently, the value of the equity interests in the 2014 Securitization Issuer would also be reduced. In the event that we fail to receive cash indirectly from the 2014 Securitization Issuer, we could be unable to make distributions, if at all, in amounts sufficient to maintain our ability to be subject to tax as a RIC.

The interests of the 2021 Noteholders may not be aligned with our interests.

The 2021 Asset-Backed Notes are debt obligations ranking senior in right of payment to the rights of the holder of the equity interests in the 2014 Securitization Issuer, as residual claimants in respect of distributions, if any, made by the 2014 Securitization Issuer. As such, there are circumstances in which the interests of the 2021 Noteholders may not be aligned with the interests of holders of the equity interests in the 2014 Securitization Issuer. For example, under the terms of the documents governing the 2014 Debt Securitization, the 2021 Noteholders have the right to receive payments of principal and interest prior to holders of the equity interests.

For as long as the 2021 Asset-Backed Notes remain outstanding, the respective 2021 Noteholders have the right to act in certain circumstances with respect to the 2014 Loans in ways that may benefit their interests but not the interests of the respective holders of the equity interests in the 2014 Securitization Issuer, including by exercising remedies under the documents governing the 2014 Debt Securitization.

If an event of default occurs, the 2021 Noteholders will be entitled to determine the remedies to be exercised, subject to the terms of the documents governing the 2014 Debt Securitization. For example, upon the occurrence of an event of default with respect to the 2021 Asset-Backed Notes, the 2014 Trustee may and will at the direction of the holders of a supermajority of the applicable 2021 Asset-Backed Notes declare the principal, together with any accrued interest, of the notes to be immediately due and payable. This would have the effect of accelerating the principal on such notes, triggering a repayment obligation on the part of the 2014 Securitization Issuer. The 2021 Asset-Backed Notes then outstanding will be paid in full before any further payment or distribution on the equity interest is made. There can be no assurance that there will be sufficient funds through collections on the 2014 Loans or through the proceeds of the sale of the 2014 Loans in the event of a bankruptcy or insolvency to repay in full the obligations under the 2021 Asset-Backed Notes, or to make any distribution to holders of the equity interests in the 2014 Securitization Issuer.

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Remedies pursued by the 2021 Noteholders could be adverse to our interests as the indirect holder of the equity interests in the 2014 Securitization Issuer. The 2021 Noteholders have no obligation to consider any possible adverse effect on such other interests. Thus, there can be no assurance that any remedies pursued by the 2021 Noteholders will be consistent with the best interests of the 2014 Trust Depositor or that we will receive, indirectly through the 2014 Trust Depositor, any payments or distributions upon an acceleration of the 2021 Asset-Backed Notes. Any failure of the 2014 Securitization Issuer to make distributions in respect of the equity interests that we indirectly hold, whether as a result of an event of default and the acceleration of payments on the 2021 Asset-Backed Notes or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

Certain events related to the performance of 2014 Loans could lead to the acceleration of principal payments on the 2021 Asset-Backed Notes.

The following constitute rapid amortization events (Rapid Amortization Events) under the documents governing the 2014 Debt Securitization: (i) the aggregate outstanding principal balance of delinquent 2014 Loans, and restructured 2014 Loans that would have been delinquent 2014 Loans had such loans not become restructured loans exceeds 10% of the current aggregate outstanding principal balance of the 2014 Loans for a period of three consecutive months; (ii) the aggregate outstanding principal balance of defaulted 2014 Loans exceeds 5% of the initial outstanding principal balance of the 2014 Loans determined as November 13, 2014 for a period of three consecutive months; (iii) the aggregate outstanding principal balance of the 2021 Asset-Backed Notes exceeds the borrowing base for a period of three consecutive months; (iv) the 2014 Securitization Issuer's pool of 2014 Loans contains 2014 Loans to ten or fewer obligors; and (v) the occurrence of an event of default under the documents governing the 2014 Debt Securitization. After a Rapid Amortization Event has occurred, subject to the priority of payments under the documents governing the 2014 Debt Securitization, principal collections on the 2014 Loans will be used to make accelerated payments of principal on the 2021 Asset-Backed Notes until the principal balance of the 2021 Asset-Back Notes is reduced to zero. Such an event could delay, reduce or eliminate the ability of the 2014 Securitization Issuer to make distributions in respect of the equity interests that we indirectly hold, which could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

We have certain repurchase obligations with respect to the 2014 Loans transferred in connection with the 2014 Debt Securitization.

As part of the 2014 Debt Securitization, we entered into a sale and contribution agreement and a sale and servicing agreement under which we would be required to repurchase any 2014 Loan (or participation interest therein) which was sold to the 2014 Securitization Issuer in breach of certain customary representations and warranty made by us or by the 2014 Trust Depositors with respect to such 2014 Loan or the legal structure of the 2014 Debt Securitization. To the extent that there is a breach of such representations and warranties and we fail to satisfy any such repurchase obligation, a 2014 Trustee may, on behalf of the 2014 Securitization Issuer, bring an action against us to enforce these repurchase obligations.

Our investments in a portfolio company, whether debt, equity, or a combination thereof, may lead to our receiving material non-public information (MNPI) or obtaining control of the target company. Our ability to exit an investment where we have MNPI or control could be limited and could result in a realized loss on the investment.

If we receive MNPI, or a controlling interest in a portfolio company, our ability to divest ourselves from a debt or equity investment could be restricted. Causes of such restriction could include market factors, such as liquidity in a private stock, or limited trading volume in a public company's securities, or regulatory factors, such as the receipt of MNPI or insider blackout periods, where we are under legal obligation not to sell. Additionally,

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we may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

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

Our business will require a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowings, securitization transactions or other indebtedness, or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities, other evidences of indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the 1940 Act, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash 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 distribution or purchase price. Our ability to pay distributions or issue additional senior securities would be restricted if our asset coverage ratio were not at least 200%. Legislation introduced in the U.S. House of Representatives during the 114th Congress proposed to modify this section of the 1940 Act and increase the amount of debt that business development companies may incur by modifying the asset coverage percentage from 200% to 150%. If such legislation is passed, we may be able to incur additional indebtedness in the future and, therefore, your risk of an investment in our securities may increase.

If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such transaction may be disadvantageous. As a result of issuing senior securities, we would also be exposed to risks associated with leverage, including an increased risk of loss. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights and might have rights, preferences, or privileges more favorable than those of our common stockholders and the issuance of preferred stock could have the effect of delaying, deferring, or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

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

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

We make both debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such

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company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

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

As a business development company, we may not acquire any assets other than qualifying assets as defined under the 1940 Act, unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See Regulation.

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

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

If we fail to continuously qualify as a business development company, we might be subject to regulation as a registered closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility, and lead to situations where we might have to restrict our borrowings, reduce our leverage, sell securities and pursue other activities that we are allowed to engage in as a business development company. In addition, failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us. For additional information on the qualification requirements of a business development company, see Regulation.

To the extent OID and PIK interest constitute a portion of our income, we will be exposed to risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include OID instruments and contractual PIK interest arrangements, which represents contractual interest added to a loan balance and due at the end of such loan's term. To the extent OID or PIK interest constitute a portion of our income, we are exposed to risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

The higher interest rates of OID and PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans.

Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation, which could lead to future losses.

OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK income may also create uncertainty about the source of our cash distributions.

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For accounting purposes, any cash distributions to stockholders representing OID and PIK income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. As a result, despite the fact that a distribution representing OID and PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

The deferral of PIK interest may have a negative impact on our liquidity as it represents non-cash income that may require cash distributions to our stockholders in order to maintain our ability to be subject to tax as a RIC.

If we are unable to satisfy Code requirements for qualification as a RIC, then we will be subject to corporate-level income tax, which would adversely affect our results of operations and financial condition.

We elected to be treated as a RIC for U.S. federal income tax purposes with the filing of our federal corporate income tax return for 2006. We will not qualify for the tax treatment allowable to RICs if we are unable to comply with the source of income, asset diversification and distribution requirements contained in Subchapter M of the Code, or if we fail to maintain our election to be regulated as a business development company under the 1940 Act. If we fail to qualify as a RIC for any reason and become subject to a corporate-level income tax, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders and the actual amount of our distributions. Such a failure would have a material adverse effect on us, the NAV of our common stock and the total return, if any, earned from your investment in our common stock.

We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.

In accordance with U.S. federal tax requirements, we are required to include in income for tax purposes certain amounts that we have not yet received in cash, such as OID and contractual PIK interest arrangements, which represent contractual interest added to a loan balance and due at the end of such loan's term. In addition to the cash yields received on our loans, in some instances, our loans generally include one or more of the following: exit fees, balloon payment fees, commitment fees, success fees or prepayment fees. In some cases our loans also include contractual PIK interest arrangements. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash.

Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in OID for tax purposes, which we must recognize as ordinary income, increasing the amount that we are required to distribute in order to be subject to tax as a RIC. Because these warrants generally will not produce distributable cash for us at the same time as we are required to make distributions in respect of the related OID, if ever, we would need to obtain cash from other sources or to pay a portion of our distributions using shares of newly issued common stock, consistent with IRS guidelines and the Code, to satisfy such distribution requirements.

Other features of the debt instruments that we hold may also cause such instruments to generate OID in excess of current cash interest received. Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to make distributions each taxable year to our stockholders treated as dividends for U.S. federal income tax purposes generally of an amount equal to at least 90% of our investment company taxable income, determined without regard to any deduction for dividends paid. Under such circumstances, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution

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requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify to be subject to tax as a RIC and, thus, become subject to a corporate-level income tax on all our taxable income (including any net realized securities gains).

Furthermore, we may invest in the equity securities of non-U.S. corporations (or other non-U.S. entities classified as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as passive foreign investment companies (PFICs) and/or controlled foreign corporations (CFCs). The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances, these rules also could require us to recognize taxable income or gains where we do not receive a corresponding payment in cash. Furthermore, under recently proposed Treasury Regulations, certain income derived by us either from a PFIC with respect to which we have made a certain U.S. tax election or from a CFC would generally constitute qualifying income for purposes of determining our ability to be subject to tax as a RIC only to the extent the PFIC or CFC respectively makes distributions of that income to us. As such, we may be restricted in our ability to make QEF elections with respect to our holdings in issuers that could either be treated as PFICs or CFCs in order to limit our tax liability or maximize our after-tax return from these investments.

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, OID or market discount, when and to what extent deductions may be taken for bad debts or worthless debt in 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 Certain United States Federal Income Tax Considerations Taxation as a Regulated Investment Company.

Legislative or regulatory tax changes could adversely affect you.

At any time, the U.S. 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.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We intend to make distributions on a quarterly basis to our stockholders. We cannot assure you that we will achieve investment results, or our business may not perform in a manner that will allow us to make a specified level of distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Also, our Credit Facilities limit our ability to declare distributions to our stockholders if we default under certain provisions of our Credit Facilities. Furthermore, while we may have undistributed earnings, those earnings may not yield distributions because we may incur unrealized losses or otherwise be unable to distribute such earnings.

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We have and may in the future choose to pay distributions in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

Under applicable Treasury regulations and other administrative authorities issued by the IRS, RICs are permitted to treat certain distributions payable in their stock, as taxable dividends that will satisfy their annual distribution obligations for U.S. federal income tax and excise tax purposes provided that stockholders have the opportunity to elect to receive all or a portion of such distribution in cash. Taxable stockholders receiving distributions will be required to include the full amount of such distributions as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on such distributions, then such sales may put downward pressure on the trading price of our stock. We may in the future determine to distribute taxable distributions that are partially payable in our common stock.

We are exposed to risks associated with changes in interest rates, including fluctuations in interest rates which could adversely affect our profitability or the value of our portfolio

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities, and, accordingly, may have a material adverse effect on our investment objective and rate of return on investment capital. A portion of our income will depend upon the difference between the rate at which we borrow funds and the interest rate on the debt securities in which we invest. Because we will borrow money to make investments and may issue debt securities, preferred stock or other securities, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities, preferred stock or other securities and the rate at which we invest these funds. Typically, we anticipate that our interest-earning investments will accrue and pay interest at both variable and fixed rates, and that our interest-bearing liabilities will generally accrue interest at fixed rates.

A significant increase in market interest rates could harm our ability to attract new portfolio companies and originate new loans and investments. In addition to potentially increasing the cost of our debt, increasing interest rates may also have a negative impact on our portfolio companies ability to repay or service their loans, which could enhance the risk of loan defaults. We expect that most of our current initial investments in debt securities will be at floating rate with a floor. However, in the event that we make investments in debt securities at variable rates, a significant increase in market interest rates could also result in an increase in our non-performing assets and a decrease in the value of our portfolio because our floating-rate loan portfolio companies may be unable to meet higher payment obligations. As of June 30, 2017, approximately 94.5% of our loans were at floating rates or floating rates with a floor and 5.5% of the loans were at fixed rates.

In periods of rising interest rates, our cost of funds would increase, resulting in a decrease in our net investment income. In addition, a decrease in interest rates may reduce net income, because new investments may be made at lower rates despite the increased demand for our capital that the decrease in interest rates may produce. We may, but will not be required to, hedge against the risk of adverse movement in interest rates in our short-term and long-term borrowings relative to our portfolio of assets. If we engage in hedging activities, it may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition, and results of operations.

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We may expose ourselves to risks if we engage in hedging transactions.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and there can be no assurance that any such hedging arrangements will achieve the desired effect. During the six-months ended June 30, 2017, we did not engage in any hedging activities.

Legislation may allow us to incur additional leverage.

As a business development company, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). If recent legislation introduced in the U.S. House of Representatives is passed, or similar legislation is introduced, it would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase. However, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

Two of our wholly-owned subsidiaries are licensed by the U.S. Small Business Administration, and as a result, we will be subject to SBA regulations, which could limit our capital or investment decisions.

Our wholly-owned subsidiaries HT II and HT III are licensed to act as SBICs and are regulated by the SBA. HT II and HT III hold approximately \$104.8 million and \$271.5 million in assets, respectively, and they accounted for approximately 5.8% and 14.9% of our total assets, respectively, prior to consolidation at June 30, 2017. The SBIC licenses allow our SBIC subsidiaries to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures.

The SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. If either HT II or HT III fail to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/ or limit HT II or HT III from making new investments. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries.

HT II and HT III were in compliance with the terms of the SBIC's leverage as of June 30, 2017 as a result of having sufficient capital as defined under the SBA regulations. Compliance with SBA requirements may cause HT II and HT III to forego attractive investment opportunities that are not permitted under SBA regulations. See Regulation Small Business Administration Regulations.

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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 June 30, 2017, 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.

Our wholly-owned SBIC subsidiaries may be unable to make distributions to us that will enable us to maintain RIC status, which could result in the imposition of an entity-level tax.

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level taxes, we will be required to distribute substantially all of our investment company taxable income, determined without regard to any deduction for dividends paid, and net capital gains, including income from certain of our subsidiaries, which includes the income from our SBIC subsidiaries. We will be partially dependent on our SBIC subsidiaries for cash distributions to enable us to meet the RIC distribution requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, as amended, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our ability to be subject to tax as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiaries to make certain distributions to maintain our ability to be subject to tax as a RIC. We cannot assure you that the SBA will grant such waiver. If our SBIC subsidiaries are unable to obtain a waiver, compliance with the SBA regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404

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of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted below), may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors and lenders to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our Board of Directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the market price of our common stock. Nevertheless, any such changes could materially and adversely affect our business and impair our ability to make distributions to our stockholders.

Changes in laws or regulations governing our business could negatively affect the profitability of our operations.

Changes in the laws or regulations, or the interpretations of the laws and regulations, which govern business development companies, SBICs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations, in addition to applicable foreign and international laws and regulations, and are subject to judicial and administrative decisions that affect our operations, including our loan originations maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition.

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NYSE have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. On July 21, 2010, the Dodd-Frank Wall Street Reform and Protection Act, as amended, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act, and the SEC has adopted, and will continue to adopt, additional rules and regulations that may impact us. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

In addition, our failure to maintain compliance with such rules, or for our management to appropriately address issues relating to our compliance with such rules fully and in a timely manner, exposes us to an increasing risk of inadvertent non-compliance. While the Company's management team takes reasonable efforts to ensure that the Company is in full compliance with all laws applicable to its operations, the increasing rate and

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extent of regulatory change increases the risk of a failure to comply, which may result in our ability to operate our business in the ordinary course or may subject us to potential fines, regulatory findings or other matters that may materially impact our business.

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.

Results may fluctuate and may not be indicative of future performance.

Our operating results may fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the investment origination volume and fee income earned, changes in the accrual status of our debt investments, variations in timing of prepayments, variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions.

We face cyber-security risks and the failure in cyber security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

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

The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

Terrorist attacks, acts of war or natural disasters may affect any market for our securities, impact the businesses in which we invest and harm our business, operating results and financial condition.

Terrorist acts, acts of war or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political

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uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

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

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

sudden electrical or telecommunication outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber-attacks.

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

We may be subject to restrictions on our ability to make distributions to our stockholders.

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

Further downgrades of the U.S. credit rating, automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

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Risks Related to Current Economic and Market Conditions

Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. While the capital markets have improved, these conditions could deteriorate again in the future. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and around the world, including in the Middle East, Eastern Europe and Russia, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. Several European Union (EU) countries, including Greece, Ireland, Italy, Spain, and Portugal, continue to face budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is also continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In July and August 2015, Greece reached agreements with its creditors for bailouts that provide aid in exchange for certain austerity measures. These and similar austerity measures may adversely affect world economic conditions and have an impact on our business and that of our portfolio companies. In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of trading in Chinese markets. In August 2015, Chinese authorities sharply devalued China's currency.

The broader fundamentals of the United States economy remain mixed. In the event that the United States economy contracts, it is likely that the financial results of small to mid-sized companies, like many of our portfolio companies, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, a prolonged continuation of the decline in oil and natural gas prices experienced over the last two years would adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy-related businesses. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles, industry cycles or other conditions, which could also have a negative impact on our future results.

The government of the United Kingdom (U.K.) held an in-or-out referendum on the U.K.'s membership in the EU on June 23, 2016. The referendum resulted in a vote in favor of the exit of the U.K. from the EU (Brexit). A process of negotiation will follow that will determine the future terms of the U.K.'s relationship with the EU. The uncertainty in the wake of the referendum could have a negative impact on both the U.K. economy and the economies of other countries in Europe. The Brexit process also may lead to greater volatility in the global currency and financial markets, which could adversely affect us. In connection with investments in non-U.S. issuers, we may engage in foreign currency exchange transactions but is not required to hedge its

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currency exposure. As such, we make investments that are denominated in British pound sterling or euros. Our assets are generally valued in U.S. dollars, and the depreciation of the British pound sterling and/or the euro in relation to the U.S. dollar in anticipation of Brexit would adversely affect our investments denominated in British pound sterling or euros that are not fully hedged regardless of the performance of their underlying issuers. Global central banks may maintain historically low interest rates longer than was anticipated prior to the Brexit vote, which could adversely affect our income and the level of our distributions.

These market and economic disruptions affect, and these and other similar market and economic disruptions may in the future affect, the U.S. capital markets, which could adversely affect our business and that of our portfolio companies. We cannot predict the duration of the effects related to these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Depending on funding requirements, we may need to raise additional capital to meet our unfunded commitments either through equity offerings or through additional borrowings.

As of June 30, 2017, we had approximately \$57.6 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones.

Our unfunded contractual commitments may be significant from time to time. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, our credit agreements contain customary lending provisions which allow us relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the company. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We believe that our assets provide adequate cover to satisfy all of our unfunded comments and we intend to use cash flow from normal and early principal repayments and proceeds from borrowings and notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

Changes relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association (BBA) in connection with the calculation of the London Interbank Offered Rate, or LIBOR, across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

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Actions by the BBA, regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. Potential changes, or uncertainty related to such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

Risks Related to Our Investments

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

We have invested and intend to continue investing in a limited number of technology-related companies and, we have recently seen an increase in the number of investments representing approximately 5% or more of our net asset value. 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 June 30, 2017, approximately 76.1% of the fair value of our portfolio was composed of investments in five industries: 31.5% investments in the drug discovery & development industry, 18.2% investments in the software industry, 10.4% investments in the media/content/info industry, 8.8% investments in the drug delivery industry, and 7.2% investments in the internet consumer & business services industry.

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

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we generally are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer, excluding limitations on investments in other investment companies. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. 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 portfolio diversification, and our investments could be concentrated in relatively few portfolio companies or industries.

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at June 30, 2017 that represent greater than 5% of our net assets:

| (in thousands) | June 30, 2017 | |
|--|---------------|--------------------------|
| | Fair Value | Percentage of Net Assets |
| Machine Zone, Inc. | \$ 108,996 | 13.3% |
| Axovant Sciences Ltd. | 56,570 | 6.9% |
| Insmed, Incorporated | 56,296 | 6.9% |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) | 51,998 | 6.4% |
| Fuze, Inc. | 49,990 | 6.1% |
| Proterra, Inc. | 42,130 | 5.2% |

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.

Axovant Sciences Ltd. is a clinical-stage biopharmaceutical company focused on acquiring, developing and commercializing novel therapeutics for the treatment of dementia.

Insmed, Incorporated is a biopharmaceutical company that focuses on the development of inhaled pharmaceuticals for the site-specific treatment of serious lung diseases.

Paratek Pharmaceuticals, Inc. is a biopharmaceutical company focused on the development and commercialization of innovative therapies based upon its expertise in novel tetracycline chemistry.

Fuze, Inc. is a technology company that provides a cloud-based unified communications-as-a-service platform to server message block, mid-market, and small enterprise customers worldwide.

Proterra, Inc. designs and manufactures zero-emission vehicles that enable bus fleet operators to eliminate the dependency on fossil fuels and significantly reduce operating costs.

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

Our investments may be in portfolio companies that have limited operating histories and resources.

We expect that our portfolio will continue to consist of investments that may have relatively limited operating histories. These companies may be particularly vulnerable to U.S. and foreign economic downturns may have more limited access to capital and higher funding costs, may have a weaker financial position and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from larger, more established companies with greater financial, technical and marketing resources. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation applicable to their given industry. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us, and may adversely affect the return on, or the recovery of, our investment in these companies. We cannot assure you that any of our investments in our portfolio companies will be successful. We may lose our entire investment in any or all of our portfolio companies.

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Investing in publicly traded companies can involve a high degree of risk and can be speculative.

We have invested, and expect to continue to invest, a portion of our portfolio in publicly traded companies or companies that are in the process of completing their initial public offering (IPO). As publicly traded companies, the securities of these companies may not trade at high volumes, and prices can be volatile, particularly during times of general market volatility, which may restrict our ability to sell our positions and may have a material adverse impact on us.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a business development company, we are not permitted to acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as a qualifying asset only if such issuer has a market capitalization that is less than \$250 million at the time of such investment and meets the other specified requirements.

Our investment strategy focuses on technology-related companies, which are subject to many risks, including volatility, intense competition, shortened product life cycles, changes in regulatory and governmental programs and periodic downturns, and you could lose all or part of your investment.

We have invested and will continue investing primarily in technology-related companies, many of which may have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. The revenues, income (or losses), and valuations of technology-related companies can and often do fluctuate suddenly and dramatically. In addition, technology-related industries are generally characterized by abrupt business cycles and intense competition. Overcapacity in technology-related industries, together with cyclical economic downturns, may result in substantial decreases in the market capitalization of many technology-related companies. Such decreases in market capitalization may occur again, and any future decreases in technology-related company valuations may be substantial and may not be temporary in nature. Therefore, our portfolio companies may face considerably more risk of loss than do companies in other industry sectors.

Because of rapid technological change, the average selling prices of products and some services provided by technology-related companies have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by technology-related companies may decrease over time, which could adversely affect their operating results, their ability to meet obligations under their debt securities and the value of their equity securities. This could, in turn, materially adversely affect our business, financial condition and results of operations.

Our investments in sustainable and renewable technology companies are subject to substantial operational risks, such as underestimated cost projections, unanticipated operation and maintenance expenses, loss of government subsidies, and inability to deliver cost-effective alternative energy solutions compared to traditional energy products. In addition, sustainable and renewable technology companies employ a variety of means of increasing cash flow, including increasing utilization of existing facilities, expanding operations through new construction or acquisitions, or securing additional long-term contracts. Thus, some energy companies may be subject to construction risk, acquisition risk or other risks arising from their specific business strategies. Furthermore, production levels for solar, wind and other renewable energies may be dependent upon adequate sunlight, wind, or biogas production, which can vary from market to market and period to period, resulting in volatility in production levels and profitability. Demand for sustainable and renewable technology is also influenced by the available supply and prices for other energy products, such as coal, oil and natural gases. A change in prices in these energy products could reduce demand for alternative energy.

A natural disaster may also impact the operations of our portfolio companies, including our technology-related portfolio companies. The nature and level of natural disasters cannot be predicted and may be exacerbated

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by global climate change. A portion of our technology-related portfolio companies rely on items assembled or produced in areas susceptible to natural disasters, and may sell finished goods into markets susceptible to natural disasters. A major disaster, such as an earthquake, tsunami, flood or other catastrophic event could result in disruption to the business and operations of our technology-related portfolio companies.

We will invest in technology-related companies that are reliant on U.S. and foreign regulatory and governmental programs. Any material changes or discontinuation, due to change in administration or U.S. Congress or otherwise could have a material adverse effect on the operations of a portfolio company in these industries and, in turn, impair our ability to timely collect principal and interest payments owed to us to the extent applicable.

We have invested in and may continue investing in technology-related companies that do not have venture capital or private equity firms as equity investors, and these companies may entail a higher risk of loss than do companies with institutional equity investors, which could increase the risk of loss of your investment.

Our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other cash requirements and, in most instances, to service the interest and principal payments on our investment. Portfolio companies that do not have venture capital or private equity investors may be unable to raise any additional capital to satisfy their obligations or to raise sufficient additional capital to reach the next stage of development. Portfolio companies that do not have venture capital or private equity investors may be less financially sophisticated and may not have access to independent members to serve on their boards, which means that they may be less successful than portfolio companies sponsored by venture capital or private equity firms. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are sponsored by venture capital or private equity firms.

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, which would also impact our ability to realize value since our exit from the investment may be subject to the portfolio company obtaining the necessary regulatory approvals. Our portfolio companies may be subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace.

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

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Cyclicality within the energy sector may adversely affect some of our portfolio companies.

Industries within the energy sector are cyclical with fluctuations in commodity prices and demand for, and production of commodities driven by a variety of factors. The highly cyclical nature of the industries within the energy sector may lead to volatile changes in commodity prices, which may adversely affect the earnings of energy companies in which we may invest and the performance and valuation of our portfolio.

Continuation of the decline in oil and natural gas prices for a prolonged period of time could have a material adverse effect on us.

A prolonged continuation of the decline in oil and natural gas prices would adversely affect (i) the credit quality of our debt investments in certain of our portfolio companies and (ii) the underlying operating performance of our portfolio companies' business that are heavily dependent upon the prices of, and demand for, oil and natural gas. A decrease in credit quality and the operating performance would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect our net asset value. Should the decline in oil and natural gas prices experienced over the last two years persist, it is likely that the ability of these portfolio companies to satisfy financial or operating covenants imposed by us or other lenders will be adversely affected, thereby negatively impacting their financial condition and their ability to satisfy their debt service and other obligations to us. Likewise, should the decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies' and other affected companies' cash flow and profit generating capacities would also be adversely affected thereby negatively impacting their ability to pay us dividends or distributions on our equity investments.

Our investments in the life sciences industry are subject to extensive government regulation, litigation risk and certain other risks particular to that industry.

We have invested and plan to continue investing in companies in the life sciences industry that are subject to extensive regulation by the Food and Drug Administration, or the FDA, and to a lesser extent, other federal, state and other foreign agencies. If any of these portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Portfolio companies that produce medical devices or drugs are subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace. In addition, governmental budgetary constraints effecting the regulatory approval process, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a portfolio company in this industry. Portfolio companies in the life sciences industry may also have a limited number of suppliers of necessary components or a limited number of manufacturers for their products, and therefore face a risk of disruption to their manufacturing process if they are unable to find alternative suppliers when needed. Any of these factors could materially and adversely affect the operations of a portfolio company in this industry and, in turn, impair our ability to timely collect principal and interest payments owed to us.

Our investments in the drug discovery industry are subject to numerous risks, including competition, extensive government regulation, product liability and commercial difficulties.

Our investments in the drug discovery industry are subject to numerous risks. The successful and timely implementation of the business model of our drug discovery portfolio companies depends on their ability to adapt to changing technologies and introduce new products. As competitors continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety, patient's and clinician's ease of use and cost-effectiveness are important to the success of such portfolio companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors. Failure by our portfolio companies to introduce planned products or other new products or to introduce products on schedule could have a material adverse effect on our business, financial condition and results of operations.

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Further, the development of products by drug discovery companies requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the U.S. and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others.

Future legislation, and/or regulations and policies adopted by the FDA or other U.S. or foreign regulatory authorities may increase the time and cost required by some of our portfolio companies to conduct and complete clinical trials for the product candidates that they develop, and there is no assurance that these companies will obtain regulatory approval to market and commercialize their products in the U.S. and in foreign countries.

The FDA has established regulations, guidelines and policies to govern the drug development and approval process, as have foreign regulatory authorities, which affect some of our portfolio companies. Any change in regulatory requirements due to the adoption by the FDA and/or foreign regulatory authorities of new legislation, regulations, or policies may require some of our portfolio companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost, timing and completion of the clinical trials.

In addition, increased scrutiny by the U.S. Congress of the FDA's and other authorities approval processes may significantly delay or prevent regulatory approval, as well as impose more stringent product labeling and post-marketing testing and other requirements. Foreign regulatory authorities may also increase their scrutiny of approval processes resulting in similar delays. Increased scrutiny and approvals processes may limit the ability of our portfolio companies to market and commercialize their products in the U.S. and in foreign countries.

Life sciences companies, including drug development companies, device manufacturers, service providers and others, are also subject to material pressures when there are changes in the outlook for healthcare insurance markets. The ability for individuals, along with private and public insurers, to account for the costs of paying for healthcare insurance can place strain on the ability of new technology, devices and services to enter those markets, particularly when they are new or untested. As a result, it is not uncommon for changes in the insurance market place to lead to a slower rate of adoption, price pressure and other forces that may materially limit the success of companies bringing such technologies to market. Changes in the health insurance sector might then have an impact on the value of companies in our portfolio or our ability to invest in the sector generally.

Changes in healthcare laws and other regulations, or the enforcement or interpretation of such laws or regulations, applicable to some of our portfolio companies' businesses may constrain their ability to offer their products and services.

Changes in healthcare or other laws and regulations, or the enforcement or interpretation of such laws or regulations, applicable to the businesses of some of our portfolio companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies.

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Additionally, because of the continued uncertainty surrounding the healthcare industry under the Trump Administration, including the potential for further legal challenges or repeal of existing legislation, we cannot quantify or predict with any certainty the likely impact on our portfolio companies, our business model, prospects, financial condition or results of operations. We also anticipate that Congress, state legislatures, and third-party payors may continue to review and assess alternative healthcare delivery and payment systems and may in the future propose and adopt legislation or policy changes or implementations effecting additional fundamental changes in the healthcare delivery system. We cannot assure you as to the ultimate content, timing, or effect of changes, nor is it possible at this time to estimate the impact of any such potential legislation on certain of our portfolio companies, our business model, prospects, financial condition or results of operations.

Price declines and illiquidity in the corporate debt markets could adversely affect the fair value of our portfolio investments, reducing our NAV through increased net unrealized depreciation.

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair market value as determined in good faith by or under the direction of our Board of Directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect our investment valuations. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our NAV by increasing net unrealized depreciation in our portfolio.

Depending on market conditions, we could incur substantial realized losses and may suffer substantial unrealized depreciation in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Economic recessions or slowdowns could impair the ability of our portfolio companies to repay loans, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and have a material adverse effect on our results of operations.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions in both the U.S. and foreign countries, and may be unable to repay our loans during such periods. Therefore, during such periods, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

In particular, intellectual property owned or controlled by our portfolio companies may constitute an important portion of the value of the collateral of our loans to our portfolio companies. Adverse economic conditions may decrease the demand for our portfolio companies' intellectual property and consequently its value in the event of a bankruptcy or required sale through a foreclosure proceeding. As a result, our ability to fully recover the amounts owed to us under the terms of the loans may be impaired by such events.

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A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of the portfolio company's loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

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.

The health and performance of our portfolio companies could be adversely affected by political and economic conditions in the countries in which they conduct business.

Some of the products of our portfolio companies are developed, manufactured, assembled, tested or marketed outside the U.S. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns, political unrest or safety concerns, among other things, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution and could impair our ability to service our borrowings.

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our investment portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings.

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A lack of IPO or merger and acquisition opportunities may cause companies to stay in our portfolio longer, leading to lower returns, unrealized depreciation, or realized losses.

A lack of IPO or merger and acquisition (M&A) opportunities for venture capital-backed companies could lead to companies staying longer in our portfolio as private entities still requiring funding. This situation may adversely affect the amount of available funding for early-stage companies in particular as, in general, venture-capital firms are being forced to provide additional financing to late-stage companies that cannot complete an IPO or M&A transaction. In the best case, such stagnation would dampen returns, and in the worst case, could lead to unrealized depreciation and realized losses as some companies run short of cash and have to accept lower valuations in private fundings or are not able to access additional capital at all. A lack of IPO or M&A opportunities for venture capital-backed companies can also cause some venture capital firms to change their strategies, leading some of them to reduce funding of their portfolio companies and making it more difficult for such companies to access capital and to fulfill their potential, which can result in unrealized depreciation and realized losses in such companies by other companies such as ourselves who are co-investors in such companies.

The majority of our portfolio companies will need multiple rounds of additional financing to repay their debts to us and continue operations. Our portfolio companies may not be able to raise additional financing, which could harm our investment returns.

The majority of our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other cash requirements and, in most instances, to service the interest and principal payments on our investment. Each round of venture financing is typically intended to provide a company with only enough capital to reach the next stage of development. We cannot predict the circumstances or market conditions under which our portfolio companies will seek additional capital. It is possible that one or more of our portfolio companies will not be able to raise additional financing or may be able to do so only at a price or on terms unfavorable to us, either of which would negatively impact our investment returns. Some of these companies may be unable to obtain sufficient financing from private investors, public capital markets or traditional lenders. This may have a significant impact if the companies are unable to obtain certain federal, state or foreign agency approval for their products or the marketing thereof, of if regulatory review processes extend longer than anticipated, and the companies need continued funding for their operations during these times. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are able to utilize traditional credit sources.

If the assets securing the loans that we make decrease in value, then we may lack sufficient collateral to cover losses.

To attempt to mitigate credit risks, we will typically take a security interest in the available assets of our portfolio companies. There is no assurance that we will obtain or properly perfect our liens.

There is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of a portfolio company to raise additional capital. In some circumstances, our lien could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or that we will be able to collect on the loan should we be forced to enforce our remedies.

In addition, because we invest in technology-related companies, a substantial portion of the assets securing our investment may be in the form of intellectual property, if any, inventory and equipment and, to a lesser extent, cash and accounts receivable. Intellectual property, if any, that is securing our loan could lose value if, among other things, the company's rights to the intellectual property are challenged or if the company's license to the intellectual property is revoked or expires, the technology fails to achieve its intended results or a new technology makes the intellectual property functionally obsolete. Inventory may not be adequate to secure our loan if our valuation of the inventory at the time that we made the loan was not accurate or if there is a reduction in the demand for the inventory.

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Similarly, any equipment securing our loan may not provide us with the anticipated security if there are changes in technology or advances in new equipment that render the particular equipment obsolete or of limited value, or if the company fails to adequately maintain or repair the equipment. Any one or more of the preceding factors could materially impair our ability to recover earned interest and principal in a foreclosure.

At June 30, 2017, approximately 40.2% of our portfolio company debt investments were secured by a first priority security in all of the assets of the portfolio company, including their intellectual property, 45.7% of the debt investments were to portfolio companies that were prohibited from pledging or encumbering their intellectual property, or subject to a negative pledge and, 14.1% of the 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. At June 30, 2017 we had no equipment only liens on any of our portfolio companies.

We may suffer a loss if a portfolio company defaults on a loan and the underlying collateral is not sufficient.

In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. In addition, we sometimes make loans that are unsecured, which are subject to the risk that other lenders may be directly secured by the assets of the portfolio company. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying assets. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the portfolio company prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

In the event of bankruptcy of a portfolio company, we may not have full recourse to its assets in order to satisfy our loan, or our loan may be subject to equitable subordination. This means that depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance, if any, to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, certain of our loans are subordinate to other debt of the portfolio company. If a portfolio company defaults on our loan or on debt senior to our loan, or in the event of a portfolio company bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through standstill periods) and control decisions made in bankruptcy proceedings relating to the portfolio company. Bankruptcy and portfolio company litigation can significantly increase collection losses and the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value, causing us to suffer losses.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a portfolio company may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a portfolio company's ability to refinance our loan because the underlying collateral cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer a loss which may adversely impact our financial performance.

The inability of our portfolio companies to commercialize their technologies or create or develop commercially viable products or businesses would have a negative impact on our investment returns.

The possibility that our portfolio companies will not be able to commercialize their technology, products or business concepts presents significant risks to the value of our investment. Additionally, although some of our portfolio companies may already have a commercially successful product or product line when we invest, technology-related products and services often have a more limited market- or life-span than have products in

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other industries. Thus, the ultimate success of these companies often depends on their ability to continually innovate, or raise additional capital, in increasingly competitive markets. Their inability to do so could affect our investment return. In addition, the intellectual property held by our portfolio companies often represents a substantial portion of the collateral, if any, securing our investments. We cannot assure you that any of our portfolio companies will successfully acquire or develop any new technologies, or that the intellectual property the companies currently hold will remain viable. Even if our portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither our portfolio companies nor we have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of our portfolio companies may not be successful.

An investment strategy focused on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.

We invest primarily in privately-held companies. Generally, very little public information exists about these companies, and we are required to rely on the ability of our management and investment teams to obtain adequate information to evaluate the potential returns from investing in these companies. Such small, privately held companies as we routinely invest in may also lack quality infrastructures, thus leading to poor disclosure standards or control environments. If we are unable to uncover all material information about these companies, then we may not make a fully informed investment decision, and we may not receive the expected return on our investment or lose some or all of the money invested in these companies.

Also, privately-held companies frequently have less diverse product lines and a smaller market presence than do larger competitors. Privately-held companies are, thus, generally more vulnerable to economic downturns and may experience more substantial variations in operating results than do larger competitors. These factors could affect our investment returns and our results of operations and financial condition.

In addition, our success depends, in large part, upon the abilities of the key management personnel of our portfolio companies, who are responsible for the day-to-day operations of our portfolio companies. Competition for qualified personnel is intense at any stage of a company's development, and high turnover of personnel is common in technology-related companies. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. Our portfolio companies may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively impact our investment returns and our results of operations and financial condition.

If our portfolio companies are unable to protect their intellectual property rights, or are required to devote significant resources to protecting their intellectual property rights, then our investments could be harmed.

Our future success and competitive position depend in part upon the ability of our portfolio companies to obtain and maintain proprietary technology used in their products and services, which will often represent a significant portion of the collateral, if any, securing our investment. The portfolio companies will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation in order to enforce their patents, copyrights or other intellectual property rights, to protect their trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe upon or misappropriate a third party's patent or other proprietary rights, that portfolio company could be required to pay damages to such third party, alter its own products or processes, obtain a license from the third party and/or cease activities utilizing such proprietary rights, including making or selling products utilizing such proprietary rights. Any of the foregoing events could negatively affect both the portfolio company's ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

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We generally will not control our portfolio companies.

In some instances, we may control our portfolio companies or provide our portfolio companies with significant managerial assistance. However, we generally do not, and do not expect to, control the decision making in many of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest will make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, will take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that would decrease the value of our portfolio holdings.

Our financial condition, results of operations and cash flows could be negatively affected if we are unable to recover our principal investment as a result of a negative pledge or lack of a security interest on the intellectual property of our venture growth stage companies.

In some cases, we collateralize our loans with a secured collateral position in a portfolio company's assets, which may include a negative pledge or, to a lesser extent, no security on their intellectual property. In the event of a default on a loan, the intellectual property of the portfolio company will most likely be liquidated to provide proceeds to pay the creditors of the company. There can be no assurance that our security interest, if any, in the proceeds of the intellectual property will be enforceable in a court of law or bankruptcy court or that there will not be others with senior or *pari passu* credit interests.

Our relationship with certain portfolio companies may expose us to our portfolio companies' trade secrets and confidential information which may require us to be parties to non-disclosure agreements and restrict us from engaging in certain transactions.

Our relationship with some of our portfolio companies may expose us to our portfolio companies' trade secrets and confidential information (including transactional data and personal data about their employees and clients) which may require us to be parties to non-disclosure agreements and restrict us from engaging in certain transactions. Unauthorized access or disclosure of such information may occur, resulting in theft, loss or other misappropriation. Any theft, loss, improper use, such as insider trading or other misappropriation of confidential information could have a material adverse impact on our competitive positions, our relationship with our portfolio companies and our reputation and could subject us to regulatory inquiries, enforcement and fines, civil litigation (which may cause us to incur significant expense or expose us to losses) and possible financial liability or costs.

Portfolio company litigation could result in additional costs, the diversion of management time and resources and have an adverse impact on the fair value of our investment.

To the extent that litigation arises with respect to any of our portfolio companies, we may be named as a defendant, which could result in additional costs and the diversion of management time and resources. Furthermore, if we are providing managerial assistance to the portfolio company or have representatives on the portfolio company's board of directors, our costs and diversion of our management's time and resources in assessing the portfolio company could be substantial in light of any such litigation regardless of whether we are named as a defendant. In addition, litigation involving a portfolio company may be costly and affect the operations of the portfolio company's business, which could in turn have an adverse impact on the fair value of our investment in such company.

We may not be able to realize our entire investment on equipment-based loans, if any, in the case of default.

We may from time-to-time provide loans that will be collateralized only by equipment of the portfolio company. If the portfolio company defaults on the loan we would take possession of the underlying equipment to

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satisfy the outstanding debt. The residual value of the equipment at the time we would take possession may not be sufficient to satisfy the outstanding debt and we could experience a loss on the disposition of the equipment. At June 30, 2017, we had no equipment-based loans.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Our total investments at value in foreign companies were approximately \$126.0 million or 8.9% of total investments at June 30, 2017. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility, among other things.

If our investments do not meet our performance expectations, you may not receive distributions.

We intend to make distributions on a quarterly basis to our stockholders. We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Also, restrictions and provisions in any future credit facilities may limit our ability to make distributions. As a RIC, if we do not distribute a certain percentage of our income each taxable year, we will suffer adverse tax consequences, including failure to obtain, or possible loss of, the U.S. federal income tax benefits allowable to RICs. We cannot assure you that you will receive distributions at a particular level or at all.

We may not have sufficient funds to make follow-on investments. Our decision not to make a follow-on investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity or need to increase our investment in a successful situation or attempt to preserve or enhance the value of our initial investment, for example, the exercise of a warrant to purchase common stock, or a negative situation, to protect an existing investment. We have the discretion to make any follow-on investments, subject to the availability of capital resources and regulatory considerations. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. Any decision we make not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us to increase our participation in a successful operation and may dilute our equity interest or otherwise reduce the expected yield on our investment. Moreover, a follow-on investment may limit the number of companies in which we can make initial investments. In determining whether to make a follow-on investment, our management will exercise its business judgment and apply criteria similar to those used when making the initial investment. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments and this could adversely affect our success and result in the loss of a substantial portion or all of our investment in a portfolio company.

The lack of liquidity in our investments may adversely affect our business and, if we need to sell any of our investments, we may not be able to do so at a favorable price. As a result, we may suffer losses.

We generally invest in debt securities with terms of up to seven years and hold such investments until maturity, and we do not expect that our related holdings of equity securities will provide us with liquidity

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opportunities in the near-term. We invest and expect to continue investing in companies whose securities have no established trading market and whose securities are and will be subject to legal and other restrictions on resale or whose securities are and will be less liquid than are publicly-traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, to maintain our qualification as a business development company and as a RIC, we may have to dispose of investments if we do not satisfy one or more of the applicable criteria under the respective regulatory frameworks.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases, portfolio companies will be permitted to incur other debt, or issue other equity securities, that rank equally with, or senior to, our investment. Such instruments may provide that the holders thereof are entitled to receive payment of distributions, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company might not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on a pari passu basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, we may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as junior lenders are adversely affected.

Our warrant and equity-related investments are highly speculative, and we may not realize gains from these investments. If our warrant and equity-related investments do not generate gains, then the return on our invested capital will be lower than it would otherwise be, which could result in a decline in the value of shares of our common stock.

When we invest in debt securities, we generally expect to acquire warrants or other equity-related securities as well. Our goal is ultimately to dispose of these equity interests and realize gains upon disposition of such interests. Over time, the gains that we realize on these equity interests may offset, to some extent, losses that we experience on defaults under debt securities that we hold. However, the equity interests that we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses that we experience. In addition, we anticipate that approximately 50% of our warrants may not realize and exit or generate any returns. Furthermore, because of the GAAP requirements, of those approximately 50% of warrants that do not realize and exit, the assigned costs to the initial warrants may lead to realized write-offs when the warrants either expire or are not exercised.

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Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

During the six-months ended June 30, 2017, we received debt investment early principal repayments and pay down of working capital debt investments of approximately \$338.8 million. We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay distributions, could adversely affect our results of operation and financial condition and cause the loss of all or part of your investment.

We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

Our loans could be subject to equitable subordination by a court which would increase our risk of loss with respect to such loans or we could be subject to lender liability claims.

Courts may apply the doctrine of equitable subordination to subordinate the claim or lien of a lender against a borrower to claims or liens of other creditors of the borrower, when the lender or its affiliates is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lender or its affiliates is found to have exerted inappropriate control over a client, including control resulting from the ownership of equity interests in a client or providing of significant managerial assistance. We have made direct equity investments or received warrants in connection with loans. These investments represent approximately 7.7% of the outstanding value of our investment portfolio as of June 30, 2017. Payments on one or more of our loans, particularly a loan to a client in which we also hold an equity interest, may be subject to claims of equitable subordination. If we were deemed to have the ability to control or otherwise exercise influence over the business and affairs of one or more of our portfolio companies resulting in economic hardship to other creditors of that company, this control or influence may constitute grounds for equitable subordination and a court may treat one or more of our loans as if it were unsecured or common equity in the portfolio company. In that case, if the portfolio company were to liquidate, we would be entitled to repayment of our loan on a pro-rata basis with other unsecured debt or, if the effect of subordination was to place us at the level of common equity, then on an equal basis with other holders of the portfolio company's common equity only after all of its obligations relating to its debt and preferred securities had been satisfied.

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In addition to these risks, in the event we elect to convert our debt position to equity, or otherwise take control of a portfolio company (such as through placing a member of our management team on its board of directors), as part of a restructuring, we face additional risks acting in that capacity. It is not uncommon for unsecured, or otherwise unsatisfied creditors, to sue parties that elect to use their debt positions to later control a company following a restructuring or bankruptcy. Apart from lawsuits, key customers and suppliers might act in a fashion contrary to the interests of a portfolio company if they were left unsatisfied in a restructuring or bankruptcy. Any combination of these factors might lead to the loss in value of a company subject to such activity and may divert the time and attention of our management team and investment team to help to address such issues in a portfolio company.

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

Some of our portfolio companies in the healthcare industry are subject to risks associated with the pricing for prescription drugs. It is uncertain whether customers of our healthcare industry portfolio companies will continue to utilize established prescription drug pricing methods, or whether other pricing benchmarks will be adopted for establishing prices within the industry. Legislation may lead to changes in the pricing for Medicare and Medicaid programs. Regulators have conducted investigations into the use of prescription drug pricing methods for federal program payment, and whether such methods have inflated drug expenditures by the Medicare and Medicaid programs. Federal and state proposals have sought to change the basis for calculating payment of certain drugs by the Medicare and Medicaid programs. Additionally, President Trump has taken actions and made statements that suggest he plans to seek repeal of all or portions of the Affordable Care Act, or the ACA. In May 2017, the House of Representatives voted to pass the American Health Care Act, or the AHCA. As proposed, the AHCA would repeal many provisions of the ACA. The Senate is expected to consider an alternative version of the AHCA and it is expected that Congress will continue to consider this or similar legislation to repeal and replace some or all elements of the ACA. There is currently uncertainty with respect to the impact any such repeal may have and any resulting changes may take time to unfold, which could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the ACA. We cannot predict the ultimate content, timing or effect of any such legislation or executive action or the impact of potential legislation or executive action on us. Any changes to the method for calculating prescription drug costs may reduce the revenues of our portfolio companies in the healthcare industry which could in turn impair their ability to timely make any principal and interest payments owed to us.

Risks Related to Our Securities

Investing in shares of our common stock involves an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk, volatility or loss of principal than alternative investment options. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

Our common stock may trade below its NAV per share, which limits our ability to raise additional equity capital.

If our common stock is trading below its NAV per share, we will generally 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 our common stock trades below NAV, the higher cost of equity capital may result in it being unattractive to raise new equity, which may limit our ability to grow. The risk of trading below NAV is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our NAV.

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Provisions of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

Our charter and bylaws contain provisions that may have the effect of discouraging, delaying, or making difficult a change in control of our company or the removal of our incumbent directors. Under our charter, our Board of Directors is divided into three classes serving staggered terms, which will make it more difficult for a hostile bidder to acquire control of us. In addition, our Board of Directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Subject to compliance with the 1940 Act, our Board of Directors may, without stockholder action, amend our charter to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third party bids for ownership of our company. These provisions may prevent any premiums being offered to you for shares of our common stock in connection with a takeover.

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 (including as a result of the conversion of our 2022 Convertible Notes, issued in January 2017, into common stock), could adversely affect the prevailing market prices for our common stock, which may also lead to further dilution of our earnings per share resulting from the outstanding shares attributable to the conversion of the 2022 Convertible Notes. 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 NAV 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 NAV per share of common stock. Any such issuance could materially dilute your interest in our common stock and reduce our NAV per share.

We may periodically obtain the approval of our stockholders to issue shares of our common stock at prices below the then current NAV 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 NAV 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 NAV 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 NAV 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 NAV 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 NAV 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 NAV 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 NAV.

If we conduct an offering of our common stock at a price below NAV, 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 NAV per share. We may, however, sell our common stock, at a price below the current NAV of the common stock, or sell warrants,

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options or other rights to acquire such common stock, at a price below the current NAV 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.

In connection with the receipt of such stockholder approval, we 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 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. If we were to issue shares at a price below NAV, such sales would result in an immediate dilution to existing common stockholders, which would include a reduction in the NAV per share as a result of the issuance. This dilution would also include a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

In addition, if we determined to conduct additional offerings in the future there may be even greater dilution if we determine to conduct such offerings at prices below NAV. 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 NAV during the six-months ended June 30, 2017.

We may allocate the net proceeds from an offering in ways with which you may not agree.

We have significant flexibility in investing the net proceeds of an offering and may use the net proceeds from an offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

If we issue preferred stock, debt securities or convertible debt securities, the NAV and market value of our common stock may become more volatile.

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the NAV and market value of our common stock to become more volatile. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the NAV of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in NAV to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in NAV would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or our current investment income might not be sufficient to meet the distribution requirements on the preferred stock or the interest payments on the debt securities. If we do not maintain our required asset coverage ratios, we may not be permitted to declare dividend distributions. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

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Holders of any preferred stock that we may issue will have the right to elect members of the Board of Directors and have class voting rights on certain matters.

The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open-end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our ability to be subject to tax as a RIC.

Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.

If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

Additionally, we may redeem the 2024 Notes after July 30, 2017 at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments. If we choose to redeem the 2024 Notes when the fair market value of the 2024 Notes is above par value, you would experience a loss of any potential premium.

Our shares may trade at discounts from NAV or at premiums that are unsustainable over the long term.

Shares of business development companies may trade at a market price that is less than the NAV that is attributable to those shares. Our shares have historically traded above and below our NAV. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV may decrease. It is not possible to predict whether our shares will trade at, above or below NAV in the future.

Our credit ratings may not reflect all risks of an investment in our debt securities.

Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed herein on the market value of or trading market for the publicly issued debt securities.

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

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our outstanding debt and equity securities. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of such debt and equity securities. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion.

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Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of our debt and equity securities of any changes in our credit ratings. There can be no assurance that a credit rating will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely if future circumstances relating to the basis of the credit rating, such as adverse changes in our company, so warrant. An increase in the competitive environment, inability to cover distributions, or increase in leverage could lead to a downgrade in our credit ratings and limit our access to the debt and equity markets capability impairing our ability to grow the business. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future.

Investors in offerings of our common stock will likely incur immediate dilution upon the closing of an offering pursuant to this prospectus.

We generally expect the public offering price of any offering of shares of our common stock to be higher than the book value per share of our outstanding common stock (unless we offer shares pursuant to a rights offering or after obtaining prior approval for such issuance from our stockholders and our independent directors). Accordingly, investors purchasing shares of common stock in offerings pursuant to this prospectus may pay a price per share that exceeds the tangible book value per share after such offering.

Our stockholders may experience dilution upon the conversion of our 2022 Convertible Notes.

Our 2022 Convertible Notes, issued in January 2017, are convertible into shares of our common stock beginning on August 1, 2021 or, under certain circumstances, earlier. Upon conversion of the 2022 Convertible 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 initial conversion price of the 2022 Convertible Notes is \$16.41, subject to adjustment in certain circumstances. If we elect to deliver shares of common stock upon a conversion at the time our NAV per share exceeds the conversion price in effect at such time, our stockholders may 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 2022 Convertible Notes and any distributions paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

All distributions in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

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 generally will 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, determined without regard to any deduction for dividends paid, and net capital gains for that taxable year. In such a situation, the amount by which our total distributions exceed investment company taxable income, determined without regard to any deduction for dividends paid, 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 generally 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

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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. The tax liability to stockholders upon the sale of shares may increase even if such shares are sold at a loss.

Our common stock price has been and continues to be volatile and may decrease substantially.

As with any company, the price of our common stock will fluctuate with market conditions and other factors, which include, but are not limited to, the following:

price and volume fluctuations in the overall stock market from time to time;

significant volatility in the market price and trading volume of securities of RICs, business development companies or other financial services companies;

any inability to deploy or invest our capital;

fluctuations in interest rates;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

the financial performance of specific industries in which we invest in on a recurring basis;

announcement of strategic developments, acquisitions, and other material events by us or our competitors, or operating performance of companies comparable to us;

changes in regulatory policies or tax guidelines with respect to RICs, SBICs or business development companies;

losing our ability to either qualify or be subject to U.S. federal income tax as a RIC;

actual or anticipated changes in our earnings or fluctuations in our operating results, or changes in the expectations of securities analysts;

changes in the value of our portfolio of investments;

realized losses in investments in our portfolio companies;

general economic conditions and trends;

inability to access the capital markets;

loss of a major funded source; or

departure of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and could divert management's attention and resources from our business.

We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

Delays in investing the net proceeds raised in an offering or from exiting an investment or other capital may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a

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positive return. We may be unable to invest the net proceeds of any offering or from exiting an investment or other capital on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest the capital primarily in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less or use the net proceeds from such offerings to reduce then-outstanding debt obligations, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of any offering or from exiting an investment or other capital are invested in new securities meeting our investment objective, the market price for our securities may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our NAV per share, then you will experience an immediate dilution of the aggregate NAV of your shares.

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to this prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the NAV per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate NAV of their shares as a result of the offering. The amount of any decrease in NAV is not predictable because it is not known at this time what the subscription price and NAV per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial.

The trading market or market value of our publicly issued debt securities may fluctuate.

Our publicly issued debt securities may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

the time remaining to the maturity of these debt securities;

the outstanding principal amount of debt securities with terms identical to these debt securities;

the ratings assigned by national statistical ratings agencies;

the general economic environment;

the supply of debt securities trading in the secondary market, if any;

the redemption or repayment features, if any, of these debt securities;

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the level, direction and volatility of market interest rates generally; and

market rates of interest higher or lower than rates borne by the debt securities. You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

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The 2024 Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The 2024 Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, while the 2024 Notes remain senior in priority to our equity securities, they are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the 2024 Notes.

The 2024 Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The 2024 Notes are obligations exclusively of Hercules Capital, Inc. (formerly known as Hercules Technology Growth Capital, Inc.) and not of any of our subsidiaries. None of our subsidiaries are or act as guarantors of the 2024 Notes and the 2024 Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Our secured indebtedness with respect to the SBA debentures is held through our SBIC subsidiaries. The assets of any such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the 2024 Notes.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the 2024 Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be structurally subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the 2024 Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the 2024 Notes.

The indenture under which the 2024 Notes were issued contains limited protection for the holders of the 2024 Notes.

The indenture under which 2024 Notes were issued offers limited protection to the holders of the 2024 Notes. The terms of the indenture and the 2024 Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on an investment in the 2024 Notes. In particular, the terms of the indenture and the 2024 Notes do not place any restrictions on our or our subsidiaries' ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 2024 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 2024 Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 2024 Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 2024 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act or any successor provisions;

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pay distributions on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the 2024 Notes, in each case other than distributions, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act or any successor provisions giving effect to any exemptive relief granted to us by the SEC (these provisions generally prohibit us from declaring any cash distributions upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the distribution or the purchase and after deducting the amount of such distribution or purchase);

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

enter into transactions with affiliates;

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

make investments; or

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

The indenture and the 2024 Notes do not require us to offer to purchase the 2024 Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the 2024 Notes do not protect their respective holders in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 2024 Notes may have important consequences for their holders, including making it more difficult for us to satisfy our obligations with respect to the 2024 Notes or negatively affecting their trading value.

Certain of our current debt instruments include more protections for their respective holders than the indenture and the 2024 Notes. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the 2024 Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 2024 Notes.

An active trading market for the 2024 Notes may not develop or be sustained, which could limit the market price of the 2024 Notes or your ability to sell them.

Although the 2024 Notes are listed on the NYSE under the symbol HTGX, we cannot provide any assurances that an active trading market will develop or be sustained for the 2024 Notes or that the 2024 Notes will be able to be sold. At various times, the 2024 Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. To the extent an active trading market is not sustained, the liquidity and trading price for the 2024 Notes may be harmed.

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If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the 2024 Notes.

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the Union Bank Facility or other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the 2024 Notes and substantially decrease the market value of the 2024 Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Wells Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the Wells Facility or Union Bank Facility or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Wells Facility or Union Bank Facility or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Wells Facility or Union Bank Facility or other debt, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Wells Facility and the Union Bank Facility, could proceed against the collateral securing the debt. Because the Wells Facility and the Union Bank Facility have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the 2024 Notes, the Wells Facility, Union Bank Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

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FORWARD-LOOKING STATEMENTS

The matters discussed in this 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, projects, contemplates, believes, estimates, predicts, potential, or variations negative of these terms or other similar expressions. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus include statements as to:

our current and future management structure;

our future operating results;

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

the impact of investments that we expect to make;

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

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

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

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

our ability to operate as a business development company, a SBIC and a RIC;

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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 distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus, please see the discussion under Risk Factors. 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. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus.

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. In addition to historical information, the following discussion and other parts of this 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 Risk Factors and Forward-Looking Statements.

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USE OF PROCEEDS

We intend to use the net proceeds from selling our securities for funding investments in debt and equity securities in accordance with our investment objectives, retiring certain debt obligations 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.

We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within twelve months, but in no event longer than two years. Pending such uses and investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of any offering, pending full investment, are held in lower yielding short-term instruments.

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 NAV and the distributions 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 Distribution per Share |
|---|--------------------|-------------|----------|---|--|-----------------------------------|
| | | High | Low | | | |
| 2015 | | | | | | |
| First quarter | \$ 10.47 | \$ 15.27 | \$ 13.47 | 45.8% | 28.7% | \$ 0.310 |
| Second quarter | \$ 10.26 | \$ 13.37 | \$ 11.25 | 30.3% | 9.6% | \$ 0.310 |
| Third quarter | \$ 10.02 | \$ 12.23 | \$ 9.99 | 22.1% | -0.3% | \$ 0.310 |
| Fourth quarter | \$ 9.94 | \$ 12.44 | \$ 10.23 | 25.2% | 2.9% | \$ 0.310 |
| 2016 | | | | | | |
| First quarter | \$ 9.81 | \$ 12.39 | \$ 10.03 | 26.3% | 2.2% | \$ 0.310 |
| Second quarter | \$ 9.66 | \$ 12.43 | \$ 11.74 | 28.7% | 21.6% | \$ 0.310 |
| Third quarter | \$ 9.86 | \$ 14.00 | \$ 12.42 | 41.9% | 25.9% | \$ 0.310 |
| Fourth quarter | \$ 9.90 | \$ 14.25 | \$ 12.90 | 43.9% | 30.2% | \$ 0.310 |
| 2017 | | | | | | |
| First quarter | \$ 9.76 | \$ 15.43 | \$ 14.12 | 58.1% | 44.7% | \$ 0.310 |
| Second quarter | \$ 9.87 | \$ 15.56 | \$ 12.66 | 57.6% | 28.3% | \$ 0.310 |
| Third quarter (through August 30, 2017) | * | \$ 13.50 | \$ 12.31 | * | * | ** |

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

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

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

The last reported price for our common stock on August 30, 2017 was \$12.31 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 NAV or at premiums that are unsustainable over the long term are separate and distinct from the risk that our NAV will decrease. At times, our shares of common stock have traded at a premium to NAV 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 NAV.

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

The following table summarizes distributions declared and paid or to be paid or reinvested on all shares, including restricted stock, for the fiscal years ended December 31, 2015, 2016 and 2017:

| Date Declared | Record Date | Payment Date | Amount Per Share |
|----------------------|--------------------|---------------------|-------------------------|
| February 24, 2015 | March 12, 2015 | March 19, 2015 | \$ 0.31 |
| May 4, 2015 | May 18, 2015 | May 25, 2015 | 0.31 |
| July 29, 2015 | August 17, 2015 | August 24, 2015 | 0.31 |
| October 28, 2015 | November 16, 2015 | November 23, 2015 | 0.31 |
| February 17, 2016 | March 7, 2016 | March 14, 2016 | 0.31 |
| April 27, 2016 | May 16, 2016 | May 23, 2016 | 0.31 |
| July 27, 2016 | August 15, 2016 | August 22, 2016 | 0.31 |
| October 24, 2016 | November 14, 2016 | November 21, 2016 | 0.31 |
| February 16, 2017 | March 6, 2017 | March 13, 2017 | 0.31 |
| April 26, 2017 | May 15, 2017 | May 22, 2017 | 0.31 |
| July 26, 2017 | August 14, 2017 | August 21, 2017 | 0.31 |
| | | | \$ 3.41 |

* Distribution paid in cash and stock.

On July 26, 2017, the Board of Directors declared a cash distribution of \$0.31 per share to be paid on August 21, 2017 to stockholders of record as of August 14, 2017. This distribution represented our forty-eighth consecutive distribution since our IPO, bringing the total cumulative distribution to date to \$13.40 per share.

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

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of a stockholder's tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions paid for the full taxable year. Of the distributions declared during the fiscal years ended December 31, 2016, 2015, and 2014, 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 2017 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 distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions.

Shortly after the close of each calendar year information identifying the source of the distribution (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of paid-in-capital surplus which is a nontaxable distribution, if any) will be provided to the IRS and 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 subject to tax as a RIC under Subchapter M of the Code. In order to be subject to tax as a RIC, we are required to satisfy certain annual gross income and quarterly asset composition tests, as well

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as make distributions to our stockholders each taxable year treated as dividends for U.S. federal income tax purposes of an amount at least equal to 90% of the sum of our investment company taxable income, determined without regard to any deduction for dividends paid, plus our net tax-exempt income, if any. Upon being eligible to be subject to tax as a RIC, we would be entitled to deduct such distributions we pay to our stockholders in determining the overall components of our taxable income. Components of our taxable income include our taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes net unrealized appreciation or depreciation as such gains or losses are not included in taxable income until they are realized. In connection with maintaining our ability to be subject to tax as a RIC, among other things, we have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount generally at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding years (the Excise Tax Avoidance Requirement). We will not be subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's 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 distributions treated as dividends for U.S. federal income tax purposes from such taxable income into the next taxable year and incur a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of distributions treated as dividends for U.S. federal income tax purposes 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, distributions declared and paid by us in a taxable year may differ from our taxable income for that taxable year as such distributions may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

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

We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long term capital gains, from our taxable year ended December 31, 2016 to our stockholders during 2017.

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

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

| | For the six- months ended June 30, 2017 | For the year ended December 31, 2016 | For the year ended December 31, 2015 | For the year ended December 31, 2014 | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|--|--|---|---|---|---|---|
| Earnings to Fixed Charges ⁽¹⁾ | 2.20 | 2.85 | 2.16 | 3.10 | 3.83 | 2.97 |

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

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

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

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this 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 Risk Factors and Forward-Looking Statements appearing elsewhere herein.

Overview

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

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

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

Our investment objective is to maximize our portfolio's 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 NAV 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 \$104.8 million and \$271.5 million in assets, respectively, and accounted for approximately 5.8% and 14.9% of our total assets, respectively, prior to consolidation at June 30, 2017. In aggregate, at June 30, 2017, 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 June 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We have qualified as and have elected to be treated for tax purposes as a RIC under Subchapter M of the Code. Pursuant to this election, we generally will not be subject to corporate-level taxes on any income and gains that we distribute as dividends for U.S. federal income tax purposes to our stockholders. However, our

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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 during each taxable year from qualified sources, 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 \$1.4 billion at both June 30, 2017 and December 31, 2016. The fair value of our debt investment portfolio was approximately \$1.3 billion at both June 30, 2017 and December 31, 2016. The fair value of the equity portfolio at June 30, 2017 was approximately \$75.4 million, compared to a fair value of approximately \$67.6 million at December 31, 2016. The fair value of the warrant portfolio at June 30, 2017 was approximately \$32.5 million, compared to a fair value of approximately \$27.5 million at December 31, 2016.

Portfolio Activity

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

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

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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 six months ended June 30, 2017 and the year ended December 31, 2016 was comprised of the following:

| (in millions) | June 30, 2017 | December 31, 2016 |
|---|-----------------|-------------------|
| Debt Commitments⁽¹⁾ | | |
| New portfolio company | \$ 336.0 | \$ 624.0 |
| Existing portfolio company | 57.1 | 171.8 |
| Total | \$ 393.1 | \$ 795.8 |
| Funded and Restructured Debt Investments⁽²⁾ | | |
| New portfolio company | \$ 243.2 | \$ 479.0 |
| Existing portfolio company | 93.5 | 181.5 |
| Total | \$ 336.7 | \$ 660.5 |
| Funded Equity Investments | | |
| New portfolio company | \$ 3.7 | \$ 17.1 |
| Existing portfolio company | 0.2 | 3.1 |
| Total | \$ 3.9 | \$ 20.2 |
| Unfunded Contractual Commitments⁽³⁾ | | |
| Total | \$ 57.6 | \$ 59.7 |
| Non-Binding Term Sheets | | |
| New portfolio company | \$ 70.0 | \$ 55.0 |
| Total | \$ 70.0 | \$ 55.0 |

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

(2) Funded amounts include borrowings on revolving facilities.

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

We receive principal payments on our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the six months ended June 30, 2017, we received approximately \$338.8 million in aggregate principal repayments. Of the approximately \$338.8 million of aggregate principal repayments, approximately \$72.1 million were scheduled principal payments and approximately \$266.7 million were early principal repayments related to 29 portfolio companies. Of the approximately \$266.7 million early principal repayments, approximately \$33.5 million were early repayments due to M&A transactions for four portfolio companies.

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Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, escrow receivables and warrant participation liabilities) as of and for the six months ended June 30, 2017 and the year ended December 31, 2016 was as follows:

| (in millions) | June 30, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Beginning portfolio | \$ 1,423.9 | \$ 1,200.6 |
| New fundings and restructures | 340.6 | 680.7 |
| Warrants not related to current period fundings | 0.4 | 0.6 |
| Principal payments received on investments | (72.1) | (111.2) |
| Early payoffs | (266.7) | (324.0) |
| Accretion of loan discounts and paid-in-kind principal | 18.7 | 43.6 |
| Net acceleration of loan discounts and loan fees due to early payoff or restructure | (5.8) | (6.3) |
| New loan fees | (4.5) | (10.1) |
| Warrants converted to equity | | 0.3 |
| Sale of investments | (10.2) | (4.4) |
| Loss on investments due to write offs | (10.8) | (10.0) |
| Net change in unrealized depreciation | (18.0) | (35.9) |
| Ending portfolio | \$ 1,395.5 | \$ 1,423.9 |

The following table shows the fair value of our investment portfolio by asset class as of June 30, 2017 and December 31, 2016:

| (in thousands) | June 30, 2017 | | December 31, 2016 | |
|-----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Senior Secured Debt with Warrants | \$ 999,813 | 71.6% | \$ 1,078,779 | 75.7% |
| Senior Secured Debt | 320,340 | 23.0% | 277,509 | 19.5% |
| Preferred Stock | 43,385 | 3.1% | 39,418 | 2.8% |
| Common Stock | 31,931 | 2.3% | 28,236 | 2.0% |
| Total | \$ 1,395,469 | 100.0% | \$ 1,423,942 | 100.0% |

A summary of our investment portfolio as of June 30, 2017 and December 31, 2016 at value by geographic location is as follows:

| (in thousands) | June 30, 2017 | | December 31, 2016 | |
|----------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| United States | \$ 1,269,476 | 91.0% | \$ 1,362,223 | 95.6% |
| England | 69,884 | 5.0% | 18,395 | 1.3% |
| Netherlands | 20,352 | 1.4% | 20,089 | 1.4% |
| Switzerland | 12,607 | 0.9% | 12,377 | 0.9% |
| Cayman Islands | 12,376 | 0.9% | | 0.0% |
| Canada | 10,773 | 0.8% | 8,095 | 0.6% |
| Israel | 1 | 0.0% | 2,763 | 0.2% |
| Total | \$ 1,395,469 | 100.0% | \$ 1,423,942 | 100.0% |

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As of June 30, 2017, we held warrants or equity positions in six companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All six companies filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all.

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. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$40.0 million, although we may make investments in amounts above or below that range. As of June 30, 2017, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from approximately 5.8% to approximately 12.0%. In addition to the cash yields received on our debt investments, in some instances, our debt investments may also include any of the following: 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.

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

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately \$35.3 million of unamortized fees at June 30, 2017, of which approximately \$31.8 million was included as an offset to the cost basis of our current debt investments and approximately \$3.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2016 we had approximately \$38.2 million of unamortized fees, of which approximately \$35.8 million was included as an offset to the cost basis of our current debt investments and approximately \$2.4 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 June 30, 2017 we had approximately \$25.5 million in exit fees receivable, of which approximately \$22.9 million was included as a component of the cost basis of our current debt investments and approximately \$2.6 million was a deferred receivable related to expired commitments. At December 31, 2016 we had approximately \$32.8 million in exit fees receivable, of which approximately \$30.3 million was included as a component of the cost basis of our current debt investments and approximately \$2.5 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to tax as a RIC, this non-cash source of income must be distributed to stockholders with other sources of income in the form of dividend distributions even though we have not yet collected the cash. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately \$2.5 million and \$1.8 million in PIK income in the three months ended June 30, 2017 and 2016, respectively. We recorded approximately \$4.7 million and \$3.5 million in PIK income in the six months ended June 30, 2017 and 2016, respectively.

The core yield on our debt investments, which excludes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events and includes income from expired commitments, was 12.1% and 13.4% during the three months ended June 30, 2017 and 2016, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events, was 14.9% and 14.4% for the three months ended June 30, 2017 and 2016, respectively. The effective yield is derived by

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

The total return for our investors was approximately -2.0% and 7.2% during the six months ended June 30, 2017 and 2016, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus dividend distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See Note 9 Financial Highlights included in the notes to our consolidated financial statements appearing elsewhere in this prospectus.

Portfolio Composition

Our portfolio companies are primarily privately held companies and public companies which are active in the drug discovery & development, software, media/content/info, drug delivery, internet consumer & business services, sustainable and renewable technology, medical devices & equipment, specialty pharmaceuticals, healthcare services, consumer & business products, information services, surgical devices, semiconductors, communications & networking, electronics & computer hardware, 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 June 30, 2017, approximately 76.1% of the fair value of our portfolio was composed of investments in five industries: 31.5% investments in the drug discovery & development industry, 18.2% investments in the software industry, 10.4% investments in the media/content/info industry, 8.8% investments in the drug delivery industry, and 7.2% investments in the internet consumer & business services industry.

The following table shows the fair value of our portfolio by industry sector at June 30, 2017 and December 31, 2016:

| (in thousands) | June 30, 2017 | | December 31, 2016 | |
|---------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Drug Discovery & Development | \$ 440,099 | 31.5% | \$ 422,550 | 29.7% |
| Software | 254,215 | 18.2% | 219,559 | 15.4% |
| Media/Content/Info | 144,450 | 10.4% | 137,567 | 9.7% |
| Drug Delivery | 122,952 | 8.8% | 109,834 | 7.7% |
| Internet Consumer & Business Services | 100,705 | 7.2% | 97,047 | 6.8% |
| Sustainable and Renewable Technology | 92,609 | 6.6% | 154,406 | 10.9% |
| Medical Devices & Equipment | 83,933 | 6.0% | 107,695 | 7.6% |
| Specialty Pharmaceuticals | 38,803 | 2.8% | 38,944 | 2.7% |
| Healthcare Services, Other | 30,009 | 2.2% | 30,200 | 2.1% |
| Consumer & Business Products | 22,147 | 1.6% | 42,713 | 3.0% |
| Information Services | 14,722 | 1.1% | 6,091 | 0.4% |
| Surgical Devices | 13,660 | 1.0% | 12,553 | 0.9% |
| Semiconductors | 12,236 | 0.9% | 11,326 | 0.8% |
| Communications & Networking | 9,932 | 0.7% | 18,019 | 1.3% |
| Electronics & Computer Hardware | 7,619 | 0.5% | 7,664 | 0.5% |
| Biotechnology Tools | 6,723 | 0.5% | 7,200 | 0.5% |
| Diagnostic | 655 | 0.0% | 574 | 0.0% |
| Total | \$ 1,395,469 | 100.0% | \$ 1,423,942 | 100.0% |

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

For the six months ended June 30, 2017 and the year ended December 31, 2016, our ten largest portfolio companies represented approximately 36.8% and 34.0% of the total fair value of our investments in portfolio companies, respectively. At June 30, 2017 and December 31, 2016, we had six and seven investments, respectively, that represented 5% or more of our net assets. At June 30, 2017, we had six equity investments representing approximately 47.9% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2016, we had seven equity investments which represented approximately 54.7% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of June 30, 2017 approximately 94.5% 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.

As of June 30, 2017, 85.9% of our debt investments were in a senior secured first lien position with the remaining 14.1% secured by a senior second priority security interest in all of the portfolio company's assets, other than intellectual property. In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property.

At June 30, 2017, of the approximately 85.9% of our debt investments in a senior secured first lien position, 40.2% were secured by a first priority security interest in all of the assets of the portfolio company, including its intellectual property, and 45.7% were secured by a first priority security interest in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property. At June 30, 2017 we had no equipment only liens on material investments.

Our investments in senior secured debt with warrants have detachable equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. These features are treated as OID and are accreted into interest income over the term of the loan as a yield enhancement. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of June 30, 2017, we held warrants in 135 portfolio companies, with a fair value of approximately \$32.5 million. The fair value of our warrant portfolio increased by approximately \$5.0 million, as compared to a fair value of \$27.5 million at December 31, 2016 primarily related to the addition of warrants in 9 new and 6 existing portfolio companies during the period.

Our existing warrant holdings would require us to invest approximately \$91.7 million to exercise such warrants as of June 30, 2017. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. Of the warrants that we have monetized since inception, we have realized multiples in the range of approximately 1.02x to 29.22x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control, which, in general, includes a company in which we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated

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companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more, but generally less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

The following table summarizes our realized gains and losses and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three and six months ended June 30, 2017 and 2016.

| | | For the Three Months Ended June 30, 2017 | | | | | For the Six Months Ended June 30, 2017 | | | | |
|--|-----------|--|-------------------|---|--|-----------------------|--|---|--|-----------------------|--|
| | | Fair Value at June 30, 2017 | Investment Income | Net Change in Unrealized Appreciation/ (Depreciation) | Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾ | Realized Gain/ (Loss) | Investment Income | Net Change in Unrealized Appreciation/ (Depreciation) | Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾ | Realized Gain/ (Loss) | |
| Portfolio Company | Type | | | | | | | | | | |
| Control Investments | | | | | | | | | | | |
| SkyCross, Inc. | Control | \$ | \$ | \$ (261) | \$ 394 | \$ (394) | \$ | \$ 1,842 | \$ 394 | \$ (394) | |
| Achilles Technology Management Co II, Inc. | Control | 2,116 | 78 | (267) | | | 152 | (2,208) | | | |
| HercGamma, Inc. | Control | 1,169 | | | | | | | | | |
| Tectura Corporation | Control | 19,991 | 454 | | | | 899 | | 51 | (51) | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | Control | 8,288 | | (53,215) | | | | (53,214) | | | |
| Total Control Investments | | \$ 31,564 | \$ 532 | \$ (53,743) | \$ 394 | \$ (394) | \$ 1,051 | \$ (53,580) | \$ 445 | \$ (445) | |
| Affiliate Investments | | | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 5,991 | \$ | \$ 681 | \$ | \$ | \$ | \$ 1,119 | \$ | \$ | |
| Stion Corporation | Affiliate | | | | | | 2 | | | | |
| Total Affiliate Investments | | \$ 5,991 | \$ | \$ 681 | \$ | \$ | \$ 2 | \$ 1,119 | \$ | \$ | |
| Total Control & Affiliate Investments | | \$ 37,555 | \$ 532 | \$ (53,062) | \$ 394 | \$ (394) | \$ 1,053 | \$ (52,461) | \$ 445 | \$ (445) | |
| <i>(in thousands)</i> | | | | | | | | | | | |
| | | For the Three Months Ended June 30, 2016 | | | | | For the Six Months Ended June 30, 2016 | | | | |
| | | Fair Value at June 30, 2016 | Investment Income | Net Change in Unrealized Appreciation/ (Depreciation) | Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾ | Realized Gain/ (Loss) | Investment Income | Net Change in Unrealized Appreciation/ (Depreciation) | Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾ | Realized Gain/ (Loss) | |
| Portfolio Company | Type | | | | | | | | | | |
| Control Investments | | | | | | | | | | | |
| SkyCross, Inc. | Control | \$ | \$ | \$ (3,421) | \$ | \$ | \$ | \$ (3,421) | \$ | \$ | |
| Achilles Technology Management Co II, Inc. | Control | 4,000 | | | | | | | | | |
| Total Control Investments | | \$ 4,000 | \$ | \$ (3,421) | \$ | \$ | \$ | \$ (3,421) | \$ | \$ | |
| Affiliate Investments | | | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 4,549 | \$ 6 | \$ (2,972) | \$ | \$ | \$ 12 | \$ (3,386) | \$ | \$ | |
| Stion Corporation | Affiliate | 1,295 | 44 | | 648 | | 103 | 539 | 648 | | |
| Total Affiliate Investments | | \$ 5,844 | \$ 50 | \$ (2,972) | \$ 648 | \$ | \$ 115 | \$ (2,847) | \$ 648 | \$ | |
| Total Control & Affiliate Investments | | \$ 9,844 | \$ 50 | \$ (6,393) | \$ 648 | \$ | \$ 115 | \$ (6,268) | \$ 648 | \$ | |

(1) Represents reversals of prior period net unrealized depreciation upon being realized as a loss due to write off.

In June 2017, we acquired 100% ownership of the equity in HercGamma, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2017, HercGamma, Inc. acquired the assets of a medical device company that develops advanced digital imaging to detect breast cancer, as part of an article 9 consensual foreclosure and public auction for consideration with an estimated fair value of \$1.2 million. Our investment in HercGamma, Inc. is carried on the consolidated statement of assets and liabilities at fair value.

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In April 2017, our investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as a control investment as a result of obtaining more than 25% of the portfolio company's voting securities. In April 2017, under Section 363 of the Bankruptcy Code, Sungevity, Inc. entered into a \$50.0 million asset purchase agreement and DIP financing facility with a group of investors, led by Northern Pacific Group and including us. On April 7, 2017, the U.S. Bankruptcy Court approved the DIP financing facility and on April 17, the U.S. Bankruptcy Court approved the asset purchase agreement. On April 26, 2017, Solar Spectrum Holdings LLC, a new company backed by the investment group, announced that it had acquired certain assets of Sungevity, Inc. as part of the bankruptcy court-approved sale. As a result, the cost basis of our debt investment in Sungevity, Inc. was converted to an equity position in Solar Spectrum Holdings LLC and our warrant and equity positions in Sungevity, Inc. were written off.

In January 2017, our investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In March 2017, our warrants in Tectura Corporation expired and were written off for a realized loss.

In June 2016, our investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In June 2016, we also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, we made a \$1.0 million and \$250,000 debt investment, respectively, in Achilles Technology Management II to provide working capital under the terms of a loan servicing agreement. Our investments in Achilles Technology Management Co II, Inc. are carried on the consolidated statement of assets and liabilities at fair value.

Portfolio Grading

We use an investment grading system, which grades each debt investment on a scale of 1 to 5 to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of June 30, 2017 and December 31, 2016, respectively:

| (in thousands) | June 30, 2017 | | | December 31, 2016 | | |
|----------------|---------------------|--------------------------------|-------------------------------|---------------------|--------------------------------|-------------------------------|
| | Number of Companies | Debt Investments at Fair Value | Percentage of Total Portfolio | Number of Companies | Debt Investments at Fair Value | Percentage of Total Portfolio |
| 1 | 14 | \$ 267,135 | 20.7% | 15 | \$ 275,832 | 20.8% |
| 2 | 31 | 613,674 | 47.6% | 32 | 590,547 | 44.4% |
| 3 | 17 | 315,224 | 24.5% | 25 | 329,393 | 24.8% |
| 4 | 9 | 87,014 | 6.8% | 8 | 58,874 | 4.4% |
| 5 | 7 | 4,576 | 0.4% | 8 | 74,157 | 5.6% |
| | 78 | \$ 1,287,623 | 100.0% | 88 | \$ 1,328,803 | 100.0% |

As of June 30, 2017, our debt investments had a weighted average investment grading of 2.27 on a cost basis, as compared to 2.41 at December 31, 2016. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve.

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The improvement in weighted average investment grading at June 30, 2017 from December 31, 2016 is primarily due to the conversion of our debt investment in Sungevity Inc. to an equity position in Solar Spectrum Holdings LLC during the period. This position was rated 5 and represented \$44.6 million of the rated 5 debt investment fair value at December 31, 2016.

At June 30, 2017, we had seven debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$43.6 million and \$3.6 million, respectively. At December 31, 2016, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$43.9 million and \$6.2 million, respectively. The decrease in the cumulative cost of debt investments on non-accrual between June 30, 2017 and December 31, 2016 is the result of receipt of some proceeds on two investments, offset by placing two new debt investments on non-accrual status during the period. The decrease in the fair value of debt investments on non-accrual between periods is the result of a reduction in expected proceeds for those investments.

Results of Operations

Comparison of the three and six months ended June 30, 2017 and 2016

Investment Income

Total investment income for the three months ended June 30, 2017 was approximately \$48.5 million as compared to approximately \$43.5 million for the three months ended June 30, 2016. Total investment income for the six months ended June 30, 2017 was approximately \$94.8 million as compared to approximately \$82.5 million for the six months ended June 30, 2016.

Interest and PIK interest income for the three months ended June 30, 2017 totaled approximately \$40.5 million as compared to approximately \$39.6 million for the three months ended June 30, 2016. Interest and PIK interest income for the six months ended June 30, 2017 totaled approximately \$83.4 million as compared to approximately \$76.1 million for the six months ended June 30, 2016. The increase in interest and PIK interest income for the three and six months ended June 30, 2017 as compared to the same periods ended June 30, 2016 is primarily attributable to an increase in recurring interest and PIK interest income, along with an increase in interest accelerations due to early loan repayments and other one-time events.

Of the \$40.5 million in interest and PIK interest income for the three months ended June 30, 2017, approximately \$37.9 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$2.6 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 \$37.8 million and \$1.8 million, respectively, of the \$39.6 million interest and PIK interest income for the three months ended June 30, 2016.

Of the \$83.4 million in interest and PIK interest income for the six months ended June 30, 2017, approximately \$77.9 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$5.5 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 \$73.6 million and \$2.5 million, respectively, of the \$76.1 million interest and PIK interest income for the six months ended June 30, 2016.

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The following table shows the PIK-related activity for the six months ended June 30, 2017 and 2016, at cost:

| (in thousands) | Six Months Ended June 30, | |
|---|------------------------------|----------|
| | 2017 | 2016 |
| Beginning PIK interest receivable balance | \$ 9,930 | \$ 5,149 |
| PIK interest income during the period | 4,666 | 3,544 |
| PIK accrued (capitalized) to principal but not recorded as income during the period | | (2,146) |
| Payments received from PIK loans | (2,031) | (438) |
| Realized loss | | (266) |
| Ending PIK interest receivable balance | \$ 12,565 | \$ 5,843 |

The increase in PIK interest income during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 is due to an increase in the weighted average principal outstanding of loans which bear PIK interest. The increase is primarily due to new originations and compounding interest, along with a decrease in the number of PIK loans which paid off during the period.

Fee income for the three months ended June 30, 2017 totaled approximately \$7.9 million as compared to approximately \$3.9 million for the three months ended June 30, 2016. Fee income for the six months ended June 30, 2017 totaled approximately \$11.5 million as compared to approximately \$6.4 million for the six months ended June 30, 2016. The increase in fee income for the three and six months ended June 30, 2017 is primarily attributable to an increase in the acceleration of unamortized fees due to early repayments and one-time fees between periods.

Of the \$7.9 million in fee income for the three months ended June 30, 2017, approximately \$1.4 million represents income from recurring fee amortization and approximately \$6.5 million represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$2.5 million and \$1.4 million, respectively, of the \$3.9 million in income for the three months ended June 30, 2016.

Of the \$11.5 million in fee income for the six months ended June 30, 2017, approximately \$3.6 million represents income from recurring fee amortization and approximately \$7.9 million represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$4.7 million and \$1.7 million, respectively, of the \$6.4 million in income for the six months ended June 30, 2016.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three and six months ended June 30, 2017 or 2016.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$23.2 million and \$20.2 million during the three months ended June 30, 2017 and 2016, respectively. Our operating expenses totaled approximately \$46.9 million and \$39.0 million during the six months ended June 30, 2017 and 2016, respectively.

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Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$10.6 million and \$8.9 million for the three months ended June 30, 2017 and 2016, respectively, and approximately \$23.0 million and \$16.9 million during the six months ended June 30, 2017 and 2016, respectively. Interest and fee expense for the three and six months ended June 30, 2017, as compared to June 30, 2016, increased due to a higher weighted average principal balance outstanding on our 2024 Notes and Convertible Notes, offset by a reduction in interest expense on our 2019 Notes which were fully redeemed in February 2017.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.5% and 5.8% for the three months ended June 30, 2017 and 2016, respectively, and a weighted average cost of debt of approximately 6.5% and 5.7% for the six months ended June 30, 2017 and 2016, respectively. The decrease in the weighted average cost of debt for the three months ended June 30, 2017 as compared to the same period ended June 30, 2016 is primarily attributable to the full redemption of our 2019 Notes between periods. The increase between the six months ended June 30, 2017 and June 30, 2016 was due to a higher weighted average principal balance outstanding and the one-time non-cash acceleration of unamortized fees due to the redemption of our 2019 Notes in February 2017.

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 \$4.7 million from \$4.4 million for the three months ended June 30, 2017 and 2016. Our general and administrative expenses increased to \$8.8 million from \$8.0 million for the six months ended June 30, 2017 and 2016. The increase for the three and six months ended June 30, 2017 was primarily attributable to an increase in charitable contributions, workout expenses and excise tax accruals, offset by a reduction in corporate legal and other expenses between periods.

Employee Compensation

Employee compensation and benefits totaled \$5.9 million for the three months ended June 30, 2017 as compared to \$5.3 million for the three months ended June 30, 2016 and \$11.3 million for the six months ended June 30, 2017 as compared to \$10.0 million for the six months ended June 30, 2016. The increase for the three and six month comparative periods was primarily due to changes in variable compensation expenses due to company performance objectives.

Employee stock-based compensation totaled \$1.9 million for the three months ended June 30, 2017 as compared to \$1.6 million for the three months ended June 30, 2016 and \$3.7 million for the six months ended June 30, 2017 as compared to \$4.2 million for the six months ended June 30, 2016. The increase for the three month comparative period and the decrease between the six month comparative period were primarily related to restricted stock award vesting.

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

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

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A summary of realized gains and losses for the three and six months ended June 30, 2017 and 2016 is as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------------|--------------------------------|--------------|------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Realized gains | \$ 5,083 | \$ 1,423 | \$ 11,553 | \$ 4,212 |
| Realized losses | (10,796) | (1,398) | (14,028) | (8,655) |
| Net realized gains (losses) | \$ (5,713) | \$ 25 | \$ (2,475) | \$ (4,443) |

During the three and six months ended June 30, 2017 we recognized net realized losses of \$5.7 million and \$2.5 million, respectively. During the three months ended June 30, 2017, we recorded gross realized gains of \$5.1 million primarily from the acquisition of our holdings in one portfolio company, IronPlanet, Inc. (\$5.1 million). These gains were offset by gross realized losses of \$10.8 million primarily from the liquidation or write off of our warrant and equity investments in ten portfolio companies.

During the six months ended June 30, 2017, we recorded gross realized gains of \$11.5 million primarily from the sale or acquisition of our holdings in four portfolio companies, including IronPlanet, Inc. (\$5.1 million), Box, Inc. (\$4.0 million) TPI Composites, Inc. (\$1.2 million) and Edge Therapeutics, Inc. (\$708,000). These gains were offset by gross realized losses of \$14.0 million primarily from the liquidation or write off of our warrant and equity investments in twelve portfolio companies and our debt investment in one portfolio company.

During the three and six months ended June 30, 2016, we recognized net realized gains of \$25,000 and net realized losses of \$4.4 million, respectively. During the three months ended June 30, 2016, we recorded gross realized gains of \$1.4 million primarily from the acquisition of our holdings in one portfolio company, Ping Identity Corporation (\$1.3 million). These gains were offset by gross realized losses of \$1.4 million primarily from the liquidation or write off of our warrant and equity investments in two portfolio companies.

During the six months ended June 30, 2016, we recorded gross realized gains of \$4.2 million primarily from the sale or acquisition of our holdings in three portfolio companies, including Celator Pharmaceuticals, Inc. (\$1.5 million), Ping Identity Corporation (\$1.3 million) and the sale of options on Box, Inc. (\$1.1 million). These gains were partially offset by gross realized losses of \$8.6 million primarily from the liquidation or write off of our warrant and equity investments in five portfolio companies and our debt investment in three portfolio companies, including the settlement of our outstanding debt investment in the Neat Company (\$6.2 million).

The following table summarizes the change in net unrealized appreciation (depreciation) of investments for the three and six months ended June 30, 2017 and 2016:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------------|------------------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Gross unrealized appreciation on portfolio investments | \$ 68,389 | \$ 16,208 | \$ 87,867 | \$ 29,525 |
| Gross unrealized depreciation on portfolio investments | (61,292) | (30,607) | (109,562) | (55,492) |
| Reversal of prior period net unrealized appreciation (depreciation) upon a realization event | 10,634 | (340) | 14,129 | (340) |
| Reversal of prior period net unrealized appreciation (depreciation) upon a realization event | (4,619) | 1,137 | (10,519) | 11,333 |
| Net unrealized appreciation (depreciation) on debt, equity, and warrant investments | 13,112 | (13,602) | (18,085) | (14,974) |
| Other net unrealized appreciation (depreciation) | 475 | (302) | 169 | (264) |
| Total net unrealized depreciation on investments | \$ 13,587 | \$ (13,904) | \$ (17,916) | \$ (15,238) |

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During the three months ended June 30, 2017, we recorded approximately \$13.6 million of net unrealized appreciation, of which \$13.2 million was net unrealized appreciation from our debt, equity and warrant investments. Approximately \$50.9 million was attributed to net unrealized appreciation on our debt investments related to the reversal of prior period collateral based impairments of \$48.8 million on two portfolio companies, including the reversal of the cumulative unrealized depreciation on our debt investment in Sungevity, Inc. upon its conversion to an equity position in Solar Spectrum Holdings LLC at cost. Approximately \$5.2 million was attributed to net unrealized appreciation on our warrant investments primarily due to \$3.2 million and \$2.7 million of unrealized appreciation on our private and public warrant portfolios, respectively, related to portfolio company and industry performance. This unrealized appreciation is partially offset by approximately \$42.9 million of net unrealized depreciation on our equity investments which was primarily due to \$53.5 million of collateral based impairment on three portfolio companies, including the impairment of our converted equity position in Solar Spectrum Holdings LLC from cost, slightly offset by the reversal of \$6.8 million of prior period net unrealized depreciation upon being realized as a loss on the write off of our equity investment in Sungevity, Inc.

During the three months ended June 30, 2016, we recorded approximately \$13.9 million of net unrealized depreciation, of which \$13.6 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$8.0 million was net unrealized depreciation on our debt investments which primarily relates to \$14.0 million of unrealized depreciation for collateral based impairments on ten portfolio companies offset by the reversal of \$5.7 million unrealized depreciation for the prior period collateral based impairments on four portfolio companies. Approximately \$6.3 million was attributed to net unrealized depreciation on our equity investments which primarily relates to \$5.3 million unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and \$1.0 million of unrealized depreciation on our private portfolio companies related to portfolio company performance. This unrealized depreciation was offset by \$694,000 of net unrealized appreciation on our warrant investments primarily attributed to the reversal of unrealized depreciation upon being realized as a loss due to the liquidation of our warrant investments in two portfolio companies.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the three months ended June 30, 2017 and 2016:

| (in millions) | Three Months Ended June 30, 2017 | | | |
|--|----------------------------------|------------------|---------------|----------------|
| | Debt | Equity | Warrants | Total |
| Collateral Based Impairments | \$ 1.3 | \$ (53.5) | \$ | \$ (52.2) |
| Reversals of Prior Period Collateral Based Impairments | 48.8 | | | 48.8 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 2.5 | 6.8 | (0.7) | 8.6 |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | | 1.0 | 2.7 | 3.7 |
| Level 3 Assets | (1.7) | 2.8 | 3.2 | 4.3 |
| Total Fair Value Market/Yield Adjustments | (1.7) | 3.8 | 5.9 | 8.0 |
| Total Unrealized Appreciation/(Depreciation) | \$ 50.9 | \$ (42.9) | \$ 5.2 | \$ 13.2 |

| (in millions) | Three Months Ended June 30, 2016 | | | |
|--|----------------------------------|-----------------|---------------|------------------|
| | Debt | Equity | Warrants | Total |
| Collateral Based Impairments | \$ (14.0) | \$ | \$ (0.1) | \$ (14.1) |
| Reversals of Prior Period Collateral Based Impairments | 5.7 | | | 5.7 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | | | 0.8 | 0.8 |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | 0.1 | (5.3) | 0.5 | (4.7) |
| Level 3 Assets | 0.2 | (1.0) | (0.5) | (1.3) |
| Total Fair Value Market/Yield Adjustments | 0.3 | (6.3) | | (6.0) |
| Total Unrealized Appreciation/(Depreciation) | \$ (8.0) | \$ (6.3) | \$ 0.7 | \$ (13.6) |

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

During the six months ended June 30, 2017, we recorded approximately \$17.9 million of net unrealized depreciation, of which \$18.0 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$45.7 million is attributed to net unrealized depreciation on our equity investments, which primarily relates to \$54.4 million of collateral based impairment on five portfolio companies, including impairment on our converted equity position in Solar Spectrum Holdings LLC, offset by \$2.2 million and \$4.4 million of unrealized appreciation on our public and private equity portfolio, respectively, related to portfolio company and industry performance. This unrealized depreciation was partially offset by approximately \$19.7 million of net unrealized appreciation on our debt investments related to the reversal of prior period collateral based impairments of \$52.0 million on three portfolio companies, including the reversal of the cumulative unrealized depreciation on our debt investment in Sungevity, Inc. upon its conversion to equity, partially offset by \$38.5 million of unrealized depreciation for collateral based impairments on seven portfolio companies. In addition, approximately \$8.0 million of net unrealized appreciation on our warrant investments is primarily due to \$5.5 million and \$3.6 million of unrealized appreciation on our private and public warrant portfolio related to portfolio company and industry performance.

During the six months ended June 30, 2016, we recorded approximately \$15.2 million of net unrealized depreciation, of which \$14.9 million was net unrealized depreciation from our debt, equity and warrant investments. Approximately \$2.0 million was attributed to net unrealized depreciation on our debt investments which was primarily related to \$20.6 million unrealized depreciation for collateral based impairments on ten portfolio companies offset by the reversal of \$12.2 million unrealized depreciation upon payoff or settling of our debt investments and the reversal of \$5.7 million unrealized depreciation for prior period collateral based impairments on four portfolio companies. Approximately \$12.5 million was attributed to net unrealized depreciation on our equity investments which primarily relates to \$10.5 million unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and \$2.1 million of unrealized depreciation on our private portfolio companies related to portfolio company performance. Approximately \$455,000 was attributed to net unrealized depreciation on our warrant investments primarily related to our public warrant portfolio.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the six months ended June 30, 2017 and 2016:

| (in millions) | Six Months Ended June 30, 2017 | | | |
|--|--------------------------------|------------------|---------------|------------------|
| | Debt | Equity | Warrants | Total |
| Collateral Based Impairments | \$ (38.5) | \$ (54.4) | \$ (0.3) | \$ (93.2) |
| Reversals of Prior Period Collateral Based Impairments | 52.0 | | | 52.0 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 4.8 | 2.1 | (0.8) | 6.1 |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | | 2.2 | 3.6 | 5.8 |
| Level 3 Assets | 1.4 | 4.4 | 5.5 | 11.3 |
| Total Fair Value Market/Yield Adjustments | 1.4 | 6.6 | 9.1 | 17.1 |
| Total Unrealized Appreciation/(Depreciation) | \$ 19.7 | \$ (45.7) | \$ 8.0 | \$ (18.0) |

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| (in millions) | Six Months Ended June 30, 2016 | | | |
|--|--------------------------------|------------------|-----------------|------------------|
| | Debt | Equity | Warrants | Total |
| Collateral Based Impairments | \$ (20.6) | \$ | \$ (0.1) | \$ (20.7) |
| Reversals of Prior Period Collateral Based Impairments | 5.7 | | | 5.7 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 12.2 | 0.1 | 0.8 | 13.1 |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | | (10.5) | (0.7) | (11.2) |
| Level 3 Assets | 0.7 | (2.1) | (0.4) | (1.8) |
| Total Fair Value Market/Yield Adjustments | 0.7 | (12.6) | (1.1) | (13.0) |
| Total Unrealized Appreciation/(Depreciation) | \$ (2.0) | \$ (12.5) | \$ (0.4) | \$ (14.9) |

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

Income and Excise Taxes

We account for income taxes in accordance with the provisions of Topic 740 of the FASB Accounting Standards Codification, as amended (ASC), Income Taxes , under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long-term capital gains, from our taxable year ended December 31, 2016 to our stockholders in 2017.

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

For the three months ended June 30, 2017 and 2016, we had a net increase in net assets resulting from operations of approximately \$33.1 million and a net increase in net assets resulting from operations of approximately \$9.5 million, respectively. For the six months ended June 30, 2017 and 2016, we had a net increase in net assets resulting from operations of approximately \$27.6 million and a net increase in net assets resulting from operations of approximately \$23.8 million, respectively.

The basic and fully diluted net change in net assets per common share were \$0.40 per share and \$0.40 per share, respectively, for the three months ended June 30, 2017 and \$0.33 per share and \$0.33 per share, respectively, for the six months ended June 30, 2017. Both the basic and fully diluted net change in net assets per common share for the three and six months ended June 30, 2016 were \$0.13 per share and \$0.32 per share, respectively.

For the purpose of calculating diluted earnings per share for three and six months ended June 30, 2017 and 2016, the effect of the 2022 Convertible Notes, outstanding options, and restricted stock units under the treasury stock method was considered. The effect of the 2022 Convertible Notes was excluded from these calculation for the three and six months ended June 30, 2017 as our share price was less than the conversion price in effect which results in anti-dilution. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such there was no potential additional dilutive effect for the three and six months ended June 30, 2016.

Table of Contents**Index to Financial Statements****Comparison of periods ended December 31, 2016 and 2015*****Investment Income******Interest Income***

Total investment income for the year ended December 31, 2016 was approximately \$175.1 million as compared to approximately \$157.1 million for the year ended December 31, 2015.

Interest income for the year ended December 31, 2016 totaled approximately \$158.7 million as compared to approximately \$140.3 million for the year ended December 31, 2015. The increase in interest income for the year ended December 31, 2016 as compared to the year ended December 31, 2015 is primarily attributable to debt investment portfolio growth, specifically an increase in the weighted average principal outstanding between the periods, slightly offset by a reduction in the acceleration of income due to early repayments and other one-time events during the period.

Of the \$158.7 million in interest income for the year ended December 31, 2016, approximately \$152.1 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$6.6 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 \$130.4 million and \$9.9 million, respectively, of the \$140.3 million interest income for the year ended December 31, 2015.

The following table shows the PIK-related activity, for the years ended December 31, 2016 and 2015, at cost:

| (in thousands) | Year Ended December 31, | |
|---|----------------------------|----------|
| | 2016 | 2015 |
| Beginning PIK loan balance | \$ 5,149 | \$ 6,250 |
| PIK interest income during the period | 7,825 | 4,658 |
| PIK accrued (capitalized) to principal but not recorded as income during the period | (2,146) | |
| Payments received from PIK loans | (632) | (5,483) |
| Realized loss | (266) | (276) |
| Ending PIK loan balance | \$ 9,930 | \$ 5,149 |

The increase in PIK interest income during the year ended December 31, 2016 as compared to the year ended December 31, 2015 is due to overall portfolio growth, or more specifically, an increase in the weighted average principal outstanding for loans which bear PIK interest and a decrease in the number of PIK loans which paid-off during the period. PIK receivable represents less than 1% of total debt investments as of December 31, 2016 and December 31, 2015, respectively

Fee Income

Income from commitment, facility and loan related fees for the year ended December 31, 2016 totaled approximately \$16.3 million as compared to approximately \$16.9 million for the year ended December 31, 2015. The decrease in fee income is primarily attributable to a decrease in the acceleration of unamortized fees due to early repayments and one-time fees during the period.

Of the \$16.3 million in income from commitment, facility and loan related fees for the year ended December 31, 2016, approximately \$9.5 million represents income from recurring fee amortization and approximately \$6.8 million represents income related to the acceleration of unamortized fees during the period.

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Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$5.8 million and \$11.1 million, respectively, of the \$16.9 million income for the year ended December 31, 2015.

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, 2016 and 2015, 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 \$82.7 million and \$83.6 million during the years ended December 31, 2016 and 2015, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$37.1 million and \$36.9 million for the years ended December 31, 2016 and 2015, respectively. Interest and fee expense for the year ended December 31, 2016 as compared to December 31, 2015 increased primarily due to higher weighted average principal balances outstanding on our 2024 Notes related to the issuance of \$149.9 million of aggregate principal during the period. The increase in interest and fee expense incurred related to our 2024 notes was partially offset by principal pay-offs and paydowns on our 2016 Convertible Notes, Asset Backed Notes and Credit Facilities during the period.

We had a weighted average cost of debt, comprised of interest and fees and loss on debt extinguishment (long-term liabilities convertible notes), of approximately 5.8% and 6.0% for the years ended December 31, 2016 and 2015, respectively. The decrease between comparative periods was primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments compared to the prior period, specifically due to the full impact of redemptions on our 2019 Notes and 2016 Convertible Notes which occurred in the prior period, offset by the incremental issuance of our 2024 Notes in fiscal year 2016. Note that we redeemed the remaining 2019 Notes in full on February 24, 2017.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses decreased to \$16.1 million from \$16.7 million for the years ended December 31, 2016 and 2015, respectively. This decrease was primarily attributable to a reduction in costs related to strategic hiring objectives and travel and entertainment, slightly offset by an increase in corporate legal and other expenses.

Employee Compensation

Employee compensation and benefits totaled approximately \$22.5 million for the year ended December 31, 2016 as compared to approximately \$20.7 million for the year ended December 31, 2015. The increase between comparative periods was primarily due to changes in variable incentive compensation related to the achievement of origination and strategic corporate objectives.

Employee stock-based compensation totaled approximately \$7.0 million for the year ended December 31, 2016 as compared to approximately \$9.4 million for the year ended December 31, 2015. The decrease between comparative periods was primarily related to the number and amount of restricted stock award vesting, specifically the vesting of retention grants issued in 2014 which occurred in the first half of 2016.

Table of Contents**Index to Financial Statements*****Other Income (Loss)***

Other income (loss) generally consists of income or losses generated from sources other than our investment portfolio. For the years ended December 31, 2016 and December 31, 2015 it consists of \$8.0 million of litigation settlement proceeds and \$1,000 of loss on extinguishment of debt, respectively.

Litigation Settlement Proceeds

On December 19, 2016, we entered into a Confidential Settlement Agreement (the Settlement Agreement) with all defendants in connection with a litigation matter (the Action) filed in November 2014. In connection with the Settlement Agreement, the Action was settled among the parties and the Company received a settlement payment in the amount of \$8.0 million. The Settlement Agreement also provides a mutual release by the Company and the defendants of any and all claims and cross-claims that were asserted in the Action, the circumstances and events underlying the Action and attorney's fees and costs related thereto. The Settlement Agreement does not constitute an admission of liability, fault, or wrongdoing by any party. The settlement payment was classified as a component of net investment income in our Consolidated Statement of Operations.

Loss on Extinguishment of Convertible Notes

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

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

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

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

A summary of realized gains and losses for the years ended December 31, 2016 and 2015 is as follows:

| (in thousands) | Year Ended December 31, | |
|--------------------|----------------------------|-----------|
| | 2016 | 2015 |
| Realized gains | \$ 15,202 | \$ 12,677 |
| Realized losses | (10,626) | (7,530) |
| Net realized gains | \$ 4,576 | \$ 5,147 |

During the year ended December 31, 2016, we recognized net realized gains of approximately \$4.6 million on the portfolio. These net realized gains included gross realized gains of approximately \$15.2 million, primarily

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from the sale of investments in six portfolio companies, including Box, Inc. (\$9.3 million), Celator Pharmaceuticals, Inc. (\$1.5 million), Touchcommerce, Inc. (\$1.5 million), Ping Identity Corporation (\$1.3 million), ReachLocal (\$610,000) and Hillcrest Laboratories, Inc. (\$225,000). These gains were partially offset by gross realized losses of approximately \$10.6 million, primarily from the liquidation or write off of our warrant and equity investments in eight portfolio companies and our debt investments in five portfolio companies, including the settlement of our outstanding debt investment in The Neat Company (\$6.2 million).

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 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.

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, 2016 and 2015:

| (in thousands) | Year Ended December 31, | |
|---|----------------------------|--------------------|
| | 2016 | 2015 |
| Gross unrealized appreciation on portfolio investments | \$ 75,264 | \$ 78,991 |
| Gross unrealized depreciation on portfolio investments | (115,867) | (111,926) |
| Reversal of prior period net unrealized appreciation upon a realization event | (8,525) | (8,707) |
| Reversal of prior period net unrealized depreciation upon a realization event | 13,186 | 4,599 |
| Net unrealized appreciation (depreciation) attributable to taxes payable | (259) | 1,322 |
| Citigroup warrant participation | (16) | (11) |
| Net unrealized depreciation on portfolio investments | \$ (36,217) | \$ (35,732) |

During the year ended December 31, 2016, we recorded approximately \$36.2 million of net unrealized depreciation, of which \$35.9 million is net unrealized depreciation from our debt, equity and warrant investments. Of the \$35.9 million, approximately \$14.0 million is attributed to net unrealized depreciation on our debt investments which primarily relates to \$50.0 million unrealized depreciation for collateral based impairments on eight portfolio companies, offset by the reversal of prior period collateral based impairments of \$17.3 million on six portfolio companies and the reversal of \$13.1 million of prior period unrealized depreciation upon payoff or settling of our debt investments. Approximately \$22.2 million is attributed to net unrealized depreciation on our equity investments which primarily relates to approximately \$7.4 million of unrealized depreciation for collateral based impairments on two portfolio companies, \$6.6 million of unrealized depreciation on our public equity portfolio, with the largest concentration in our investment in Box, Inc. and the reversal of \$5.4 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Box, Inc. This unrealized depreciation was partially offset by approximately \$245,000 of unrealized appreciation on our warrant investments, which primarily related to \$4.8 million of unrealized appreciation on our private portfolio companies, offset by \$2.9 million unrealized depreciation on our public portfolio companies related to individual portfolio company performance.

Net unrealized depreciation increased by approximately \$259,000 as a result of increased estimated taxes payable on investments held in subsidiaries subject to corporate taxes for the year ended December 31, 2016.

Net unrealized depreciation further increased by approximately \$16,000 due to net depreciation on the pool of warrants collateralized under the warrant participation agreement and a decrease in the liability for the

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acquisition proceeds received on our Ping Identity Corporation equity investment, which had been exercised from warrants that were included in the collateral pool, during the year ended December 31, 2016.

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 million on three portfolio companies. Approximately \$19.1 million is attributed to net unrealized depreciation on our equity investments which primarily related to \$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.

Net unrealized depreciation was offset by approximately \$1.3 million as a result of estimated taxes payable on investments held in subsidiaries subject to corporate taxes for the year ended December 31, 2015.

Net unrealized depreciation increased by approximately \$11,000 as a result of 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.

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, 2016 and December 31, 2015.

| (in millions) | Year Ended December 31, 2016 | | | |
|--|------------------------------|-----------|----------|-----------|
| | Debt | Equity | Warrants | Total |
| Collateral Based Impairments | \$ (50.0) | \$ (7.4) | \$ (1.1) | \$ (58.5) |
| Reversals of Prior Period Collateral Based Impairments | 17.3 | | 0.5 | 17.8 |
| Reversals due to Debt Payoffs & Warrant/Equity Sales | 13.1 | (5.4) | (1.0) | 6.7 |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | (1.3) | (6.6) | (2.9) | (10.8) |
| Level 3 Assets | 6.9 | (2.8) | 4.8 | 8.9 |
| Total Fair Value Market/Yield Adjustments | 5.6 | (9.4) | 1.9 | (1.9) |
| Total Unrealized Appreciation (Depreciation) | \$ (14.0) | \$ (22.2) | \$ 0.3 | \$ (35.9) |

| (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) |

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| | | | | |
|-------------------------------|-----------|-----------|----------|-----------|
| Total Unrealized Depreciation | \$ (14.0) | \$ (19.1) | \$ (4.0) | \$ (37.1) |
|-------------------------------|-----------|-----------|----------|-----------|

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

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC Topic 740, Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements carrying amounts and tax basis of assets and liabilities based upon the provisions of currently enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of U.S. federal income taxes. We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long term capital gains, from our taxable year ended December 31, 2016 to our shareholders during 2017.

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

For the years ended December 31, 2016 and 2015, the net increase in net assets resulting from operations totaled approximately \$68.7 million and approximately \$42.9 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, 2016 was \$0.91, whereas 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.

For the purpose of calculating diluted earnings per share for year ended December 31, 2015, the dilutive effect of the 2016 Convertible Notes under the treasury stock method is included in this calculation as our share price was greater than the conversion price in effect (\$11.03 as of December 31, 2015) for the 2016 Convertible Notes for such period. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such, there is no potential additional dilutive effect for the year ended December 31, 2016.

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

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

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

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

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

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

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

Fee Income

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

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

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

Operating Expenses

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

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$36.9 million and \$34.0 million for the years ended December 31, 2015 and 2014, respectively. Interest and fee expense for the year ended December 31, 2015 as compared to December 31, 2014 increased primarily due to higher weighted average principal balances outstanding on our Asset Backed Notes, Credit Facilities, 2019 Notes and 2024 Notes (together with the 2019 Notes, the Baby Bonds), slightly offset by a reduction in weighted average principal balances outstanding on our SBA debentures, 2016 Convertible Notes and lower debt issuance cost amortization related to our 2016 Convertible 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 notes), of approximately 6.0% and 6.6% for the years ended December 31,

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2015 and 2014, respectively. The decrease between comparative periods was primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments and a reduction in non-cash acceleration of debt issuance costs related to our SBA debentures, 2016 Convertible 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 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 2016 Convertible 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 2016 Convertible Notes have exercised their conversion rights and these 2016 Convertible Notes were settled with a combination of cash equal to the outstanding principal amount of the 2016 Convertible Notes and approximately 1.5 million shares of our common stock, or \$24.3 million.

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

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

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

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

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

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

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

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

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

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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.

Net unrealized depreciation was offset by approximately \$1.3 million as a result of decreased estimated taxes payable on investments held in subsidiaries subject to corporate taxes 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 million 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 on investments held in subsidiaries subject to corporate taxes 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 M&A 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.

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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 Depreciation | \$ (14.0) | \$ (19.1) | \$ (4.0) | \$ (37.1) |

| (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 Topic 820.

Income and Excise Taxes

We account for income taxes in accordance with the applicable 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 carrying amounts and tax basis of assets and liabilities based upon the provisions of currently 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 U.S. federal income taxes. We distributed 100% of our spillover earnings from ordinary income for our taxable year ended December 31, 2015 to our stockholders during 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.

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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.

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For the purpose of calculating diluted earnings per share for years ended December 31, 2015 and 2014, the dilutive effect of the 2016 Convertible 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 2016 Convertible Notes for such periods.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our Credit Facilities, SBA debentures, 2024 Notes, 2021 Asset-Backed Notes, 2022 Convertible 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 also raise additional equity or debt capital through registered offerings off a shelf registration, ATM and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries.

On August 16, 2013, we entered into an ATM equity distribution agreement (the Equity Distribution Agreement) with JMP Securities LLC (JMP). On March 7, 2016, we renewed the Equity Distribution Agreement and on December 21, 2016, we further amended the agreement to increase the total shares available under the program. The Equity Distribution Agreement, as amended, provides that we may offer and sell up to 12.0 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 six months ended June 30, 2017 we sold 3.3 million shares of common stock for total accumulated net proceeds of approximately \$46.9 million, including \$532,000 of offering expenses. We did not sell any shares under the program during the three months ended June 30, 2017. During the three and six months ended June 30, 2016 we sold 1.0 million and 2.1 million shares of common stock for total accumulated net proceeds of approximately \$11.3 million and \$23.7 million, respectively, including \$420,000 and \$822,000 of offering expenses, respectively. We generally use the net proceeds from these offerings to make investments, repurchase or pay down liabilities and for general corporate purposes. As of June 30, 2017, approximately 751,000 shares remained available for issuance and sale under the ATM program.

On August 27, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock until August 23, 2016, after which the plan expired. In January 2016, we repurchased 449,588 shares of our common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million.

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

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of our 6.25% unsecured notes due 2024 (the 2024 Notes). The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to cover overallotments on April 29, 2016. On June 27, 2016, we closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallotments, resulting in total aggregate principal of \$69.0 million from the

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offering. The 2024 Notes rank equally in right of payment and form a single series of notes. We intend to invest the net proceeds of these public offerings to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

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

On October 11, 2016, we entered into a debt distribution agreement with FBR Capital Markets & Co. (FBR), pursuant to which we may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR acting as our sales agent. Sales of the 2024 Notes, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

During the six months ended June 30, 2017, we sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. We did not sell any notes under the program during the three months ended June 30, 2017. During the year ended December 31, 2016, we sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of June 30, 2017, approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

On January 25, 2017, we issued \$230.0 million in aggregate principal amount of 2022 Convertible Notes, which amount includes the additional \$30.0 million aggregate principal amount issued pursuant to the initial purchaser s exercise in full of its overallocation option. The sale generated net proceeds of approximately \$225.7 million, including \$4.3 million of debt issuance costs. Aggregate issuances costs include the initial purchaser s discount of approximately \$5.2 million, offset by the reimbursement of \$1.2 million by the initial purchaser. We intend to use the net proceeds from this offering (i) to repurchase or otherwise redeem all of our 2019 Notes, (ii) to fund investments in debt and equity securities in accordance with our investment objective and (iii) for working capital and other general corporate purposes.

On February 24, 2017, we redeemed the \$110.4 million remaining outstanding balance of our 2019 Notes in full.

At June 30, 2017, we had \$230.0 million of 2022 Convertible Notes, \$258.5 million of 2024 Notes, \$87.7 million of 2021 Asset-Backed Notes, and \$190.2 million of SBA debentures payable. We had no borrowings outstanding under the Wells Facility or the Union Bank Facility.

At June 30, 2017, we had \$355.4 million in available liquidity, including \$160.4 million in cash and cash equivalents. We had available borrowing capacity of \$120.0 million under the Wells Facility and \$75.0 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At June 30, 2017, we had \$118.5 million of capital outstanding in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At June 30, 2017, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

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At June 30, 2017, we had approximately \$17.2 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 six months ended June 30, 2017, 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 six months ended June 30, 2017, our operating activities provided \$67.6 million of cash and cash equivalents, compared to \$81.9 million used during the six months ended June 30, 2016. This \$149.5 million increase in cash provided by operating activities is primarily related to an increase in investment repayments of \$128.2 million and an increase in proceeds from the sale of investments of \$12.4 million, partially offset by an increase in investment purchases of \$9.9 million.

During the six months ended June 30, 2017, our investing activities used approximately \$9.0 million of cash, compared to \$5.4 million provided during the six months ended June 30, 2016. This \$14.4 million increase in cash used in investing activities was primarily due to an increase of approximately \$14.5 million in cash, classified as restricted cash, on assets that are securitized.

During the six months ended June 30, 2017, our financing activities provided \$88.8 million of cash, compared to \$41.0 million provided during the six months ended June 30, 2016. The \$47.8 million increase in cash provided by financing activities was primarily due to the net issuance of \$225.7 million of the 2022 Convertible Notes, offset by the repayment of \$110.4 million of 2019 Notes and the decrease in 2024 Notes issuance during the six months ended June 30, 2017.

As of June 30, 2017, net assets totaled \$817.5 million, with a NAV per share of \$9.87. We intend to continue to operate in order to generate cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of June 30, 2017 our asset coverage ratio under our regulatory requirements as a business development company was 241.9% 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 asset coverage ratio when including our SBA debentures was 206.7% at June 30, 2017.

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At June 30, 2017 and December 31, 2016, we had the following available borrowings and outstanding amounts:

| (in thousands) | June 30, 2017 | | | December 31, 2016 | | |
|------------------------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|
| | Total Available | Principal | Carrying Value ⁽¹⁾ | Total Available | Principal | Carrying Value ⁽¹⁾ |
| SBA Debentures ⁽²⁾ | \$ 190,200 | \$ 190,200 | \$ 187,824 | \$ 190,200 | \$ 190,200 | \$ 187,501 |
| 2019 Notes ⁽³⁾ | | | | 110,364 | 110,364 | 108,818 |
| 2024 Notes | 258,510 | 258,510 | 251,478 | 252,873 | 252,873 | 245,490 |
| 2021 Asset-Backed Notes | 87,678 | 87,678 | 86,865 | 109,205 | 109,205 | 107,972 |
| 2022 Convertible Notes | 230,000 | 230,000 | 222,898 | | | |
| Wells Facility ⁽⁴⁾ | 120,000 | | | 120,000 | 5,016 | 5,016 |
| Union Bank Facility ⁽⁴⁾ | 75,000 | | | 75,000 | | |
| Total | \$ 961,388 | \$ 766,388 | \$ 749,065 | \$ 857,642 | \$ 667,658 | \$ 654,797 |

- (1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See below for the amount of debt issuance cost associated with each borrowing.
- (2) At both June 30, 2017 and December 31, 2016, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) The 2019 Notes were redeemed in full on February 24, 2017.
- (4) Availability subject to us meeting the borrowing base requirements.

Debt issuance costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASC Subtopic 835-30 (Interest Imputation of Interest), debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, as of June 30, 2017 and December 31, 2016 were as follows:

| (in thousands) | June 30, 2017 | December 31, 2016 |
|------------------------------------|------------------|-------------------|
| SBA Debentures | \$ 2,376 | \$ 2,699 |
| 2019 Notes | | 1,546 |
| 2024 Notes | 7,141 | 7,482 |
| 2021 Asset-Backed Notes | 813 | 1,233 |
| 2022 Convertible Notes | 3,969 | |
| Wells Facility ⁽¹⁾ | 337 | 501 |
| Union Bank Facility ⁽¹⁾ | 543 | 768 |
| Total | \$ 15,179 | \$ 14,229 |

- (1) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASC Subtopic 835-30. Refer to Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus for a discussion of the contract terms, interest expense, and fees associated with each outstanding borrowing as of and for the year ended December 31, 2016.

Commitments

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded contractual commitments to extend credit, in the form of loans, to our portfolio

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

At June 30, 2017, we had approximately \$57.6 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

We also had approximately \$70.0 million of non-binding term sheets outstanding to three new 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 is 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 market indices and given the existence of milestones, conditions and/or obligations imbedded in the borrowing agreements.

As of June 30, 2017, 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 | Unfunded Commitments⁽¹⁾ |
| NewVoiceMedia Limited | \$ 15,000 |
| Evernote Corporation | 10,000 |
| Aquantia Corp. | 6,500 |
| Audentes Therapeutics, Inc. | 5,000 |
| Wrike, Inc. | 5,000 |
| Vela Trading Technologies | 4,800 |
| MDX Medical Inc. | 4,500 |
| 908 DEVICES INC. | 2,500 |
| Verastem, Inc. | 2,500 |
| RedSeal Inc. | 1,795 |
| Total | \$ 57,595 |

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

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The following table shows our contractual obligations as of June 30, 2017:

| Contractual Obligations ⁽¹⁾ | Total | Payments due by period (in thousands) | | | After 5 years |
|--|-------------------|---------------------------------------|------------------|-------------------|-------------------|
| | | Less than 1 year | 1 - 3 years | 3 - 5 years | |
| Borrowings ⁽²⁾⁽³⁾ | \$ 766,388 | \$ 87,678 | \$ 21,800 | \$ 349,400 | \$ 307,510 |
| Operating Lease Obligations ⁽⁴⁾ | 2,616 | 1,744 | 872 | | |
| Total | \$ 769,004 | \$ 89,422 | \$ 22,672 | \$ 349,400 | \$ 307,510 |

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

(2) Includes \$190.2 million in principal outstanding under the SBA debentures, \$258.5 million of the 2024 Notes, \$230.0 million of the Convertible Notes and \$87.7 million of the 2021 Asset-Backed Notes as of June 30, 2017.

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

(4) Facility leases.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$449,000 and \$893,000 during the three and six months ended June 30, 2017. Total rent expense amounted to approximately \$436,000 and \$872,000 during the same periods ended June 30, 2016.

Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers. The indemnification agreements are intended to provide our directors and executive officers the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that we shall indemnify the director or executive officer 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 June 30, 2017, 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 June 30, 2017. As of June 30, 2017, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of June 30, 2017, we held investments in HT II in 33 companies with a fair value of approximately \$98.7 million, accounting for approximately 7.1% of our total investment portfolio at June 30, 2017. HT II held approximately \$104.8 million in assets and accounted for approximately 5.8% of our total assets prior to consolidation at June 30, 2017.

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

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our net investment of \$74.5 million in HT III as of June 30, 2017, 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 June 30, 2017. As of June 30, 2017, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of June 30, 2017, we held investments in HT III in 49 companies with a fair value of approximately \$245.8 million, accounting for approximately 17.6% of our total investment portfolio at June 30, 2017. HT III held approximately \$271.5 million in assets and accounted for approximately 14.9% of our total assets prior to consolidation at June 30, 2017.

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 June 30, 2017 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 our SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the three and six months ended June 30, 2017 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.51% and 4.48%, respectively. The average amount of debentures outstanding for the three and six months ended June 30, 2017 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.42% and 3.40%, respectively.

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For the three and six months ended June 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 1,737 | \$ 1,737 | \$ 3,456 | \$ 3,475 |
| Amortization of debt issuance cost (loan fees) | 156 | 168 | 324 | 336 |
| Total interest expense and fees | \$ 1,893 | \$ 1,905 | \$ 3,780 | \$ 3,811 |

| | | | | |
|---|----|----|----------|----------|
| Cash paid for interest expense and fees | \$ | \$ | \$ 3,442 | \$ 3,461 |
|---|----|----|----------|----------|

In aggregate, at June 30, 2017, 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 June 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We reported the following SBA debentures outstanding principal balances as of June 30, 2017 and December 31, 2016:

(in thousands)

| Issuance/Pooling Date | Maturity Date | Interest Rate ⁽¹⁾ | June 30, 2017 | December 31, 2016 |
|-----------------------------|-------------------|------------------------------|-------------------|-------------------|
| 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

In April and July 2012, we issued \$84.5 million in aggregate principal amount of 7.00% notes due 2019 (the April 2019 Notes). In September and October 2012, we issued \$85.9 million in aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes). The April 2019 Notes and September 2019 Notes are together referred to as the 2019 Notes.

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. The remaining 2019 Notes were fully redeemed on February 24, 2017.

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As of December 31, 2016, the 2019 Notes payable outstanding principal balance consisted of:

| (in thousands) | December 31, 2016 |
|---|-------------------|
| April 2019 Notes | \$ 64,490 |
| September 2019 Notes | 45,874 |
| Total 2019 Notes principal outstanding | \$ 110,364 |

The April 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGZ. The September 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGY. For the three and six months ended June 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 1,931 | \$ 1,931 | \$ 1,159 | \$ 3,863 |
| Amortization of debt issuance cost (loan fees) | | 160 | 1,546 | 320 |
| Total interest expense and fees | \$ 1,931 | \$ 2,091 | \$ 2,705 | \$ 4,183 |
| Cash paid for interest expense and fees | \$ 1,931 | | \$ 1,911 | \$ 3,863 |

2024 Notes

On July 14, 2014, we and U.S. Bank, N.A. (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 the 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes.

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallotments on April 29, 2016.

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

On October 11, 2016, we entered into a debt distribution agreement, pursuant to which it may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as its sales agent (the 2024 Notes Agent). Sales of the 2024 Notes may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

The 2024 Notes Agent receives a commission from us equal to up to 2.00% of the gross sales of any 2024 Notes sold through the 2024 Notes Agent under the debt distribution agreement. The 2024 Notes Agent is not required to sell any specific principal amount of 2024 Notes, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the 2024 Notes. The 2024 Notes are expected to trade flat,

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which means that purchasers in the secondary market will not pay, and sellers will not receive, any accrued and unpaid interest on the 2024 Notes that is not reflected in the trading price.

During the six months ended June 30, 2017, we sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. We did not sell any notes under the debt distribution agreement during the three months ended June 30, 2017. During the year ended December 31, 2016, we sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of June 30, 2017 approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement. See Summary Recent Developments .

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

The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at 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 and other distributions as well as the 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 June 30, 2017, we were in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

As of June 30, 2017 and December 31, 2016, the components of the carrying value of the 2024 Notes were as follows:

| (in thousands) | June 30, 2017 | December 31, 2016 |
|---|-------------------|----------------------|
| Principal amount of debt | \$ 258,510 | \$ 252,873 |
| Unamortized debt issuance cost | (7,141) | (7,482) |
| Original issue premium, net of amortization | 109 | 99 |
| Carrying value of 2024 Notes | \$ 251,478 | \$ 245,490 |

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For the three and six months ended June 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 4,039 | \$ 2,375 | \$ 8,026 | \$ 3,984 |
| Amortization of debt issuance cost (loan fees) | 252 | 135 | 501 | 218 |
| Amortization of original issue premium | (13) | | (29) | |
| Total interest expense and fees | \$ 4,278 | \$ 2,510 | \$ 8,498 | \$ 4,202 |
| Cash paid for interest expense and fees | \$ 4,039 | \$ 1,609 | \$ 8,016 | \$ 3,219 |

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

The 2014 Loans are serviced by 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

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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 June 30, 2017 and December 31, 2016, the 2021 Asset-Backed Notes had an outstanding principal balance of \$87.7 million and \$109.2 million, respectively.

For the three and six months ended June 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 807 | \$ 1,139 | \$ 1,695 | \$ 2,278 |
| Amortization of debt issuance cost (loan fees) | 211 | 234 | 421 | 466 |
| Total interest expense and fees | \$ 1,018 | \$ 1,373 | \$ 2,116 | \$ 2,744 |
| Cash paid for interest expense and fees | \$ 848 | \$ 1,139 | \$ 1,788 | \$ 2,278 |

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 \$17.2 million and \$8.3 million of restricted cash as of June 30, 2017 and December 31, 2016, respectively, funded through interest collections.

Convertible Notes***2016 Convertible Notes***

In April 2011, we issued \$75.0 million in aggregate principal amount of 2016 Convertible Notes. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016.

Prior to the close of business on October 14, 2015, holders were able to convert their 2016 Convertible Notes only under certain circumstances set forth in the indenture governing the 2016 Convertible Notes. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders were able to convert their 2016 Convertible Notes at any time. Throughout the life of the 2016 Convertible Notes, holders of approximately \$74.8 million of the 2016 Convertible Notes exercised their conversion rights. These 2016 Convertible Notes were settled with a combination of cash equal to the outstanding principal amount of the 2016 Convertible Notes and approximately 1.6 million shares of our common stock, or \$24.3 million.

The 2016 Convertible Notes were accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2016 Convertible Notes, we estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2016 Convertible Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the 2016 Convertible Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, we recorded interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

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For the three and six months ended June 30, 2016, the components of interest expense, fees and cash paid for interest expense for the 2016 Convertible Notes were as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ 88 | \$ | \$ 352 |
| Amortization of debt issuance cost (loan fees) | | 11 | | 43 |
| Accretion of original issue discount | | 21 | | 82 |
| Total interest expense and fees | \$ | \$ 120 | \$ | \$ 477 |
| Cash paid for interest expense and fees | \$ | \$ 440 | \$ | \$ 440 |

The estimated effective interest rate of the debt component of the 2016 Convertible Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the three and six months ended June 30, 2016.

2022 Convertible Notes

On January 25, 2017, we issued \$230.0 million in aggregate principal amount of 2022 Convertible Notes, which amount includes the additional \$30.0 million aggregate principal amount of 2022 Convertible Notes issued pursuant to the initial purchaser's exercise in full of its overallotment option. The 2022 Convertible Notes were issued pursuant to the 2022 Convertible Notes Indenture. The sale of the 2022 Convertible Notes generated net proceeds of approximately \$225.7 million, including \$4.3 million of debt issuance costs.

The 2022 Convertible Notes mature on February 1, 2022, unless previously converted or repurchased in accordance with their terms. The 2022 Convertible Notes bear interest at a rate of 4.375% per year payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2017.

The 2022 Convertible Notes are our unsecured obligations and rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to our existing and future 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 August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible 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 is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert our 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of June 30, 2017, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

We may not redeem the 2022 Convertible Notes at our option prior to maturity. No sinking fund is provided for the 2022 Convertible Notes. In addition, if certain corporate events occur, holders of the 2022 Convertible

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Notes may require us to repurchase for cash all or part of their 2022 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

The 2022 Convertible Notes Indenture contains certain covenants, including covenants requiring us to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the 2022 Convertible Notes and the 2022 Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the 2022 Convertible Notes Indenture. The Company offered and sold the 2022 Convertible Notes to the initial purchaser in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, for resale by the initial purchaser to qualified institutional buyers (as defined in the Securities Act) pursuant to the exemption from registration provided by Rule 144A under the Securities Act. We relied on these exemptions from registration based in part on representations made by the initial purchaser in connection with the sale of the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2022 Convertible Notes, we estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2022 Convertible Notes were approximately 98.5% and 1.5%, respectively. The original issue discount of 1.5%, or \$3.4 million, attributable to the conversion feature of the 2022 Convertible 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 OID resulting in an estimated effective interest rate of approximately 4.76%.

As of June 30, 2017, the components of the carrying value of the 2022 Convertible Notes were as follows:

| (in thousands) | June 30, 2017 |
|---|-------------------|
| Principal amount of debt | \$ 230,000 |
| Unamortized debt issuance cost | (3,969) |
| Original issue discount, net of accretion | (3,133) |
| Carrying value of 2022 Convertible Notes | \$ 222,898 |

For the three and six months ended June 30, 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ 2,516 | \$ | \$ 4,274 | \$ |
| Amortization of debt issuance cost (loan fees) | 212 | | 345 | |
| Accretion of original issue discount | 168 | | 280 | |
| Total interest expense and fees | \$ 2,896 | \$ | \$ 4,899 | \$ |
| Cash paid for interest expense and fees | \$ | \$ | \$ | \$ |

The estimated effective interest of the debt component of the 2022 Convertible Notes, equal to the stated interest rate of 4.375% plus the accretion of the original issue discount, was approximately 4.76% for the three and six months ended June 30, 2017. As of June 30, 2017, we are in compliance with the terms of the indentures governing the 2022 Convertible Notes.

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Credit Facilities

As of June 30, 2017 and December 31, 2016, we have two available credit facilities, the Wells Facility and the Union Bank Facility.

Wells Facility

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostark Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which 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 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. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and six months ended June 30, 2017, this non-use fee was \$152,000 and \$297,000, respectively. For the three and six months ended June 30, 2016, this non-use fee was \$115,000 and \$181,000, 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 us 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 June 30, 2017, the minimum tangible net worth covenant increased to \$718.6 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million, the issuance of 7.3 million shares of common stock issued under the Equity Distribution Agreement for gross proceeds of \$95.0 million during the year ended December 31, 2016, and the issuance of 3.3 million shares of common stock issued under the Equity Distribution Agreement for gross proceeds of \$47.4 million during the six months ended June 30, 2017. 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 \$8.5 million on the available facility during the six months ended June 30, 2017 offset by repayments of \$13.5 million. At December 31, 2016 there was \$5.0 million, respectively, of borrowings outstanding on this facility. There were no borrowings outstanding on the facility as of June 30, 2017.

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For the three and six months ended June 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------|------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ 226 | \$ 2 | \$ 500 |
| Amortization of debt issuance cost (loan fees) | 106 | 122 | 213 | 227 |
| Total interest expense and fees | \$ 106 | \$ 348 | \$ 215 | \$ 727 |
| Cash paid for interest expense and fees | \$ 214 | \$ 333 | \$ 470 | \$ 577 |

Union Bank Facility

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

On July 18, 2016, we entered into the First Amendment to the Loan and Security Agreement, dated as of May 5, 2016 with MUFG Union Bank, N.A. The Amendment amends certain definitions relating to borrowings which accrue interest based on the London Interbank Offered Rate (LIBOR Loans) and (ii) the method(s) for calculating interest on and the paying of certain fees related to such LIBOR Loans.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which we can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

We paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and six months ended June 30, 2017, we incurred non-use of \$95,000 and \$189,000, respectively. For the three and six months ended June 30, 2016, we incurred non-use fees under the Prior Union Bank Facility of \$87,000 and \$182,000, respectively.

The Union Bank Facility also includes various financial and other covenants applicable to us and our subsidiaries, in addition to those applicable to Hercules Funding III, including covenants relating to certain changes of control of the Company and Hercules Funding III. 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 that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of June 30, 2017, the minimum tangible net worth covenant increased to \$765.9 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 issuance of 7.3 million shares of common stock issued under the Equity Distribution Agreement for net proceeds

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of \$92.8 million during the year ended December 31, 2016, and the issuance of 3.3 million shares of common stock issued under the Equity Distribution Agreement for net proceeds of \$46.9 million during the six months ended June 30, 2017. The Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

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

We did not make any draws or repayments on the available facility during the six months ended June 30, 2017. We had aggregate draws of \$25.0 million on the available facility during the six months ended June 30, 2016 offset by repayments of \$25.0 million. At June 30, 2017 and December 31, 2016, there were no borrowings outstanding on the Union Bank Facility.

For the three and six months ended June 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------|------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$ | \$ 55 | \$ | \$ 55 |
| Amortization of debt issuance cost (loan fees) | 112 | 95 | 224 | 133 |
| Total interest expense and fees | \$ 112 | \$ 150 | \$ 224 | \$ 188 |
| Cash paid for interest expense and fees | \$ 96 | \$ 333 | \$ 238 | \$ 577 |

Distributions

The following table summarizes our distributions declared and paid, to be paid or reinvested on all shares, including restricted stock, for the fiscal years ended December 31, 2015, 2016 and 2017:

| Date Declared | Record Date | Payment Date | Amount Per Share |
|-------------------|-------------------|-------------------|------------------|
| February 24, 2015 | March 12, 2015 | March 19, 2015 | \$ 0.31 |
| May 4, 2015 | May 18, 2015 | May 25, 2015 | 0.31 |
| July 29, 2015 | August 17, 2015 | August 24, 2015 | 0.31 |
| October 28, 2015 | November 16, 2015 | November 23, 2015 | 0.31 |
| February 17, 2016 | March 7, 2016 | March 14, 2016 | 0.31 |
| April 27, 2016 | May 16, 2016 | May 23, 2016 | 0.31 |
| July 27, 2016 | August 15, 2016 | August 22, 2016 | 0.31 |
| October 24, 2016 | November 14, 2016 | November 21, 2016 | 0.31 |
| February 16, 2017 | March 6, 2017 | March 13, 2017 | 0.31 |
| April 26, 2017 | May 15, 2017 | May 22, 2017 | 0.31 |
| July 26, 2017 | August 14, 2017 | August 21, 2017 | 0.31 |
| | | | \$ 3.41 |

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* Distribution paid in cash and stock.

On July 26, 2017, the Board of Directors declared a cash distribution of \$0.31 per share to be paid on August 21, 2017 to stockholders of record as of August 14, 2017. This distribution represented our forty-eighth consecutive distribution since our IPO, bringing the total cumulative distribution to date to \$13.40 per share.

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

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of a stockholder's tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions paid for the full taxable year. Of the distributions declared during the fiscal years ended December 31, 2016, 2015, and 2014, 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 2017 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 distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions.

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

We expect to qualify to be subject to tax as a RIC under Subchapter M of the Code. In order to be subject to tax as a RIC, we are required to satisfy certain annual gross income and quarterly asset composition tests, as well as make distributions to our stockholders each taxable year treated as dividends for U.S. federal income tax purposes of an amount at least equal to 90% of the sum of our investment company taxable income, determined without regard to any deduction for dividends paid, plus our net tax-exempt income, if any. Upon being eligible to be subject to tax as a RIC, we would be entitled to deduct such distributions we pay to our stockholders in determining the overall components of our taxable income. Components of our taxable income include our taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes net unrealized appreciation or depreciation as such gains or losses are not included in taxable income until they are realized. In connection with maintaining our ability to be subject to tax as a RIC, among other things, we have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount generally at least equal to the Excise Tax Avoidance Requirement. We will not be subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's 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 distributions treated as dividends for U.S. federal income tax purposes

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from such taxable income into the next taxable year and incur a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of distributions treated as dividends for U.S. federal income tax purposes 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, distributions declared and paid by us in a taxable year may differ from our taxable income for that taxable year as such distributions may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

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

We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long term capital gains, from the year ended December 31, 2016 to our stockholders during 2017.

Critical Accounting Policies

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

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 June 30, 2017, approximately 87.8% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market 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 Topic 820 and the 1940 Act. Due to the inherent uncertainty

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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.

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 June 30, 2017 and as of December 31, 2016. We transfer investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the six months ended June 30, 2017, there were no transfers between Levels 1 or 2.

| (in thousands) | Balance June 30, 2017 | 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 | \$ 1,287,623 | \$ | \$ | \$ 1,287,623 |
| Preferred Stock | 43,385 | | | 43,385 |
| Common Stock | 31,931 | 8,361 | | 23,570 |
| Warrants | 32,530 | | 8,426 | 24,104 |
| Escrow Receivable | 2,171 | | | 2,171 |
| Total | \$ 1,397,640 | \$ 8,361 | \$ 8,426 | \$ 1,380,853 |

| (in thousands) | Balance December 31, 2016 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------|---------------------------------|---|--|--|
| Description | | | | |
| Senior Secured Debt | \$ 1,328,803 | \$ | \$ 4,825 | \$ 1,323,978 |
| Preferred Stock | 39,418 | | | 39,418 |
| Common Stock | 28,236 | 17,271 | | 10,965 |
| Warrants | 27,485 | | 3,239 | 24,246 |
| Escrow Receivable | 1,382 | | | 1,382 |
| Total | \$ 1,425,324 | \$ 17,271 | \$ 8,064 | \$ 1,399,989 |

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 six months ended June 30, 2017 and the year ended December 31, 2016.

| (in thousands) | Balance January 1, 2017 | Net Realized Gains (Losses) ⁽¹⁾ | Net Change in Unrealized Appreciation ⁽²⁾ | Purchases ⁽⁵⁾ | Sales | Repayments ⁽⁶⁾ | Gross Transfers into Level 3 ⁽³⁾ | Gross Transfers out of Level 3 ⁽³⁾ | Balance June 30, 2017 |
|-----------------|-------------------------------|---|---|--------------------------|---------|---------------------------|--|--|-----------------------------|
| Senior Debt | \$ 1,323,978 | \$ | \$ 17,265 | \$ 347,275 | \$ | \$ (338,224) | \$ | \$ (62,671) | \$ 1,287,623 |
| Preferred Stock | 39,418 | (7,263) | 11,293 | 173 | (236) | | | | 43,385 |
| Common Stock | 10,965 | | (53,814) | 3,748 | | | 62,671 | | 23,570 |
| Warrants | 24,246 | 1,173 | 4,389 | 1,286 | (6,990) | | | | 24,104 |

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| | | | | | | | | | |
|-------------------|--------------|------------|-------------|------------|------------|--------------|-----------|-------------|--------------|
| Escrow Receivable | 1,382 | 20 | | 2,737 | (1,968) | | | | 2,171 |
| Total | \$ 1,399,989 | \$ (6,070) | \$ (20,867) | \$ 355,219 | \$ (9,194) | \$ (338,224) | \$ 62,671 | \$ (62,671) | \$ 1,380,853 |

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| (in thousands) | Balance January 1, 2016 | Net Realized Gains (Losses) ⁽¹⁾ | Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾ | Purchases ⁽⁵⁾ | Sales | Repayments ⁽⁶⁾ | Gross Transfers into Level 3 ⁽⁴⁾ | Gross Transfers out of Level 3 ⁽⁴⁾ | Balance December 31, 2016 |
|-------------------|-------------------------------|---|---|--------------------------|-------------------|---------------------------|--|--|---------------------------------|
| Senior Debt | \$ 1,102,396 | \$ (6,968) | \$ (12,675) | \$ 687,353 | \$ | \$ (441,567) | \$ | \$ (4,561) | \$ 1,323,978 |
| Preferred Stock | 35,245 | (334) | (7,864) | 13,873 | (1,367) | | 626 | (761) | 39,418 |
| Common Stock | 1,527 | | (1,404) | 6,081 | | | 4,761 | | 10,965 |
| Warrants | 18,565 | (116) | 3,465 | 4,082 | (1,186) | | | (564) | 24,246 |
| Escrow Receivable | 2,967 | (6) | | 2,009 | (3,588) | | | | 1,382 |
| Total | \$ 1,160,700 | \$ (7,424) | \$ (18,478) | \$ 713,398 | \$ (6,141) | \$ (441,567) | \$ 5,387 | \$ (5,886) | \$ 1,399,989 |

- (1) Included in net realized gains or losses in the accompanying Consolidated Statement of Operations.
- (2) Included in net change in unrealized appreciation (depreciation) in the accompanying Consolidated Statement of Operations.
- (3) Transfers into Level 3 during the six months ended June 30, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. Transfers out of Level 3 during the six months ended June 30, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.
- (4) Transfers into Level 3 during the year ended December 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of our preferred shares to common shares in SCIEnergy, Inc. Transfers out of Level 3 during the year ended December 31, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an initial public offering, or IPO, and acquisition, respectively; the exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of our preferred shares to common shares in SCIEnergy, Inc.
- (5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.
- (6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

For six months ended June 30, 2017, approximately \$3.8 million in net unrealized appreciation and \$53.8 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. The depreciation on common stock during the period reflects the conversion of our debt investment in Sungevity, Inc. to common stock at cost through a bankruptcy transaction and subsequent depreciation to fair value. For the same period, approximately \$2.6 million in net unrealized depreciation and \$5.3 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 2016, approximately \$9.1 million and \$1.4 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$25.7 million in net unrealized depreciation and \$2.8 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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The following tables provide quantitative information about our Level 3 fair value measurements as of June 30, 2017. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to our fair value measurements.

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

| Investment Type - Level | Fair Value at June 30, 2017 (in thousands) | Valuation Techniques/ | | | Weighted Average ^(b) |
|---|--|--|--|-----------------------------------|------------------------------------|
| | | Methodologies | Unobservable Input ^(a) | Range | |
| Three Debt Investments Pharmaceuticals | \$ 107,497 | Originated Within 6 Months | Origination Yield | 11.25% - 13.41% | 12.60% |
| | 484,125 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 8.93% - 15.48% (0.25%) - 0.75% | 12.88% |
| | | Liquidation ^(c) | Probability weighting of alternative outcomes | 100.00% | |
| Technology | 130,894 | Originated Within 6 Months | Origination Yield | 10.98% - 14.88% | 12.17% |
| | 183,058 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.13% - 18.50% (0.25%) - 1.00% | 13.48% |
| | 4,576 | Liquidation ^(c) | Probability weighting of alternative outcomes | 100.00% | |
| Sustainable and Renewable | 82,118 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 11.91% - 14.63% 0.00% - 0.25% | 13.37% |
| Medical Devices | 45,082 | Originated Within 6 Months | Origination Yield | 10.38% - 13.18% | 11.06% |
| | 47,142 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.49% - 18.53% 0.00% - 0.75% | 13.57% |
| | | Liquidation ^(c) | Probability weighting of alternative outcomes | 50.00% | |
| Lower Middle Market | 19,991 | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.03% 0.50% | 9.03% |
| | | Liquidation ^(c) | Probability weighting of alternative outcomes | 100.00% | |
| | | Debt Investments Where Fair Value Approximates Cost | | | |
| | 40,466 | Imminent Payoffs ^(d) | | | |
| | 142,674 | Debt Investments Maturing in Less than One Year | | | |
| | \$ 1,287,623 | Total Level Three Debt Investments | | | |

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

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

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

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

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

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

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

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| Investment Type - Level Three Debt Investments | Fair Value at December 31, 2016 (in thousands) | | Valuation Techniques/Methodologies | Unobservable Input ^(a) | Range | Weighted Average ^(b) |
|---|--|--|---|---|------------------------------------|---------------------------------|
| | | | | | | |
| Pharmaceuticals | \$ 102,412 | | Originated Within 6 Months | Origination Yield | 12.24% - 14.59% | 13.64% |
| | 434,718 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 9.07% - 15.62% (0.25%) - 0.75% | 12.44% |
| | 2,693 | | Liquidation ^(c) | Probability weighting of alternative outcomes | 25.00% - 100.00% | |
| Technology | 93,674 | | Originated Within 6 Months | Origination Yield | 7.29% - 16.53% | 13.69% |
| | 325,553 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 10.14% - 21.66% (0.50%) - 0.50% | 12.69% |
| | 24,706 | | Liquidation ^(c) | Probability weighting of alternative outcomes | 20.00% - 100.00% | |
| Sustainable and Renewable Technology | 99,286 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 11.77% - 16.84% 0.00% - 0.25% | 13.45% |
| | 44,626 | | Liquidation ^(c) | Probability weighting of alternative outcomes | 10.00% - 40.00% | |
| | | | | | | |
| Medical Devices | 88,983 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 10.25% - 18.60% (0.25%) - 0.75% | 14.01% |
| Lower Middle Market | 25,017 | | Market Comparable Companies | Hypothetical Market Yield Premium/(Discount) | 8.85% - 15.79% 0.00% - 0.25% | 10.10% |
| | 13,148 | | Liquidation ^(c) | Probability weighting of alternative outcomes | 100.00% | |
| <u>Debt Investments Where Fair Value Approximates Cost</u> | | | | | | |
| | 25,000 | | Imminent Payoffs ^(d) | | | |
| | 44,162 | | Debt Investments Maturing in Less than One Year | | | |
| | \$ 1,323,978 | | Total Level Three Debt Investments | | | |

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

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

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

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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 we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

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| Investment Type - Level Three | Fair Value at June 30, 2017 (in thousands) | Valuation Techniques/ | | | Weighted Average ^(f) |
|---|--|-------------------------------|--|-----------------------|------------------------------------|
| | | Methodologies | Unobservable Input ^(a) | Range | |
| Equity and Warrant Investments | | | | | |
| Equity Investments | \$ 9,102 | Market Comparable Companies | EBITDA Multiple ^(b) | 5.2x - 57.5x | 16.8x |
| | | | Revenue Multiple ^(b) | 0.8x - 11.3x | 3.9x |
| | | | Discount for Lack of Marketability ^(c) | 11.18% - 22.41% | 13.91% |
| | | | Average Industry Volatility ^(d) | 39.43% - 65.04% | 50.92% |
| | | | Risk-Free Interest Rate | 1.20% - 1.49% | 1.25% |
| | | | Estimated Time to Exit (in months) | 9 - 32 | 14 |
| | 23,388 | Market Adjusted OPM Backsolve | Market Equity Adjustment ^(e) | (20.33%) - 42.06% | 16.12% |
| | | | Average Industry Volatility ^(d) | 28.99% - 109.39% | 78.43% |
| | | | Risk-Free Interest Rate | 0.70% - 1.44% | 1.10% |
| | | | Estimated Time to Exit (in months) | 5 - 29 | 11 |
| | 34,465 | Other ^(g) | | | |
| Warrant Investments | 16,570 | Market Comparable Companies | EBITDA Multiple ^(b) | 5.0x - 57.5x | 15.6x |
| | | | Revenue Multiple ^(b) | 0.3x - 7.7x | 2.9x |
| | | | Discount for Lack of Marketability ^(c) | 10.15% - 33.15% | 16.25% |
| | | | Average Industry Volatility ^(d) | 33.86% - 105.93% | 52.46% |
| | | | Risk-Free Interest Rate | 1.14% - 1.70% | 1.31% |
| | | | Estimated Time to Exit (in months) | 6 - 47 | 18 |
| | 7,534 | Market Adjusted OPM Backsolve | Market Equity Adjustment ^(e) | (83.25%) - 149.47% | 12.71% |
| | | | Average Industry Volatility ^(d) | 28.99% - 109.88% | 76.99% |
| | | | Risk-Free Interest Rate | 0.73% - 1.82% | 1.19% |
| | | | Estimated Time to Exit (in months) | 10 - 48 | 17 |
| Total Level Three Warrant and Equity Investments | \$ 91,059 | | | | |

- (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, market equity adjustment factors, and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.
- (b) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.
- (c) Represents amounts used when we have determined market participants would take into account these discounts when pricing the investments.
- (d) Represents the range of industry volatility used by market participants when pricing the investment.
- (e) Represents the range of changes in industry valuations since the portfolio company's last external valuation event.
- (f) Weighted averages are calculated based on the fair market value of each investment.
- (g) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

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| Investment Type - Level Three Equity and Warrant Investments | Fair Value at December 31, 2016 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input ^(a) | Range | Weighted Average ^(e) |
|---|--|--|--|------------------|------------------------------------|
| Equity Investments | \$ 9,258 | Market Comparable Companies | EBITDA Multiple ^(b) | 0.0x - 38.7x | 12.3x |
| | | | Revenue Multiple ^(b) | 0.9x - 8.7x | 3.1x |
| | | | Discount for Lack of Marketability ^(c) | 13.75% - 25.97% | 16.73% |
| | | | Average Industry Volatility ^(d) | 45.54% - 113.16% | 61.06% |
| | | | Risk-Free Interest Rate | 0.79% - 1.50% | 0.91% |
| | | | Estimated Time to Exit (in months) | 10 - 38 | 15 |
| | 19,836 | Market Adjusted OPM Backsolve | Average Industry Volatility ^(d) | 29.93% - 109.95% | 73.49% |
| | | | Risk-Free Interest Rate | 0.65% - 1.44% | 0.92% |
| | | | Estimated Time to Exit (in months) | 10 - 34 | 15 |
| | 21,289 | Other ^(f) | | | |
| Warrant Investments | 8,959 | Market Comparable Companies | EBITDA Multiple ^(b) | 2.6x - 51.4x | 13.8x |
| | | | Revenue Multiple ^(b) | 0.4x - 6.1x | 2.5x |
| | | | Discount for Lack of Marketability ^(c) | 11.74% - 27.25% | 19.02% |
| | | | Average Industry Volatility ^(d) | 38.58% - 111.15% | 62.03% |
| | | | Risk-Free Interest Rate | 0.68% - 1.68% | 1.04% |
| | | | Estimated Time to Exit (in months) | 7 - 47 | 20 |
| | 9,713 | Market Adjusted OPM Backsolve | Average Industry Volatility ^(d) | 29.93% - 116.29% | 67.20% |
| | | | Risk-Free Interest Rate | 0.45% - 1.84% | 0.99% |
| | | | Estimated Time to Exit (in months) | 3 - 47 | 20 |
| | 5,574 | Other ^(f) | | | |
| Total Level Three Warrant and Equity Investments | \$ 74,629 | | | | |

(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.

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

Income Recognition

We record interest income on an accrual basis and 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.

At June 30, 2017, we had seven debt investments on non-accrual with a cumulative investment cost and approximate fair value of \$43.6 million and \$3.6 million, respectively. At December 31, 2016, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$43.9 million and \$6.2 million, respectively.

Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio companies and

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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 had approximately \$35.3 million of unamortized fees at June 30, 2017, of which approximately \$31.8 million was included as an offset to the cost basis of our current debt investments and approximately \$3.5 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2016, we had approximately \$38.2 million of unamortized fees, of which approximately \$35.8 million was included as an offset to the cost basis of our current debt investments and approximately \$2.4 million was deferred contingent upon the occurrence of a funding or milestone.

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. We recorded approximately \$5.5 million and \$791,000 in one-time fee income during the three months ended June 30, 2017 and 2016, respectively. We recorded approximately \$6.1 million and \$956,000 in one-time fee income during the six months ended June 30, 2017 and 2016, respectively.

In addition, we may also be entitled to an exit fee 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 June 30, 2017, we had approximately \$25.5 million in exit fees receivable, of which approximately \$22.9 million was included as a component of the cost basis of our current debt investments and approximately \$2.6 million was a deferred receivable related to expired commitments. At December 31, 2016, we had approximately \$32.8 million in exit fees receivable, of which approximately \$30.3 million was included as an offset to the cost basis of our current debt investments and approximately \$2.5 million was deferred related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. 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. We recorded approximately \$2.5 million and \$1.8 million in PIK income during the three months ended June 30, 2017 and 2016, respectively. We recorded approximately \$4.7 million and \$3.5 million in PIK income during the six months ended June 30, 2017 and 2016, respectively.

To maintain our status as a RIC, PIK and exit fee income must be paid out to stockholders in the form of distributions even though the cash has not yet been collected. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments.

In certain investment transactions, we 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. We had no income from advisory services in the three and six months ended June 30, 2017 and 2016.

Stock Based Compensation

We have issued and may, from time to time, issue stock options and restricted stock to employees under our 2004 Equity Incentive Plan and members of the Board of Directors under our 2006 Equity Incentive Plan prior to its expiration on June 21, 2017. We follow the guidelines set forth under ASC Topic 718, (Compensation Stock Compensation) to account for stock options granted. Under ASC Topic 718, compensation expense

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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 intend to operate so as to qualify to be subject to tax as a RIC under Subchapter M of the Code and, as such, will not be subject to U.S. federal income tax on the portion of taxable income and gains distributed to stockholders. Taxable income includes our taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

To qualify and be subject to tax as a RIC, we are required to meet certain income and asset diversification tests in addition to distributing dividends of an amount generally at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for distributions paid, to its stockholders. The amount to be paid out as a distribution is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by us. To the extent that our earnings fall below the amount of dividend distributions declared, however, a portion of the total amount of our distributions for the fiscal year may be deemed a return of capital for tax purposes to our stockholders.

During the three months ended June 30, 2017, we declared a distribution of \$0.31 per share. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year generally based upon its taxable income for the full taxable year and distributions paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of our distributions for a full taxable year. If we had determined the tax attributes of our distributions taxable year-to-date as of June 30, 2017, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of our 2017 distributions to stockholders will be.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount at least equal to the Excise Tax Avoidance Requirement. We will not be subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's 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 distributions from such taxable income into the next taxable year and incur a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of distributions paid in the following taxable year, subject to certain declaration and payment guidelines. To the extent we choose to carry over taxable income into the next taxable year, distributions declared and paid by us in a taxable year may differ from taxable income for that taxable year as such distributions may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

We have taxable subsidiaries which are designed to hold certain portfolio investments in an effort to limit potential legal liability and/or comply with source-income type requirements contained in the RIC tax provisions of the Code. These taxable subsidiaries are consolidated for GAAP financial reporting purposes and the portfolio investments held by the taxable subsidiaries are included in our consolidated financial statements, and recorded at fair value. These taxable subsidiaries are not consolidated with us for income tax purposes and may generate

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income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments. Any income generated by these taxable subsidiaries would be taxed at normal corporate tax rates based on its taxable income.

Taxable income for the six months ended June 30, 2017 was approximately \$42.3 million or \$0.52 per share. Taxable net realized losses for the same period was \$1.2 million or approximately \$0.01 per share. Taxable income for the six months ended June 30, 2016 was approximately \$43.8 million or \$0.61 per share. Taxable net realized losses for the same period were \$2.4 million or approximately \$0.03 per share.

For the six months ended June 30, 2017, we paid approximately \$1.0 million of tax expense and had no accrued but unpaid tax expense as of the balance sheet date. For the six months ended June 30, 2016, we paid approximately \$18,000 of tax expense and had approximately \$498,000 of accrued but unpaid tax expense as of the balance sheet date.

We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long term capital gains, from the taxable year ended December 31, 2016 to the our stockholders during 2017.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which, among other things, requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted for certain provisions. We do not believe that ASU 2016-01 will have a material impact on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Additionally, the ASU requires the classification of all cash payments on leases within operating activities in the Consolidated Statement of Cash Flows. ASU 2016-02 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. Early adoption is permitted. We do not believe that ASU 2016-02 will have a material impact on our consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. There is not a material impact from adopting this standard on our financial statements. We have adopted this standard for the six months ended June 30, 2017.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues including, among other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted. We do not believe that ASU 2016-15 will have a material impact on our consolidated financial statements and disclosures.

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In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. The amendment should be adopted retrospectively. We do not believe that ASU 2016-18 will have a material impact on our consolidated financial statements and disclosures.

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 fund 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 June 30, 2017, approximately 94.5% 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 June 30, 2017, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

| Basis Point Change | Interest Income | Interest Expense | Net Income | EPS⁽¹⁾ |
|---------------------------|----------------------------|-----------------------------|-----------------------|--------------------------|
| 25 | \$ 2,544 | \$ | \$ 2,544 | \$ 0.03 |
| 50 | \$ 5,401 | \$ | \$ 5,401 | \$ 0.07 |
| 75 | \$ 8,258 | \$ | \$ 8,258 | \$ 0.10 |
| 100 | \$ 11,220 | \$ | \$ 11,220 | \$ 0.14 |
| 200 | \$ 23,766 | \$ | \$ 23,766 | \$ 0.29 |
| 300 | \$ 36,589 | \$ | \$ 36,589 | \$ 0.44 |

(1) Earnings per share impact calculated based on basic weighted average shares outstanding of 82,292.

We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations (and foreign currency) by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates (and foreign currency), they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the six months ended June 30, 2017 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, 2024 Notes, 2022 Convertible 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.

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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, 2024 Notes, 2022 Convertible 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 Borrowings in this prospectus.

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 prospectus, 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

a. Management's 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 GAAP.

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

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

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Management of the Company conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 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, 2016.

Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company's consolidated financial statements, as stated in their report, which is included in this prospectus.

Changes in Internal Control over Financial Reporting

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

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BUSINESS

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

Our goal is to be the leading structured debt financing provider for venture capital-backed companies in technology-related industries requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology and to offer a full suite of growth capital products. We focus our investments in companies active in the technology industry sub-sectors characterized by products or services that require advanced technologies, including, but not limited to, computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, internet consumer and business services, telecommunications, telecommunications equipment, renewable or alternative energy, media and life sciences. Within the life sciences sub-sector, we generally focus on medical devices, bio-pharmaceutical, drug discovery, drug delivery, health care services and information systems companies. Within the sustainable and renewable technology sub-sector, we focus on sustainable and renewable energy technologies and energy efficiency and monitoring technologies. We refer to all of these companies as technology-related companies and intend, under normal circumstances, to invest at least 80% of the value of our total assets in such businesses.

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's 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 NAV 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 small business investment companies, or SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$104.8 million and \$271.5 million in assets, respectively, and accounted for approximately 5.8% and 14.9% of our total assets, respectively, prior to consolidation at June 30, 2017. At June 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations for additional information regarding our SBIC subsidiaries.

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

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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.

CORPORATE HISTORY AND OFFICES

We are a Maryland corporation formed in December 2003 that began investment operations in September 2004. On February 25, 2016, we changed our name from Hercules Technology Growth Capital, Inc. to Hercules Capital, Inc. 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, including securities of private U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. A business development company also must meet a coverage ratio of total net assets to total senior securities, which include all of our borrowings (including accrued interest payable) except for debentures issued by the SBA and any preferred stock we may issue in the future, of at least 200% subsequent to each borrowing or issuance of senior securities. See Regulation.

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 regulatory requirements, we invest primarily in United States based companies and, to a lesser extent, in foreign companies.

Effective January 1, 2006, we elected to be treated for tax purposes as a RIC under the Code. Pursuant to this election, we generally will not have to pay corporate-level taxes on any income that we distribute to our stockholders. However, our qualification and election to be treated as a RIC requires that we comply with provisions contained in the Code. For example, as a RIC we must receive 90% or more of our income from qualified earnings, typically referred to as good income, as well as satisfy asset diversification and income distribution requirements. As an investment company, we follow accounting and reporting guidance as set forth in Topic 946 of FASB's ASC.

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, Washington, DC, Santa Monica, CA, Hartford, CT and San Diego, CA. We maintain a website on the Internet at www.htgc.com. We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on 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 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

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contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

OUR MARKET OPPORTUNITY

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

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

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

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

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

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

OUR BUSINESS STRATEGY

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

Leverage the Experience and Industry Relationships of Our Management Team and Investment Professionals. We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Our investment professionals have, on average, more than 15 years of experience as equity investors in, and/or lenders to, technology-related companies. In addition, our team members have originated structured debt, debt with warrants and equity investments in over 380 technology-related companies, representing approximately \$6.9 billion in commitments from inception to June 30, 2017, and have developed a network of industry contacts with investors and other participants within the venture capital and private equity communities. In addition, members of our management team also have operational, research and development and finance experience with technology-related companies. We have established contacts with leading venture capital and private equity fund sponsors, public and private companies, research institutions and other industry participants, which we believe will enable us to identify and attract well-positioned prospective portfolio companies.

We focus our investing activities generally in industries in which our investment professionals have investment experience. We believe that our focus on financing technology-related companies will enable us to leverage our expertise in structuring prospective investments, to assess the value of both tangible and intangible assets, to evaluate the business prospects and operating characteristics of technology-related companies and to identify and originate potentially attractive investments with these types of 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 (typically between 24-48 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment. Although we do not currently engage in hedging transactions, we may engage in hedging transactions in the future utilizing instruments such as forward contracts, currency options and interest rate swaps, caps, collars, and floors.

Historically our structured debt investments to technology-related companies typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investment. In addition, in some cases, we receive the right to make additional equity investments in our portfolio companies, including the right to convert some portion of our debt into equity, in connection with future equity financing rounds. We believe these equity interests will create the potential for meaningful long-term capital gains in connection with the future liquidity events of these technology-related companies.

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Provide Customized Financing Complementary to Financial Sponsors' Capital. We offer a broad range of investment structures and possess expertise and experience to effectively structure and price investments in technology-related companies. Unlike many of our competitors that only invest in companies that fit a specific set of investment parameters, we have the flexibility to structure our investments to suit the particular needs of our portfolio companies. We offer customized financing solutions ranging from senior debt, including below-investment grade debt instruments (also known as junk bonds), to equity capital, with a focus on structured debt with warrants.

We use our relationships in the financial sponsor community to originate investment opportunities. Because venture capital and private equity funds typically invest solely in the equity securities of their portfolio companies, we believe that our debt investments will be viewed as an attractive and complimentary source of capital, both by the portfolio company and by the portfolio company's financial sponsor. In addition, we believe that many venture capital and private equity fund sponsors encourage their portfolio companies to use debt financing for a portion of their capital needs as a means of potentially enhancing equity returns, minimizing equity dilution and increasing valuations prior to a subsequent equity financing round or a liquidity event.

Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, including select publicly listed companies and select special opportunity lower middle market companies that require additional capital to fund acquisitions, recapitalizations and refinancings and established-stage companies. We believe that this provides us with a broader range of potential investment opportunities than those available to many of our competitors, who generally focus their investments on a particular stage in a company's development. Because of the flexible structure of our investments and the extensive experience of our investment professionals, we believe we are well positioned to take advantage of these investment opportunities at all stages of prospective portfolio companies' development.

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. We are not subject to requirements to return invested capital to investors nor do we have a finite investment horizon. Capital providers that are subject to such limitations are often required to seek a liquidity event more quickly than they otherwise might, which can result in a lower overall return on an investment.

Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive SQL database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. As of June 30, 2017, our proprietary SQL-based database system included approximately 48,000 technology-related companies and approximately 9,600 venture capital firms, private equity sponsors/investors, as well as various other industry contacts. This proprietary SQL system allows us to maintain, cultivate and grow our industry relationships while providing us with comprehensive details on companies in the technology-related industries and their financial sponsors.

OUR INVESTMENTS AND OPERATIONS

We principally invest in debt securities and, to a lesser extent, equity securities, with a particular emphasis on structured debt with warrants.

We generally seek to invest in companies that have been operating for at least six to 12 months prior to the date of our investment. We anticipate that such entities may, at the time of investment, be generating revenues or will have a business plan that anticipates generation of revenues within 24 to 48 months. Further, we anticipate that on the date of our investment we will generally obtain a lien on available assets, which may or may not include intellectual property, and these companies will have sufficient cash on their balance sheet to operate as

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well as potentially amortize their debt for at least three to nine months following our investment. We generally require that a prospective portfolio company, in addition to having sufficient capital to support leverage, demonstrate an operating plan capable of generating cash flows or raising the additional capital necessary to cover its operating expenses and service its debt, for an additional six to twelve months subject to market conditions.

We expect that our investments will generally range from \$12.0 million to \$40.0 million, although we may make investments in amounts above or below this range. We typically structure our debt securities to provide for amortization of principal over the life of the loan, but may include a period of interest-only payments. Our loans will typically be collateralized by a security interest in the borrower's assets, although we may not have the first claim on these assets and the assets may not include intellectual property. Our debt investments carry fixed or variable contractual interest rates which generally ranged from approximately 5.8% to 12.0% as of June 30, 2017. As of June 30, 2017, approximately 94.5% of our loans were at floating rates or floating rates with a floor and 5.5% of the loans were at fixed rates.

In addition to the cash yields received on our loans, in some instances, our loans generally include one or more of the following: exit fees, balloon payment fees, commitment fees, success fees or prepayment fees. In some cases our loans also include contractual PIK interest arrangements. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash.

In addition, the majority of our investments in the structured debt of venture capital-backed companies generally have equity enhancement features, typically in the form of warrants or other equity-related securities that are considered OID to our loans and are designed to provide us with an opportunity for potential capital appreciation. The warrants typically will be immediately exercisable upon issuance and generally will remain exercisable for the lesser of five to ten years or three to five years after completion of an IPO. The exercise prices for the warrants varies from nominal exercise prices to exercise prices that are at or above the current fair market value of the equity for which we receive warrants. We may structure warrants to provide minority rights provisions or on a very select basis put rights upon the occurrence of certain events. We generally target a total annualized return (including interest, fees and value of warrants) of 12% to 25% for our debt investments.

Typically, our structured debt and equity investments take one of the following forms:

Structured Debt with Warrants. We seek to invest a majority of our assets in structured debt with warrants of prospective portfolio companies. Our investments in structured debt with warrants may be the only debt capital on the balance sheet of our portfolio companies, and in many cases we have a first priority security interest in all of our portfolio company's assets, or in certain investments we may have a negative pledge on intellectual property. Our structured debt with warrants typically has a maturity of between two and seven years, and they may provide for full amortization after an interest only period. Our structured debt with warrants generally carries a contractual interest rate up to 12.0% and may include an additional exit fee payment or contractual PIK interest arrangements. We may structure our structured debt with warrants with restrictive affirmative and negative covenants, default penalties, prepayment penalties, lien protection, equity calls, change-in-control provisions or board observation rights.

Senior Debt. We seek to invest a limited portion of our assets in senior debt. Senior debt may be collateralized by accounts receivable and/or inventory financing of prospective portfolio companies. Senior debt has a senior position with respect to a borrower's scheduled interest and principal payments and holds a first priority security interest in the assets pledged as collateral. Senior debt also may impose covenants on a borrower with regard to cash flows and changes in capital structure, among other items. We generally collateralize our investments by obtaining security interests in our portfolio

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companies' assets, which may include their intellectual property. In other cases we may obtain a negative pledge covering a company's intellectual property. Our senior loans, in certain instances, may be tied to the financing of specific assets. In connection with a senior debt investment, we may also provide the borrower with a working capital line-of-credit that will carry an interest rate ranging from Prime or LIBOR plus a spread with a floor, generally maturing in one to three years, and typically secured by accounts receivable and/or inventory.

Equipment Loans. We intend to invest a limited portion of our assets in equipment-based loans to early-stage prospective portfolio companies. Equipment-based loans are secured by a first priority security interest in only the specific assets financed. These loans are generally for amounts of \$1.0 million to \$3.0 million but may be up to \$15.0 million, carry a contractual interest rate between Prime and Prime plus 9.0%, and have an average term between three and four years. Equipment loans may also include exit fee payments.

Equity-Related Securities. The equity-related securities we hold consist primarily of warrants or other equity interests generally obtained in connection with our structured debt investments. In addition to the warrants received as a part of a structured debt financing, we typically receive the right to make equity investments in a portfolio company in connection with that company's next round of equity financing. We may also on certain debt investments have the right to convert a portion of the debt investment into equity. These rights will provide us with the opportunity to further enhance our returns over time through opportunistic equity investments in our portfolio companies. These equity-related investments are typically in the form of preferred or common equity and may be structured with a dividend yield, providing us with a current return, and with customary anti-dilution protection and preemptive rights. We may achieve liquidity through a merger or acquisition of a portfolio company, a public offering of a portfolio company's stock or by exercising our right, if any, to require a portfolio company to buy back the equity-related securities we hold. We may also make stand-alone direct equity investments into portfolio companies in which we may not have any debt investment in the company. As of June 30, 2017, we held warrant and equity-related securities in 164 portfolio companies.

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A comparison of the typical features of our various investment alternatives is set forth in the chart below.

| | Structured Debt with Warrants | Senior Debt | Equipment Loans | Equity-Related Securities |
|------------------------------|--|--|---|----------------------------------|
| Typical Structure | Term debt with warrants | Term or revolving debt | Term debt with warrants | Preferred stock or common stock |
| Investment Horizon | Long-term, ranging from 2 to 7 years, with an average of 3 years | Usually under 3 years | Ranging from 3 to 4 years | Ranging from 3 to 7 years |
| Ranking/Security | Senior secured, either first out or last out, or second lien | Senior / First lien | Secured only by underlying equipment | None/unsecured |
| Covenants | Less restrictive; mostly financial | Generally borrowing base and financial | None | None |
| Risk Tolerance | Medium / High | Low | High | High |
| Coupon/Dividend | Cash pay fixed and floating rate; PIK in limited cases | Cash pay fixed or floating rate | Cash pay fixed or floating rate and may include PIK | Generally none |
| Customization or Flexibility | More flexible | Little to none | Little to none | Flexible |
| Equity Dilution | Low to medium | None to low | Low | High |

Investment Criteria

We have identified several criteria, among others, that we believe are important in achieving our investment objective with respect to prospective portfolio companies. These criteria, while not inclusive, provide general guidelines for our investment decisions.

Portfolio Composition. While we generally focus our investments in venture capital-backed companies in technology-related industries, we seek to invest across various financial sponsors as well as across various stages of companies' development and various technology industry sub-sectors and geographies. As of June 30, 2017, approximately 76.1% of the fair value of our portfolio was composed of investments in five industries: 31.5% investments in the drug discovery & development industry, 18.2% investments in the software industry, 10.4% investments in the media/content/info industry, 8.8% investments in the drug delivery industry, and 7.2% investments in the internet consumer & business services industry.

Continuing Support from One or More Financial Sponsors. We generally invest in companies in which one or more established financial sponsors have previously invested and continue to make a contribution to the management of the business. We believe that having established financial sponsors with meaningful commitments to the business is a key characteristic of a prospective portfolio company. In addition, we look for representatives of one or more financial sponsors to maintain seats on the Board of Directors of a prospective portfolio company as an indication of such commitment.

Company Stage of Development. While we invest in companies at various stages of development, we generally require that prospective portfolio companies be beyond the seed stage of development and generally

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have received or anticipate having commitments for their first institutional round of equity financing for early stage companies. We expect a prospective portfolio company to demonstrate progress in its product development or demonstrate a path towards revenue generation or increase its revenues and operating cash flow over time. The anticipated growth rate of a prospective portfolio company is a key factor in determining the value that we ascribe to any warrants or other equity securities that we may acquire in connection with an investment in debt securities.

Operating Plan. We generally require that a prospective portfolio company, in addition to having potential access to capital to support leverage, demonstrate an operating plan capable of generating cash flows or the ability to potentially raise the additional capital necessary to cover its operating expenses and service its debt for a specific period. Specifically, we require that a prospective portfolio company demonstrate at the time of our proposed investment that in addition to having sufficient capital to support leverage, it has an operating plan capable of generating cash flows or raising the additional capital necessary to cover its operating expenses and service its debt for an additional six to twelve months subject to market conditions.

Security Interest. In many instances we seek a first priority security interest in all of the portfolio companies' tangible and intangible assets as collateral for our debt investment, subject in some cases to permitted exceptions. In other cases we may obtain a negative pledge prohibiting a company from pledging or otherwise encumbering their intellectual property. Although we do not intend to operate as an asset-based lender, the estimated liquidation value of the assets, if any, collateralizing the debt securities that we hold is an important factor in our credit analysis and subject to assumptions that may change over the life of the investment especially when attempting to estimate the value of intellectual property. We generally evaluate both tangible assets, such as accounts receivable, inventory and equipment, and intangible assets, such as intellectual property, customer lists, networks and databases.

Covenants. Our investments may include one or more of the following covenants: cross-default; material adverse change provisions; requirements that the portfolio company provide periodic financial reports and operating metrics; and limitations on the portfolio company's ability to incur additional debt, sell assets, dividend recapture, engage in transactions with affiliates and consummate an extraordinary transaction, such as a merger or recapitalization without our consent. In addition, we may require other performance or financial based covenants, as we deem appropriate.

Exit Strategy. Prior to making a debt investment that is accompanied by an equity-related security in a prospective portfolio company, we analyze the potential for that company to increase the liquidity of its equity through a future event that would enable us to realize appreciation in the value of our equity interest. Liquidity events may include an IPO, a private sale of our equity interest to a third party, a merger or an acquisition of the company or a purchase of our equity position by the company or one of its stockholders.

Investment Process

We have organized our management team around the four key elements of our investment process:

Origination;

Underwriting;

Documentation; and

Loan and Compliance Administration.

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Our investment process is summarized in the following chart:

Origination

The origination process for our investments includes sourcing, screening, preliminary due diligence and deal structuring and negotiation, all leading to an executed non-binding term sheet. As of June 30, 2017, our investment origination team, which consists of approximately 34 investment professionals, is headed by our Chief Investment Officer and our Chief Executive Officer. The origination team is responsible for sourcing potential investment opportunities and members of the investment origination team use their extensive relationships with various leading financial sponsors, management contacts within technology-related companies, trade sources, technology conferences and various publications to source prospective portfolio companies. Our investment origination team is divided into life sciences, technology, sustainable and renewable technology, and special situation sub-teams to better source potential portfolio companies.

In addition, we have developed a proprietary and comprehensive SQL-based database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. This proprietary SQL system allows our origination team to maintain, cultivate and grow our industry relationships while providing our origination team with comprehensive details on companies in the technology-related industries and their financial sponsors.

If a prospective portfolio company generally meets certain underwriting criteria, we perform preliminary due diligence, which may include high level company and technology assessments, evaluation of its financial sponsors' support, market analysis, competitive analysis, identifying key management, risk analysis and transaction size, pricing, return analysis and structure analysis. If the preliminary due diligence is satisfactory, and the origination team recommends moving forward, we then structure, negotiate and execute a non-binding term sheet with the potential portfolio company. Upon execution of a term sheet, the investment opportunity moves to the underwriting process to complete formal due diligence review and approval.

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Underwriting

The underwriting review includes formal due diligence and approval of the proposed investment in the portfolio company.

Due Diligence. Our due diligence on a prospective investment is typically completed by two or more investment professionals whom we define as the underwriting team. The underwriting team for a proposed investment consists of the deal sponsor who typically possesses general industry knowledge and is responsible for originating and managing the transaction, other investment professional(s) who perform due diligence, credit and corporate financial analyses and, as needed, our legal professionals. To ensure consistent underwriting, we generally use our standardized due diligence methodologies, which include due diligence on financial performance and credit risk as well as an analysis of the operations and the legal and applicable regulatory framework of a prospective portfolio company. The members of the underwriting team work together to conduct due diligence and understand the relationships among the prospective portfolio company's business plan, operations and financial performance.

As part of our evaluation of a proposed investment, the underwriting team prepares an investment memorandum for presentation to the investment committee. In preparing the investment memorandum, the underwriting team typically interviews select key management of the company and select financial sponsors and assembles information necessary to the investment decision. If and when appropriate, the investment professionals may also contact industry experts and customers, vendors or, in some cases, competitors of the company.

Approval Process. The sponsoring managing director or principal presents the investment memorandum to our investment committee for consideration. The approval of a majority of our investment committee and an affirmative vote by our Chief Executive Officer is required before we proceed with any investment. The members of our investment committee are our Chief Executive Officer, our Chief Financial Officer, and our Chief Investment Officer. The investment committee generally meets weekly and more frequently on an as-needed basis.

Documentation

Our legal department administers the documentation process for our investments. This department is responsible for documenting the transactions approved by our investment committee with a prospective portfolio company. This department negotiates loan documentation and, subject to appropriate approvals, final documents are prepared for execution by all parties. The legal department generally uses the services of external law firms to complete the necessary documentation.

Loan and Compliance Administration

Our investment committee, supported by our investment team, credit team, and finance department, administers loans and track covenant compliance, if applicable, of our investments and oversees periodic reviews of our critical functions to ensure adherence with our internal policies and procedures. After funding of a loan in accordance with the investment committee's approval, the loan is recorded in our loan administration software and our SQL-based database system. The investment team, credit team, and finance department are responsible for ensuring timely interest and principal payments and collateral management as well as advising the investment committee on the financial performance and trends of each portfolio company, including any covenant violations that occur, to aid us in assessing the appropriate course of action for each portfolio company and evaluating overall portfolio quality. In addition, the investment team and credit team advise the investment committee and the Audit Committee of our Board of Directors, accordingly, regarding the credit and investment grading for each portfolio company as well as changes in the value of collateral that may occur.

The investment team and credit team monitor our portfolio companies in order to determine whether the companies are meeting our financing criteria and their respective business plans and also monitors the financial

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trends of each portfolio company from its monthly or quarterly financial statements to assess the appropriate course of action for each company and to evaluate overall portfolio quality. In addition, our management team closely monitors the status and performance of each individual company through our SQL-based database system and periodic contact with our portfolio companies' management teams and their respective financial sponsors.

Credit and Investment Grading System. Our investment team and credit team use an investment grading system to characterize and monitor our outstanding loans. Our investment team and credit team monitors and, when appropriate, recommends changes to investment grading. Our investment committee reviews the recommendations and/or changes to the investment grading, which are submitted on a quarterly basis to the Audit Committee and our Board of Directors for approval.

From time to time, we will identify investments that require closer monitoring or become workout assets. We develop a workout strategy for workout assets and our investment committee monitors the progress against the strategy. We may incur losses from our investing activities, however, we work with our troubled portfolio companies in order to recover as much of our investments as is practicable, including possibly taking control of the portfolio company. There can be no assurance that principal will be recovered.

We use the following investment grading system approved by our Board of Directors:

- Grade 1. Loans involve the least amount of risk in our portfolio. The borrower is performing above expectations, and the trends and risk profile is generally favorable.
- Grade 2. The borrower is performing as expected and the risk profile is neutral to favorable. All new loans are initially graded 2.
- Grade 3. The borrower may be performing below expectations, and the loan's risk has increased materially since origination. We increase procedures to monitor a borrower that may have limited amounts of cash remaining on the balance sheet, is approaching its next equity capital raise within the next three to six months, or if the estimated fair value of the enterprise may be lower than when the loan was originated. We will generally lower the loan grade to a level 3 even if the company is performing in accordance to plan as it approaches the need to raise additional cash to fund its operations. Once the borrower closes its new equity capital raise, we may increase the loan grade back to grade 2 or maintain it at a grade 3 as the company continues to pursue its business plan.
- Grade 4. The borrower is performing materially below expectations, and the loan risk has substantially increased since origination. Loans graded 4 may experience some partial loss or full return of principal but are expected to realize some loss of interest which is not anticipated to be repaid in full, which, to the extent not already reflected, may require the fair value of the loan to be reduced to the amount we anticipate will be recovered. Grade 4 investments are closely monitored.
- Grade 5. The borrower is in workout, materially performing below expectations and a significant risk of principal loss is probable. Loans graded 5 will experience some partial principal loss or full loss of remaining principal outstanding is expected. Grade 5 loans will require the fair value of the loans be reduced to the amount, if any, we anticipate will be recovered.

At June 30, 2017, our investments had a weighted average investment grading of 2.27.

Managerial Assistance

As a business development company, we are required to offer, and provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may, from time to time, receive fees for these services. In the event that such fees are received, they are incorporated

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into our operating income and are passed through to our stockholders, given the nature of our structure as an internally managed business development company. See Regulation Significant Managerial Assistance for additional information.

COMPETITION

Our primary competitors provide financing to prospective portfolio companies and include non-bank financial institutions, federally or state chartered banks, venture debt funds, financial institutions, venture capital funds, private equity funds, investment funds and investment banks. Many of these entities have greater financial and managerial resources than we have, and the 1940 Act imposes certain regulatory restrictions on us as a business development company to which many of our competitors are not subject. Additionally, competition is especially intense from commercial venture banks. However, we believe that few of our competitors possess the expertise to properly structure and price debt investments to venture capital-backed companies in technology-related industries. We believe that our specialization in financing technology-related companies will enable us to determine a range of potential values of intellectual property assets, evaluate the business prospects and operating characteristics of prospective portfolio companies and, as a result, identify investment opportunities that produce attractive risk-adjusted returns. For additional information concerning the competitive risks we face, see Risk Factors Risks Related to our Business and Structure We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively.

BROKERAGE ALLOCATIONS AND OTHER PRACTICES

Because we generally acquire and dispose of our investments in privately negotiated transactions, we typically do not use brokers in the normal course of business. However, from time to time, we may work with brokers to sell positions we have acquired in the securities of publicly listed companies or to acquire positions (principally equity) in companies where we see a market opportunity to acquire such securities at attractive valuations. In cases where we do use a broker, we do not execute transactions through any particular broker or dealer, but will seek to obtain the best net results for the Company, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive execution costs, we may not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

EMPLOYEES

As of June 30, 2017, we had 68 employees, including approximately 34 investment and portfolio management professionals, all of whom have extensive experience working on financing transactions for technology-related companies.

LEGAL PROCEEDINGS

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

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The following tables set forth certain information as of June 30, 2017 regarding each portfolio company in which we had a debt or equity investment. The general terms of our loans and other investments are described in Business Our Investments and Operations. Other than these investments, our only formal relationship with our portfolio companies is the offer to make available significant managerial assistance. In addition, we may receive rights to observe the Board of Directors meetings of our portfolio companies. Amounts are presented in thousands.

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|-----------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| | | | Date | Interest Rate and Floor | | | |
| Debt Investments | | | | | | | |
| Biotechnology Tools | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Excicure, Inc. ^{(11)(14A)} | Biotechnology Tools | Senior Secured | September 2019 | Interest rate PRIME + 6.45% or Floor rate of 9.95% | \$ 6,000 | \$ 6,046 | \$ 6,124 |
| 8045 Lamon Avenue, Suite 410 | | | | | | | |
| Skokie, IL 60077 | | | | | | | |
| Subtotal: 1-5 Years Maturity | | | | | | 6,046 | 6,124 |
| Subtotal: Biotechnology Tools (0.75%)* | | | | | | 6,046 | 6,124 |
| Communications & Networking | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Achilles Technology Management Co II, Inc. ^{(6)(13)(14B)} | Communications & Networking | Senior Secured | August 2017 | PIK Interest 10.50% | \$ 819 | 928 | 928 |
| 1441 Knightsbridge Drive | | | | | | | |
| Blue Bell, PA 19422 | | | | | | | |
| OpenPeak, Inc. ⁽⁷⁾ | Communications & Networking | Senior Secured | April 2018 | Interest rate PRIME + 8.75% or Floor rate of 12.00% | \$ 11,464 | 8,228 | |
| One Riverfront Plaza | | | | | | | |
| 1037 Raymond Boulevard | | | | | | | |
| Sixteenth Floor | | | | | | | |
| Newark, NJ 07102 | | | | | | | |
| SkyCross, Inc. ^{(6)(7)(13)(14B)(15)} | Communications & Networking | Senior Secured | January 2018 | Interest rate FIXED 10.95%, PIK Interest 5.00% | \$ 14,916 | 15,058 | |
| 1441 Knightsbridge Drive | | | | | | | |
| Blue Bell, PA 19422 | | | | | | | |
| Subtotal: Under 1 Year Maturity | | | | | | 24,214 | 928 |
| 1-5 Years Maturity | | | | | | | |

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|---|---------------------------------|----------------|---------------|---|-----------|--------|--------|
| Spring Mobile Solutions, Inc. ^{(12)(14B)} 11710 Plaza America Drive, Suite 2000 Reston, VA 20190 | Communications & Networking | Senior Secured | January 2019 | Interest rate PRIME + 6.70% or Floor rate of 9.95% | \$ 2,739 | 2,826 | 2,827 |
| Subtotal: 1-5 Years Maturity | | | | | | 2,826 | 2,827 |
| Subtotal: Communications & Networking (0.46%)* | | | | | | 27,040 | 3,755 |
| Consumer & Business Products | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) ^{(14A)(15)} | | | | | | | |
| 709N 400 W #3 North Salt Lake, UT 84054 | Consumer & Business Products | Senior Secured | December 2019 | Interest rate PRIME + 7.45% or Floor rate of 10.95% | \$ 20,000 | 19,988 | 20,146 |
| North Salt Lake, UT 84054 | Consumer & Business Products | Senior Secured | December 2018 | Interest rate PRIME + 6.00% or Floor rate of 9.50% | \$ 1,000 | 1,000 | 1,000 |
| Total Antenna79 (p.k.a. Pong Research Corporation) | | | | | \$ 21,000 | 20,988 | 21,146 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| | | | Date | Interest Rate and Floor | | | |
| Second Time Around (Simplify Holdings, LLC) ^{(7)(14A)(15)} | Consumer & Business Products | Senior Secured | February 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.75% | \$ 1,886 | \$ 1,920 | \$ |
| 560 Harrison Ave., Suite 501 | | | | | | | |
| Boston, MA 02118 | | | | | | | |
| Subtotal: 1-5 Years Maturity | | | | | | 22,908 | 21,146 |
| Subtotal: Consumer & Business Products (2.59%)* | | | | | | 22,908 | 21,146 |
| Drug Delivery Under 1 Year Maturity | | | | | | | |
| BioQ Pharma Incorporated ^{(10)(14A)(14B)} | Drug Delivery | Senior Secured | May 2018 | Interest rate PRIME + 8.00% or Floor rate of 11.25% | \$ 6,356 | 6,850 | 6,850 |
| 185 Berry St., Ste 160 | | | | | | | |
| San Francisco, CA 94107 | Drug Delivery | Senior Secured | May 2018 | Interest rate PRIME + 7.00% or Floor rate of 10.25% | \$ 1,898 | 1,979 | 1,979 |
| Total BioQ Pharma Incorporated | | | | | \$ 8,254 | 8,829 | 8,829 |
| Subtotal: Under 1 Year Maturity | | | | | | 8,829 | 8,829 |
| 1-5 Years Maturity | | | | | | | |
| AcelRx Pharmaceuticals, Inc. ^{(9)(10)(14C)(15)} | Drug Delivery | Senior Secured | March 2020 | Interest rate PRIME + 6.05% or Floor rate of 9.55% | \$ 20,466 | 21,340 | 21,425 |
| 351 Galveston Drive | | | | | | | |
| Redwood City, CA 94063 | | | | | | | |
| Agile Therapeutics, Inc. ^{(10)(14A)} | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 4.75% or Floor rate of 9.00% | \$ 14,004 | 14,234 | 14,150 |
| 101 Poor Farm Road | | | | | | | |
| Princeton, NJ 08540 | | | | | | | |
| Antares Pharma Inc. ^{(9)(14A)(15)} | Drug Delivery | Senior Secured | July 2022 | Interest rate PRIME + 4.50% or Floor rate of 9.50% | \$ 25,000 | 24,862 | 24,862 |
| 100 Princeton South, Suite 300 | | | | | | | |
| Ewing, NJ 08628 | | | | | | | |
| Apexia Pharmaceuticals Company ^{(11)(14A)} | Drug Delivery | Senior Secured | January 2020 | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 15,000 | 15,221 | 15,215 |
| 2010 Cabot Blvd., West Suite F | | | | | | | |
| Langhorne, PA 19047 | | | | | | | |
| Edge Therapeutics, Inc. ^{(11)(14A)} | Drug Delivery | Senior Secured | February 2020 | Interest rate PRIME + 4.65% or Floor rate of 9.15% | \$ 20,000 | 20,131 | 20,226 |
| 300 Connell Dr., Suite 4000 | | | | | | | |
| Berkeley Heights, NJ 07922 | | | | | | | |

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|--|------------------------------|----------------|---------------|--|----------|---------|---------|
| Pulmatrix Inc. ^{(8)(10)(14A)} 99 Hayden Avenue, Suite 390 Lexington, MA 02421 | Drug Delivery | Senior Secured | July 2018 | Interest rate PRIME + 6.25% or Floor rate of 9.50% | \$ 4,639 | 4,772 | 4,807 |
| ZP Opco, Inc (p.k.a. Zosano Pharma) ^{(10)(14A)} 34790 Ardentech Court Fremont, CA 94555 | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 2.70% or Floor rate of 7.95% | \$ 9,277 | 9,495 | 9,465 |
| Subtotal: 1-5 Years Maturity | | | | | | 110,055 | 110,150 |
| Subtotal: Drug Delivery (14.55%)* | | | | | | 118,884 | 118,979 |
| Drug Discovery & Development Under 1 Year Maturity | | | | | | | |
| Cerecor, Inc. ^{(11)(14A)} 400 East Pratt Street, Suite 606 Baltimore, MD 21202 | Drug Discovery & Development | Senior Secured | August 2017 | Interest rate PRIME + 4.70% or Floor rate of 7.95% | \$ 607 | 792 | 792 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|-----------------------------------|----------------|--|---|------------------|---------------------|----------------------|
| | | | Date | | | | | |
| Epirus Biopharmaceuticals, Inc. ^{(7)(14A)} 99 High Street Boston, MA 02110-2320 | Drug Discovery & Development | Senior Secured | April 2018 | | Interest rate PRIME + 4.70% or Floor rate of 7.95% | \$ 3,066 | \$ 3,349 | \$ |
| Subtotal: Under 1 Year Maturity | | | | | | | 4,141 | 792 |
| 1-5 Years Maturity | | | | | | | | |
| Auris Medical Holding, AG ^{(4)(9)(14B)} Dornacherstrasse 210 CH-4053, Basel Switzerland | Drug Discovery & Development | Senior Secured | January 2020 | | Interest rate PRIME + 6.05% or Floor rate of 9.55% | \$ 12,500 | 12,547 | 12,586 |
| Aveo Pharmaceuticals, Inc. ^{(9)(12)(14A)(14B)} One Broadway, 9th Floor Cambridge, MA 02142 | Drug Discovery & Development | Senior Secured | December 2019 | | Interest rate PRIME + 6.90% or Floor rate of 11.90% | \$ 10,000 | 10,339 | 10,377 |
| | Drug Discovery & Development | Senior Secured | December 2019 | | Interest rate PRIME + 6.90% or Floor rate of 11.90% | \$ 10,000 | 9,842 | 9,858 |
| Total Aveo Pharmaceuticals, Inc. | | | | | | \$ 20,000 | 20,181 | 20,235 |
| Axovant Sciences Ltd. ⁽⁴⁾⁽⁹⁾ 2 Church Street Hamilton, Bermuda HM11 | Drug Discovery & Development | Senior Secured | March 2021 | | Interest rate PRIME + 6.80% or Floor rate of 10.55% | \$ 55,000 | 53,333 | 53,333 |
| Bellicum Pharmaceuticals, Inc. ^{(14A)(14B)(15)} 2130 West Holcombe Boulevard, Suite 800 Houston, TX 77030 | Drug Discovery & Development | Senior Secured | March 2020 | | Interest rate PRIME + 5.85% or Floor rate of 9.35% | \$ 15,000 | 15,421 | 15,640 |
| | Drug Discovery & Development | Senior Secured | March 2020 | | Interest rate PRIME + 5.85% or Floor rate of 9.35% | \$ 5,000 | 5,022 | 5,114 |
| | Drug Discovery & Development | Senior Secured | March 2020 | | Interest rate PRIME + 5.85% or Floor rate of 9.35% | \$ 10,000 | 10,030 | 10,163 |
| Total Bellicum Pharmaceuticals, Inc. | | | | | | \$ 30,000 | 30,473 | 30,917 |
| Brickell Biotech, Inc. ^{(11)(14B)} 5777 Central Ave, Suite 102 Boulder, CO 80301 | Drug Discovery & Development | Senior Secured | September 2019 | | Interest rate PRIME + 5.70% or Floor rate of 9.20% | \$ 7,262 | 7,426 | 7,458 |
| Concert Pharmaceuticals, Inc. ^{(14A)(15)} 99 Hayden Avenue, Suite 500 Lexington, MA 02421-7966 | Drug Discovery & Development | Senior Secured | June 2021 | | Interest rate PRIME + 4.05% or Floor rate of 8.55% | \$ 30,000 | 29,540 | 29,540 |

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|---|------------------------------|----------------|----------------|---|-----------|--------|--------|
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ^{(10)(14A)} | Drug Discovery & Development | Senior Secured | December 2018 | Interest rate PRIME + 7.70% or Floor rate of 10.95% | \$ 15,639 | 15,469 | 15,589 |
| 3101 Western Avenue, Suite 600 | | | | | | | |
| Seattle, WA 98121 | | | | | | | |
| CytRx Corporation ^{(10)(14B)(15)} | Drug Discovery & Development | Senior Secured | February 2020 | Interest rate PRIME + 6.00% or Floor rate of 9.50% | \$ 22,573 | 23,068 | 23,265 |
| 11726 San Vicente Blvd., Suite 650 | | | | | | | |
| Los Angeles, CA 90049 | | | | | | | |
| Genocea Biosciences, Inc. ^{(10)(14A)} | Drug Discovery & Development | Senior Secured | January 2019 | Interest rate PRIME + 2.25% or Floor rate of 7.25% | \$ 17,000 | 17,475 | 17,532 |
| 100 Acorn Park Drive, 5th Floor | | | | | | | |
| Cambridge, MA 02140 | | | | | | | |
| Immune Pharmaceuticals ^{(10)(14B)} | Drug Discovery & Development | Senior Secured | September 2018 | Interest rate PRIME + 4.75% or Floor rate of 10.00% | \$ 2,398 | 2,551 | 2,551 |
| 430 East 29th St., Suite 940 | | | | | | | |
| New York, NY 10016 | | | | | | | |
| Insmmed, Incorporated ^{(10)(14A)} | Drug Discovery & Development | Senior Secured | October 2020 | Interest rate PRIME + 4.75% or Floor rate of 9.25% | \$ 55,000 | 55,065 | 55,082 |
| 10 Finderne Avenue, Building 10 | | | | | | | |
| Bridgewater, NJ 08807 | | | | | | | |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ | |
|---|---------------------------------|-----------------------------------|----------------|--|---|------------------|---------------------|----------------------|---------|
| | | | Date | | | | | | |
| Metuchen Pharmaceuticals LLC ^{(13)(14A)} 11 Commerce Drive, First Floor Cranford, NJ 07016 | Drug Discovery & Development | Senior Secured | October 2020 | | Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35% | \$ 35,322 | \$ 35,030 | \$ 35,221 | |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ^{(14A)(15)} 75 Park Plaza, 4th Floor Boston, MA 02116 | Drug Discovery & Development | Senior Secured | September 2020 | | Interest rate PRIME + 2.75% or Floor rate of 8.50% | \$ 40,000 | 39,721 | 39,744 | |
| | Drug Discovery & Development | Senior Secured | September 2020 | | Interest rate PRIME + 2.75% or Floor rate of 8.50% | \$ 10,000 | 9,934 | 9,937 | |
| Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) | | | | | | \$ 50,000 | 49,655 | 49,681 | |
| PhaseRx, Inc. ^{(14B)(15)} 410 West Harrison Street, Suite 300 Seattle, WA 98119 | Drug Discovery & Development | Senior Secured | December 2019 | | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 6,000 | 6,034 | 6,047 | |
| Sorrento Therapeutics, Inc. ^{(9)(14A)} 9380 Judicial Dr San Diego, CA 92121 | Drug Discovery & Development | Senior Secured | December 2020 | | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 30,000 | 28,879 | 28,736 | |
| Stealth Bio Therapeutics Corp. ^{(4)(9)(14A)} 275 Grove Street, Suite 3-107 Newton, MA 02466 | Drug Discovery & Development | Senior Secured | January 2021 | | Interest rate PRIME + 5.50% or Floor rate of 9.50% | \$ 12,500 | 12,260 | 12,260 | |
| uniQure B.V. ^{(4)(9)(10)(14B)} Tafelbergweg 51 Amsterdam, The Netherlands 1105 BD | Drug Discovery & Development | Senior Secured | May 2020 | | Interest rate PRIME + 3.00% or Floor rate of 8.25% | \$ 20,000 | 20,359 | 20,342 | |
| Verastem, Inc. ^{(14A)(17)} 117 Kendrick Street, Suite 500 Needham, MA 02494 | Drug Discovery & Development | Senior Secured | December 2020 | | Interest rate PRIME + 6.00% or Floor rate of 10.50% | \$ 2,500 | 2,465 | 2,465 | |
| Subtotal: 1-5 Years Maturity | | | | | | | | 421,810 | 422,840 |
| Subtotal: Drug Discovery & Development (51.82%)* | | | | | | | | 425,951 | 423,632 |
| Electronics & Computer Hardware | | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | | |
| 908 DEVICES INC. ^{(14A)(15)(17)} 27 Drydock Avenue, 7th Floor | Electronics & Computer Hardware | Senior Secured | September 2020 | | Interest rate PRIME + 4.00% or Floor rate of 8.25% | \$ 7,500 | 7,470 | 7,470 | |

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Boston, MA 02210

| | | | | | | | | |
|---|----------------------------|----------------|----------------|---|-----------|--------|--------|--------|
| Subtotal: 1-5 Years Maturity | | | | | | | 7,470 | 7,470 |
| Subtotal: Electronics & Computer Hardware (0.91%)* | | | | | | | 7,470 | 7,470 |
| Healthcare Services, Other | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| PH Group Holdings | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% or Floor rate of 10.95% | \$ 20,000 | 19,841 | 19,955 | |
| 950 N Glebe Rd., Suite 4000 | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% or Floor rate of 10.95% | \$ 10,000 | 9,899 | 9,899 | |
| Arlington, VA 22203 | | | | | | | | |
| Total PH Group Holdings | | | | | \$ 30,000 | 29,740 | 29,854 | |
| Subtotal: 1-5 Years Maturity | | | | | | | 29,740 | 29,854 |
| Subtotal: Healthcare Services, Other (3.65%)* | | | | | | | 29,740 | 29,854 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|---------------------------------------|-----------------------------------|---------------|--|--|------------------|---------------------|----------------------|
| | | | Date | | | | | |
| Information Services | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| MDX Medical, Inc. ⁽¹³⁾⁽¹⁵⁾⁽¹⁷⁾ 160 Chubb Avenue, Suite 301 Lyndhurst, NJ 07071 | Information Services | Senior Secured | December 2020 | | Interest rate PRIME + 4.00% or Floor rate of 8.25%, PIK Interest 1.70% | \$ 7,502 | \$ 7,264 | \$ 7,264 |
| Subtotal: 1-5 Years Maturity | | | | | | | 7,264 | 7,264 |
| Subtotal: Information Services (0.89%)* | | | | | | | 7,264 | 7,264 |
| Internet Consumer & Business Services | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Aria Systems, Inc. ⁽¹⁰⁾⁽¹³⁾ 575 Market Street, 32nd Floor San Francisco, CA 94105 | Internet Consumer & Business Services | Senior Secured | June 2019 | | Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95% | \$ 2,082 | 2,071 | 2,068 |
| | Internet Consumer & Business Services | Senior Secured | June 2019 | | Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95% | \$ 18,646 | 18,539 | 18,533 |
| Total Aria Systems, Inc. | | | | | | \$ 20,728 | 20,610 | 20,601 |
| Intent Media, Inc. ^{(13)(14A)(15)} 315 Hudson St., 9th Floor New York, NY 10013 | Internet Consumer & Business Services | Senior Secured | May 2019 | | Interest rate PRIME + 5.25% or Floor rate of 8.75%, PIK Interest 1.00% | \$ 5,025 | 4,929 | 4,957 |
| | Internet Consumer & Business Services | Senior Secured | May 2019 | | Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.35% | \$ 2,000 | 1,938 | 1,940 |
| | Internet Consumer & Business Services | Senior Secured | May 2019 | | Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.50% | \$ 2,000 | 1,938 | 1,940 |
| Total Intent Media, Inc. | | | | | | \$ 9,025 | 8,805 | 8,837 |
| LogicSource ^{(14B)(15)} 20 Marshall Street South Norwalk, CT 06854 | Internet Consumer & Business Services | Senior Secured | October 2019 | | Interest rate PRIME + 6.25% or Floor rate of 9.75% | \$ 8,001 | 8,147 | 8,241 |
| Snagajob.com, Inc. ^{(12)(13)(14A)} 1919 N Lynn Street, 7th Floor Arlington, VA 22209 | Internet Consumer & Business Services | Senior Secured | July 2020 | | Interest rate PRIME + 5.15% or Floor rate of 9.15%, PIK Interest 1.95% | \$ 35,642 | 35,125 | 35,788 |
| Tectura Corporation ⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽¹³⁾ | Internet Consumer & Business Services | Senior Secured | June 2021 | | Interest rate FIXED 6.00%, PIK Interest 3.00% | \$ 19,991 | 19,991 | 19,991 |

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| | | | | | | | |
|--|---|----------------|-----------|--------------------|-----------|--------|--------|
| 951 Old County Road, Suite 2-317 Belmont, CA 94002 | Internet Consumer & Business Services | Senior Secured | June 2021 | PIK Interest 8.00% | \$ 11,015 | 240 | |
| Total Tectura Corporation | | | | | \$ 31,006 | 20,231 | 19,991 |
| Subtotal: 1-5 Years Maturity | | | | | | 92,918 | 93,458 |
| Subtotal: Internet Consumer & Business Services (11.43%)* | | | | | | 92,918 | 93,458 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|-----------------------------|-----------------------------------|---------------|--|--|------------------|---------------------|----------------------|
| | | | Date | | | | | |
| Media/Content/Info Under 1 Year Maturity | | | | | | | | |
| Machine Zone, Inc. ⁽¹³⁾⁽¹⁶⁾ | Media/Content/Info | Senior Secured | May 2018 | | Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00% | \$ 105,369 | \$ 104,512 | \$ 104,512 |
| 1050 Page Mill Road | | | | | | | | |
| Palo Alto, CA 94304 | | | | | | | | |
| Subtotal: Under 1 Year Maturity | | | | | | | 104,512 | 104,512 |
| 1-5 Years Maturity | | | | | | | | |
| FanDuel, Inc. ^(14B) | Media/Content/Info | Senior Secured | November 2019 | | Interest rate PRIME + 7.25% or Floor rate of 10.75% | \$ 20,000 | 19,871 | 19,851 |
| 300 Park Avenue South, 14th Floor | | | | | | | | |
| New York, NY 10005 | | | | | | | | |
| WP Technology, Inc. (Wattpad, Inc.) ^{(4)(9)(11)(14B)} | Media/Content/Info | Senior Secured | April 2020 | | Interest rate PRIME + 4.75% or Floor rate of 8.25% | \$ 5,000 | 5,080 | 5,177 |
| 4950 Yonge Street, Suite 208 | | | | | | | | |
| Toronto, ON M2M 3V5 | | | | | | | | |
| Total WP Technology, Inc. (Wattpad, Inc.) | | | | | | \$ 10,000 | 10,077 | 10,254 |
| Subtotal: 1-5 Years Maturity | | | | | | | 29,948 | 30,105 |
| Subtotal: Media/Content/Info (16.47%)* | | | | | | | 134,460 | 134,617 |
| Medical Devices & Equipment Under 1 Year Maturity | | | | | | | | |
| Amedica Corporation ^{(8)(14B)(15)} | Medical Devices & Equipment | Senior Secured | January 2018 | | Interest rate PRIME + 7.70% or Floor rate of 10.95% | \$ 4,098 | 5,678 | 5,678 |
| 1885 West 2100 South | | | | | | | | |
| Salt Lake City, UT 84119 | | | | | | | | |
| Gamma Medica, Inc. ^{(7)(10)(14B)} | Medical Devices & Equipment | Senior Secured | January 2018 | | Interest rate PRIME + 6.50% or Floor rate of 9.75% | \$ 161 | 366 | |
| 12 Manor Parkway, Unit 3 | | | | | | | | |
| Salem, NH 03079 | | | | | | | | |
| Subtotal: Under 1 Year Maturity | | | | | | | 6,044 | 5,678 |
| 1-5 Years Maturity | | | | | | | | |
| Aspire Bariatrics, Inc. ^{(14B)(15)} | Medical Devices & Equipment | Senior Secured | October 2018 | | Interest rate PRIME + 4.00% or Floor rate of 9.25% | \$ 3,943 | 4,173 | 4,126 |
| 3200 Horizon Drive, Suite 100 | | | | | | | | |
| King of Prussia, PA 19406 | | | | | | | | |

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|---|--------------------------------|----------------|-------------|---|-----------|--------|--------|
| IntegenX, Inc. ^{(14B)(15)} 5720 Stoneridge Drive, Suite 300 Pleasanton, CA 94588 | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% or Floor rate of 10.05% | \$ 2,500 | 2,528 | 2,528 |
| Total IntegenX, Inc. | | | | | \$ 17,500 | 17,898 | 17,890 |
| Micell Technologies, Inc. ^{(11)(14B)} 801 Capitola Drive, Suite 1 Durham, NC 27713 | Medical Devices & Equipment | Senior Secured | August 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.50% | \$ 6,909 | 7,006 | 7,070 |
| Quanta Fluid Solutions ^{(4)(9)(10)(14B)} Tything Road Alcester, UK B49 6EU | Medical Devices & Equipment | Senior Secured | April 2020 | Interest rate PRIME + 8.05% or Floor rate of 11.55% | \$ 11,625 | 11,811 | 11,847 |
| Quanterix Corporation ^{(10)(14A)} 113 Hartwell Avenue Lexington, MA 02421 | Medical Devices & Equipment | Senior Secured | March 2019 | Interest rate PRIME + 2.75% or Floor rate of 8.00% | \$ 9,043 | 9,427 | 9,424 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|-----------------------------|-----------------------------------|----------------|--|---|------------------|---------------------|----------------------|
| | | | Date | | | | | |
| Sebacia ^{(14B)(15)} 2905 Premiere Parkway, Suite 150 Duluth, GA 30097 | Medical Devices & Equipment | Senior Secured | July 2020 | | Interest rate PRIME + 4.35% or Floor rate of 8.85% | \$ 8,000 | \$ 7,805 | \$ 7,805 |
| Tela Bio, Inc. ^{(14A)(15)} One Great Valley Pkwy, Suite 24 Malvern, PA 19355 | Medical Devices & Equipment | Senior Secured | September 2020 | | Interest rate PRIME + 4.95% or Floor rate of 9.45% | \$ 5,000 | 4,945 | 4,945 |
| Subtotal: 1-5 Years Maturity | | | | | | | 63,065 | 63,107 |
| Subtotal: Medical Devices & Equipment (8.41%)* | | | | | | | 69,109 | 68,785 |
| Semiconductors | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| Achronix Semiconductor Corporation ⁽¹⁵⁾ 2953 Bunker Hill Lane, Suite 101 Santa Clara, CA 95054 | Semiconductors | Senior Secured | November 2017 | | Interest rate PRIME + 7.00% or Floor rate of 10.50% | \$ 4,025 | 4,025 | 4,025 |
| Aquantia Corp. ⁽¹⁷⁾ 105 E. Tasman Drive San Jose, CA 95134 | Semiconductors | Senior Secured | February 2018 | | Interest rate PRIME + 3.95% or Floor rate of 7.20% | \$ 5,000 | 5,000 | 5,000 |
| Subtotal: Under 1 Year Maturity | | | | | | | 9,025 | 9,025 |
| 1-5 Years Maturity | | | | | | | | |
| Achronix Semiconductor Corporation ^{(14B)(15)} 2953 Bunker Hill Lane, Suite 101 Santa Clara, CA 95054 | Semiconductors | Senior Secured | July 2018 | | Interest rate PRIME + 8.25% or Floor rate of 11.50% | \$ 2,356 | 2,623 | 2,607 |
| Subtotal: 1-5 Years Maturity | | | | | | | 2,623 | 2,607 |
| Subtotal: Semiconductors (1.42%)* | | | | | | | 11,648 | 11,632 |
| Software | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| Clickfox, Inc. ^{(12)(14C)} 3445 Peachtree Road, Suite 450 Atlanta, GA 30326 | Software | Senior Secured | May 2018 | | Interest rate PRIME + 8.00% or Floor rate of 11.50% | \$ 9,672 | 10,437 | 10,437 |

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|---|----------|----------------|---------------|---|-----------|---------------|---------------|
| Cloud Technology Partners, Inc. 321 Summer Street, 5th Floor Boston, MA 02210 | Software | Senior Secured | June 2018 | Interest rate PRIME + 3.05% or Floor rate of 7.05% | \$ 3,400 | 3,400 | 3,400 |
| JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ^{(7)(13)(14A)(14C)(15)(18)} 21250 Hawthorne Boulevard, Suite 380 Torrance, CA 90503 | Software | Senior Secured | March 2018 | Interest rate FIXED 5.75%, PIK Interest 10.75% | \$ 13,000 | 12,747 | 3,220 |
| | Software | Senior Secured | February 2017 | Interest rate FIXED 5.75%, PIK Interest 10.75% | \$ 1,566 | 1,698 | 429 |
| Total JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) | | | | | \$ 14,566 | 14,445 | 3,649 |
| RedSeal Inc. ^{(14A)(15)(17)} 940 Stewart Drive, Suite 101 Sunnyvale, CA 94085 | Software | Senior Secured | August 2017 | Interest rate PRIME + 3.25% or Floor rate of 6.50% | \$ 1,205 | 1,205 | 1,205 |
| | Software | Senior Secured | June 2018 | Interest rate PRIME + 7.75% or Floor rate of 11.00% | \$ 3,431 | 3,581 | 3,581 |
| Total RedSeal Inc. | | | | | \$ 4,636 | 4,786 | 4,786 |
| Subtotal: Under 1 Year Maturity | | | | | | 33,068 | 22,272 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|--------------|-----------------------------------|---------------|--|--|------------------|---------------------|----------------------|
| | | | Date | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Clarabridge, Inc. ⁽¹³⁾ 11400 Commerce Park Drive., Suite 500 Reston, VA 20191 | Software | Senior Secured | April 2021 | | Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25% | \$ 40,224 | \$ 40,196 | \$ 40,196 |
| Cloud Technology Partners, Inc. ^(14A) 321 Summer Street, 5th Floor Boston, MA 02210 | Software | Senior Secured | December 2019 | | Interest rate PRIME + 5.75% or Floor rate of 9.75% | \$ 10,000 | 9,982 | 9,914 |
| Evernote Corporation ⁽¹³⁾⁽¹⁵⁾⁽¹⁷⁾ 305 Walnut Street Redwood City, CA 94063 | Software | Senior Secured | October 2020 | | Interest rate PRIME + 5.45% or Floor rate of 8.95% | \$ 6,000 | 5,967 | 6,134 |
| | Software | Senior Secured | July 2021 | | Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25% | \$ 4,000 | 3,972 | 3,972 |
| Total Evernote Corporation | | | | | | \$ 10,000 | 9,939 | 10,106 |
| Fuze, Inc. ^{(13)(14A)(15)} 2 Copley Place, Floor 7 Boston, MA 02116 | Software | Senior Secured | July 2021 | | Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.55% | \$ 50,000 | 49,901 | 49,901 |
| Impact Radius Holdings, Inc. ^{(13)(14A)} 223 East De La Guerra Street Santa Barbara, CA 93101 | Software | Senior Secured | December 2020 | | Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55% | \$ 5,000 | 4,990 | 4,990 |
| Lithium Technologies, Inc. ^{(13)(14A)(15)(19)} 225 Bush St. San Francisco, CA 94104 | Software | Senior Secured | June 2020 | | Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 1.80% | \$ 25,247 | 25,351 | 25,351 |
| OneLogin, Inc. ⁽¹³⁾⁽¹⁵⁾ 150 Spear Street, Suite 1400 San Francisco, CA 94105 | Software | Senior Secured | August 2019 | | Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25% | \$ 15,623 | 15,526 | 15,838 |
| Quid, Inc. ^{(13)(14A)(15)} 600 Harrison Street, Suite 400 San Francisco, CA 94107 | Software | Senior Secured | October 2019 | | Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25% | \$ 8,208 | 8,278 | 8,399 |
| RedSeal Inc. ^{(14A)(15)(17)} 940 Stewart Drive, Suite 101 | Software | Senior Secured | January 2020 | | Interest rate PRIME + 7.75% or Floor rate of 11.25% | \$ 5,000 | 4,952 | 4,952 |

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Sunnyvale, CA 94085

| | | | | | | | |
|---|----------|----------------|---------------|--|-----------|--------|--------|
| Signpost, Inc. ^{(13)(14A)(15)} | Software | Senior Secured | February 2020 | Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75% | \$ 15,373 | 15,306 | 15,447 |
|---|----------|----------------|---------------|--|-----------|--------|--------|

127 W 26th St., Floor 2

New York, NY 10001

| | | | | | | | |
|---|----------|----------------|-----------|---|-----------|--------|--------|
| Vela Trading Technologies ⁽¹⁷⁾ | Software | Senior Secured | July 2022 | Interest rate LIBOR + 9.50% or Floor rate of 10.50% | \$ 15,200 | 14,782 | 14,782 |
|---|----------|----------------|-----------|---|-----------|--------|--------|

211 East 43rd Street, 5th Floor

New York, NY 10017

| | | | | | | | |
|--------------------------------------|----------|----------------|---------------|--|-----------|-------|-------|
| Wrike, Inc. ^{(13)(14A)(17)} | Software | Senior Secured | February 2021 | Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 2.00% | \$ 10,062 | 9,790 | 9,790 |
|--------------------------------------|----------|----------------|---------------|--|-----------|-------|-------|

10 Almaden Blvd, Suite 1000

San Jose, CA 95113

| | | |
|-------------------------------------|---------|---------|
| Subtotal: 1-5 Years Maturity | 208,993 | 209,666 |
|-------------------------------------|---------|---------|

| | | |
|-------------------------------------|---------|---------|
| Subtotal: Software (28.37%)* | 242,061 | 231,938 |
|-------------------------------------|---------|---------|

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity | | Interest Rate and Floor | Principal Amount | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|--------------------------------------|-----------------------------------|---------------|--|---|------------------|---------------------|----------------------|
| | | | Date | | | | | |
| Specialty Pharmaceuticals | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Alimera Sciences, Inc. ^{(10)(13)(14A)} 6120 Windward Parkway, Suite 290 Alpharetta, GA 30005 | Specialty Pharmaceuticals | Senior Secured | November 2020 | | Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00% | \$ 35,218 | \$ 35,049 | \$ 35,398 |
| Jaguar Animal Health, Inc. ^{(10)(14B)} 201 Mission Street, Suite 2375 San Francisco, CA 94105 | Specialty Pharmaceuticals | Senior Secured | August 2018 | | Interest rate PRIME + 5.65% or Floor rate of 9.90% | \$ 2,520 | 2,876 | 2,821 |
| Subtotal: 1-5 Years Maturity | | | | | | | 37,925 | 38,219 |
| Subtotal: Specialty Pharmaceuticals (4.68%)* | | | | | | | 37,925 | 38,219 |
| Surgical Devices | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Transmedics, Inc. ^{(12)(14B)} 200 Minuteman Road, Suite 302 Andover, MA 01810 | Surgical Devices | Senior Secured | February 2020 | | Interest rate PRIME + 5.30% or Floor rate of 9.55% | \$ 8,500 | 8,621 | 8,632 |
| Subtotal: 1-5 Years Maturity | | | | | | | 8,621 | 8,632 |
| Subtotal: Surgical Devices (1.06%)* | | | | | | | 8,621 | 8,632 |
| Sustainable and Renewable Technology | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| FuelCell Energy, Inc. ^{(11)(14B)} 3 Great Pasture Road Danbury, CT 06810 | Sustainable and Renewable Technology | Senior Secured | October 2018 | | Interest rate PRIME + 5.50% or Floor rate of 9.50% | \$ 20,000 | 20,925 | 21,034 |
| Proterra, Inc. ^{(10)(14A)(14B)} 1 Whitlee Ct. Greenville, SC 29607 | Sustainable and Renewable Technology | Senior Secured | June 2019 | | Interest rate PRIME + 6.95% or Floor rate of 10.20% | \$ 5,000 | 5,109 | 5,137 |
| | Sustainable and Renewable Technology | Senior Secured | June 2019 | | Interest rate PRIME + 6.95% or Floor rate of 10.20% | \$ 25,000 | 25,872 | 25,814 |
| | Sustainable and Renewable Technology | Senior Secured | June 2019 | | Interest rate PRIME + 5.75% or Floor rate of 9.25% | \$ 10,000 | 10,089 | 10,115 |
| Total Proterra, Inc. | | | | | | \$ 40,000 | 41,070 | 41,066 |
| Rive Technology, Inc. ^{(14A)(15)} | | Senior Secured | January 2019 | | | \$ 6,061 | 6,234 | 6,283 |

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|---|--|----------------|-----------|--|-----------|-----------|-----------|
| 1 Deer Park Drive, Suite A Monmouth Junction, NJ 08852 | Sustainable and Renewable Technology | | | Interest rate PRIME + 6.20% or Floor rate of 9.45% | | | |
| Tendril Networks ^{(11)(14B)} 2580 55th Street, Suite 100 Boulder, CO 80301 | Sustainable and Renewable Technology | Senior Secured | June 2019 | Interest rate FIXED 9.25% | \$ 13,156 | 13,765 | 13,735 |
| Subtotal: 1-5 Years Maturity | | | | | | 81,994 | 82,118 |
| Subtotal: Sustainable and Renewable Technology (10.05%)* | | | | | | 81,994 | 82,118 |
| Total: Debt Investments (157.52%)* | | | | | | 1,324,039 | 1,287,623 |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Percentage Ownership | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|-----------------------------------|----------------------|----------------------|-----------|---------------------|----------------------|
| Equity Investments | | | | | | | |
| Biotechnology Tools | | | | | | | |
| NuGEN Technologies, Inc. ⁽¹⁵⁾ | Biotechnology Tools | Equity | 0.69% | Common Stock | 55,780 | \$ 500 | \$ |
| 201 Industrial Road, Suite 310 | | | | | | | |
| San Carlos, CA 94070 | | | | | | | |
| Subtotal: Biotechnology Tools (0.00%)* | | | | | | 500 | |
| Communications & Networking | | | | | | | |
| Achilles Technology Management Co II, Inc. ⁽⁶⁾⁽¹⁵⁾ | Communications & Networking | Equity | 100.00% | Common Stock | 100 | 4,000 | 1,188 |
| 1441 Knightsbridge Drive | | | | | | | |
| Blue Bell, PA 19422 | | | | | | | |
| GlowPoint, Inc. ⁽³⁾ | Communications & Networking | Equity | 0.31% | Common Stock | 114,192 | 101 | 32 |
| 1776 Lincoln Street, 13th Floor | | | | | | | |
| Denver, CO 80203 | | | | | | | |
| Peerless Network Holdings, Inc. | Communications & Networking | Equity | 0.21% | Preferred Series A | 1,000,000 | 1,000 | 4,585 |
| 222 South Riverside Plaza, Suite 2730 | | | | | | | |
| Chicago, IL 60606 | | | | | | | |
| Subtotal: Communications & Networking (0.71%)* | | | | | | 5,101 | 5,805 |
| Consumer & Business Products | | | | | | | |
| Market Force Information, Inc. | Consumer & Business Products | Equity | 0.67% | Common Stock | 480,261 | | 433 |
| PO Box 270355 | Consumer & Business Products | Equity | 0.26% | Preferred Series B-1 | 187,970 | 500 | 280 |
| Louisville, CO 80027 | | | | | | | |
| Total Market Force Information, Inc. | | | | | 668,231 | 500 | 713 |
| Subtotal: Consumer & Business Products (0.09%)* | | | | | | 500 | 713 |
| Diagnostic | | | | | | | |
| Singulex, Inc. | Diagnostic | Equity | 0.37% | Common Stock | 937,998 | 750 | 655 |
| 1701 Harbor Way Parkway, Suite 200 | | | | | | | |
| Alameda, CA 94502 | | | | | | | |
| Subtotal: Diagnostic (0.08%)* | | | | | | 750 | 655 |
| Drug Delivery | | | | | | | |

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|---|---------------|--------|-------|--------------------|---------|-------|-------|
| AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾ 351 Galveston Drive Redwood City, CA 94063 | Drug Delivery | Equity | 0.12% | Common Stock | 54,240 | 108 | 117 |
| BioQ Pharma Incorporated ⁽¹⁵⁾ 185 Berry St., Ste 160 San Francisco, CA 94107 | Drug Delivery | Equity | 0.56% | Preferred Series D | 165,000 | 500 | 599 |
| Edge Therapeutics, Inc. ⁽³⁾ 300 Connell Dr., Suite 4000 Berkeley Heights, NJ 07922 | Drug Delivery | Equity | 0.17% | Common Stock | 53,165 | 329 | 545 |
| Merrion Pharmaceuticals, Plc ⁽⁴⁾⁽⁹⁾ 3200 Lake Drive, Citywest Business Campus Dublin, Ireland 24 | Drug Delivery | Equity | 0.11% | Common Stock | 20,000 | 9 | |
| Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾ 2940 N. Highway 360, Suite 400 Grand Prarie, TX 75050 | Drug Delivery | Equity | 0.46% | Common Stock | 125,000 | 1,500 | 913 |
| Revance Therapeutics, Inc. ⁽³⁾ 7555 Gateway Blvd. Newark, CA 94560 | Drug Delivery | Equity | 0.07% | Common Stock | 22,765 | 557 | 601 |
| Subtotal: Drug Delivery (0.34%)* | | | | | | 3,003 | 2,775 |

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| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Percentage Ownership | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|------------------------------|---|-----------------------------|--------------------|---------------|---------------------------|----------------------------|
| Drug Discovery & Development | | | | | | | |
| Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾ One Broadway, 9th Floor Cambridge, MA 02142 | Drug Discovery & Development | Equity | 0.37% | Common Stock | 426,931 | \$ 1,060 | \$ 950 |
| Cerecor, Inc. ⁽³⁾ 400 East Pratt Street, Suite 606 Baltimore, MD 21202 | Drug Discovery & Development | Equity | 0.85% | Common Stock | 119,087 | 1,000 | 68 |
| Cerulean Pharma, Inc. ⁽³⁾ 35 Gatehouse Drive Waltham, MA 02451 | Drug Discovery & Development | Equity | 0.47% | Common Stock | 135,501 | 1,000 | 60 |
| Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾ 87 Cambridge Park Dr Cambridge, MA 02140 | Drug Discovery & Development | Equity | 0.69% | Common Stock | 142,858 | 1,000 | 453 |
| Dynavax Technologies ⁽³⁾⁽⁹⁾ 2929 Seventh Street, Suite 100 Berkley, CA 94710 | Drug Discovery & Development | Equity | 0.04% | Common Stock | 20,000 | 550 | 193 |
| Epirus Biopharmaceuticals, Inc. 99 High Street Boston, MA 02110-2320 | Drug Discovery & Development | Equity | 0.76% | Common Stock | 200,000 | 1,000 | |
| Genocea Biosciences, Inc. ⁽³⁾ 100 Acorn Park Drive, 5th Floor Cambridge, MA 02140 | Drug Discovery & Development | Equity | 0.78% | Common Stock | 223,463 | 2,000 | 1,166 |
| Inotek Pharmaceuticals Corporation ⁽³⁾ 131 Hartwell Ave., Suite 105 Lexington, MA 02421 | Drug Discovery & Development | Equity | 0.01% | Common Stock | 3,778 | 1,500 | 7 |
| Insmad, Incorporated ⁽³⁾ 10 FINDERNE AVENUE, BUILDING 10 BRIDGEWATER, NJ 08807 | Drug Discovery & Development | Equity | 0.11% | Common Stock | 70,771 | 1,000 | 1,214 |
| Melinta Therapeutics 300 TriState International, Suite 272 | Drug Discovery & Development | Equity | 0.67% | Preferred Series 4 | 1,914,448 | 2,000 | 2,598 |

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Lincolnshire, IL 60069

| | | | | | | | | |
|---|---------------------------------|--------|-------|--------------|--------|-------|-------|--|
| Paratek Pharmaceuticals, Inc. (p.k.a. | Drug Discovery & Development | | | | | | | |
| Transcept Pharmaceuticals, Inc.) ⁽³⁾ | | Equity | 0.28% | Common Stock | 76,362 | 2,743 | 1,840 | |

75 Park Plaza, 4th Floor

Boston, MA 02116

| | | | | | | | |
|--|--|--|--|--|--|--------|-------|
| Subtotal: Drug Discovery & Development (1.05%)* | | | | | | 14,853 | 8,549 |
|--|--|--|--|--|--|--------|-------|

Electronics & Computer Hardware

| | | | | | | | |
|------------------------------|---------------------------------------|--------|-------|--------------|-------|----|----|
| Identiv, Inc. ⁽³⁾ | Electronics & Computer Hardware | Equity | 0.05% | Common Stock | 6,700 | 34 | 35 |
|------------------------------|---------------------------------------|--------|-------|--------------|-------|----|----|

1900-B Carnegie Avenue, Building B

Santa Ana, CA 92705

| | | | | | | | |
|---|--|--|--|--|--|----|----|
| Subtotal: Electronics & Computer Hardware (0.00%)* | | | | | | 34 | 35 |
|---|--|--|--|--|--|----|----|

Information Services

| | | | | | | | |
|----------------|-------------------------|--------|-------|--------------|---------|-------|-------|
| DocuSign, Inc. | Information Services | Equity | 0.24% | Common Stock | 385,000 | 6,081 | 7,201 |
|----------------|-------------------------|--------|-------|--------------|---------|-------|-------|

221 Main St., Suite 1000

San Francisco, CA 94105

| | | | | | | | |
|--|--|--|--|--|--|-------|-------|
| Subtotal: Information Services (0.88%)* | | | | | | 6,081 | 7,201 |
|--|--|--|--|--|--|-------|-------|

Internet Consumer & Business Services

| | | | | | | | |
|-----------------------------|---|--------|-------|--------------------|---------|-----|-----|
| Blurb, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Equity | 0.38% | Preferred Series B | 220,653 | 175 | 170 |
|-----------------------------|---|--------|-------|--------------------|---------|-----|-----|

580 California St., Suite 300

San Francisco, CA 94104

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Percentage Ownership | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|--|---------------------------------------|-----------------------------------|----------------------|-----------------------|-----------|---------------------|----------------------|
| Brigade Group, Inc. (p.k.a. Philotic, Inc.) 548 4th street San Francisco, CA 94107 | Internet Consumer & Business Services | Equity | 0.05% | Common Stock | 9,023 | \$ 93 | \$ |
| Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾ 700 St-Antoine Est, Suite 300 Montreal, Canada H2Y1A6 | Internet Consumer & Business Services | Equity | 0.09% | Preferred Series C | 230,030 | 250 | 245 |
| | Internet Consumer & Business Services | Equity | 0.08% | Preferred Series D | 198,677 | 250 | 241 |
| Total Lightspeed POS, Inc. | | | | | 428,707 | 500 | 486 |
| OfferUp, Inc. 701 5th Avenue, Suite 5100 Seattle, WA 98104 | Internet Consumer & Business Services | Equity | 0.15% | Preferred Series A | 286,080 | 1,663 | 1,917 |
| | Internet Consumer & Business Services | Equity | 0.06% | Preferred Series A-1 | 108,710 | 632 | 728 |
| Total OfferUp, Inc. | | | | | 394,790 | 2,295 | 2,645 |
| Oportun (p.k.a. Progress Financial) 1600 Seaport Blvd., Suite 250 Redwood City, CA 94063 | Internet Consumer & Business Services | Equity | 0.09% | Preferred Series G | 218,351 | 250 | 430 |
| | Internet Consumer & Business Services | Equity | 0.03% | Preferred Series H | 87,802 | 250 | 254 |
| Total Oportun (p.k.a. Progress Financial) | | | | | 306,153 | 500 | 684 |
| RazorGator Interactive Group, Inc. 4216 3/4 Glencoe Ave Marina Del Rey, CA 90292 | Internet Consumer & Business Services | Equity | 0.11% | Preferred Series AA | 34,783 | 15 | 46 |
| Tectura Corporation ⁽⁶⁾ 951 Old County Road, Suite 2-317 Belmont, CA 94002 | Internet Consumer & Business Services | Equity | 0.12% | Preferred Series BB | 1,000,000 | | |
| Subtotal: Internet Consumer & Business Services (0.49%)* | | | | | | 3,578 | 4,031 |
| Media/Content/Info | | | | | | | |
| Pinterest, Inc. 777 South Figueroa Street, Suite 3200 Los Angeles, CA 90017-5855 | Media/Content/Info | Equity | 0.04% | Preferred Series Seed | 620,000 | 4,085 | 4,452 |
| Subtotal: Media/Content/Info (0.54%)* | | | | | | 4,085 | 4,452 |
| Medical Devices & Equipment | | | | | | | |
| AtriCure, Inc. ⁽³⁾⁽¹⁵⁾ | | Equity | 0.02% | Common Stock | 7,536 | 266 | 168 |

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| | | | | | | | | |
|------------------------------------|-----------------------------|--------|---------|----------------------|---------|-------|-------|--|
| 7555 Innovation Way | Medical Devices & Equipment | | | | | | | |
| Mason, Ohio 45040 | | | | | | | | |
| Flonix Medical Incorporated | Medical Devices & Equipment | Equity | 1.08% | Preferred Series AA | 221,893 | 1,500 | | |
| 500 International Drive, Suite 200 | | | | | | | | |
| Mount Olive, NJ 07828 | | | | | | | | |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | 1.25% | Common Stock | 198,202 | | 888 | |
| 500 Boylston Street, Suite 1600 | Medical Devices & Equipment | Equity | 1.20% | Preferred Series A-1 | 191,210 | 425 | 954 | |
| Boston, MA 02116 | | | | | | | | |
| | Medical Devices & Equipment | Equity | 1.20% | Preferred Series A-2 | 191,626 | 500 | 905 | |
| Total Gelesis, Inc. | | | | | 581,038 | 925 | 2,747 | |
| HercGamma, Inc. ⁽⁶⁾ | Medical Devices & Equipment | Equity | 100.00% | Common Stock | 100 | 1,169 | 1,169 | |
| 400 Hamilton Ave., Suite 310 | | | | | | | | |
| Palo Alto, CA 94301 | | | | | | | | |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Percentage Ownership | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|-----------------------------|-----------------------------------|----------------------|----------------------|-------------------|---------------------|----------------------|
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | 0.12% | Preferred Series E | 136,798 | \$ 250 | \$ 236 |
| 475 Paramount Drive | Medical Devices & Equipment | Equity | 0.07% | Preferred Series F | 73,971 | 155 | 185 |
| Raynham, MA 02767 | Medical Devices & Equipment | Equity | 0.15% | Preferred Series G | 163,934 | 500 | 486 |
| Total Medrobotics Corporation | | | | | 374,703 | 905 | 907 |
| Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | 0.44% | Preferred Series B | 6,185,567 | 3,000 | 383 |
| 24590 Clawiter Road | Medical Devices & Equipment | Equity | 0.14% | Preferred Series C | 1,927,309 | 655 | 110 |
| Hayward, CA 94545 | Medical Devices & Equipment | Equity | 3.92% | Preferred Series D | 55,103,923 | 5,257 | 3,826 |
| | Medical Devices & Equipment | Equity | 1.11% | Preferred Series E | 15,638,888 | 1,308 | 1,492 |
| Total Optiscan Biomedical, Corp. | | | | | 78,855,687 | 10,220 | 5,811 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Equity | 0.19% | Preferred Series B | 232,061 | 527 | 566 |
| 1830 Bering Drive | | | | | | | |
| San Jose, CA 95112 | | | | | | | |
| Quanterix Corporation | Medical Devices & Equipment | Equity | 0.45% | Preferred Series D | 272,479 | 1,000 | 1,111 |
| 113 Hartwell Avenue | | | | | | | |
| Lexington, MA 02421 | | | | | | | |
| Subtotal: Medical Devices & Equipment (1.53%)* | | | | | | 16,512 | 12,479 |
| Software | | | | | | | |
| CapLinked, Inc. | Software | Equity | 0.33% | Preferred Series A-3 | 53,614 | 51 | 96 |
| 2015 Manhattan Beach Blvd, #108 | | | | | | | |
| Redondo Beach, CA 90278 | | | | | | | |
| Druva, Inc. | Software | Equity | 0.38% | Preferred Series 2 | 458,841 | 1,000 | 1,584 |
| 150 Mathilda Place, Suite 450 | | | | | | | |
| Sunnyvale, CA 94041 | | | | | | | |
| ForeScout Technologies, Inc. | Software | Equity | 0.39% | Preferred Series D | 319,099 | 398 | 1,937 |
| | Software | Equity | 0.10% | Preferred Series E | 80,587 | 131 | 493 |
| 900 E. Hamilton Avenue, Suite 300 | | | | | | | |
| Campbell, CA 95008 | | | | | | | |
| Total ForeScout Technologies, Inc. | | | | | 399,686 | 529 | 2,430 |
| HighRoads, Inc. | Software | Equity | 0.00% | Common Stock | 190 | 307 | |

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3 Burlington Woods Dr

Burlington, MA 01803

| | | | | | | | |
|---|----------|--------|-------|--------------------|---------|-----|-------|
| NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾ | Software | Equity | 0.31% | Preferred Series E | 669,173 | 963 | 1,343 |
|---|----------|--------|-------|--------------------|---------|-----|-------|

Viabes Business Park, Jays Close

Basingstoke, UK RG22 4BS

| | | | | | | | |
|-----------------------|----------|--------|-------|--------------------|---------|-------|-------|
| Palantir Technologies | Software | Equity | 0.04% | Preferred Series E | 727,696 | 5,431 | 5,774 |
|-----------------------|----------|--------|-------|--------------------|---------|-------|-------|

100 Hamilton Avenue

Palo Alto, CA 94301

| | | | | | | | |
|----------------|----------|--------|-------|--------------|---------|-------|-------|
| Sprinklr, Inc. | Software | Equity | 0.35% | Common Stock | 700,000 | 3,749 | 3,749 |
|----------------|----------|--------|-------|--------------|---------|-------|-------|

29 West 35th Street, 7th Floor

New York, NY 10001

| | | | | | | | |
|-----------------------------------|----------|--------|-------|--------------------|---------|-----|-----|
| WildTangent, Inc. ⁽¹⁵⁾ | Software | Equity | 0.17% | Preferred Series 3 | 100,000 | 402 | 175 |
|-----------------------------------|----------|--------|-------|--------------------|---------|-----|-----|

18578 NE 67th Court, Building 5

Redmond, WA 98052

| | | | | | | | |
|------------------------------------|--|--|--|--|--|--------|--------|
| Subtotal: Software (1.85%)* | | | | | | 12,432 | 15,151 |
|------------------------------------|--|--|--|--|--|--------|--------|

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Percentage Ownership | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|--------------------------------------|-----------------------------------|----------------------|--------------------|-----------|---------------------|----------------------|
| Surgical Devices | | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Equity | 0.04% | Preferred Series B | 219,298 | \$ 250 | \$ 41 |
| 301 Galveston Drive | Surgical Devices | Equity | 0.13% | Preferred Series C | 656,538 | 282 | 57 |
| Redwood City, CA 94063 | Surgical Devices | Equity | 0.38% | Preferred Series D | 1,991,157 | 712 | 772 |
| | Surgical Devices | Equity | 0.53% | Preferred Series E | 2,786,367 | 429 | 507 |
| Total Gynesonics, Inc. | | | | | 5,653,360 | 1,673 | 1,377 |
| Transmedics, Inc. | Surgical Devices | Equity | 0.16% | Preferred Series B | 88,961 | 1,100 | 507 |
| 200 Minuteman Road, Suite 302 | Surgical Devices | Equity | 0.22% | Preferred Series C | 119,999 | 300 | 388 |
| Andover, MA 01810 | Surgical Devices | Equity | 0.47% | Preferred Series D | 260,000 | 650 | 1,243 |
| | Surgical Devices | Equity | 0.18% | Preferred Series F | 100,200 | 500 | 600 |
| Total Transmedics, Inc. | | | | | 569,160 | 2,550 | 2,738 |
| Subtotal: Surgical Devices (0.50%)* | | | | | | 4,223 | 4,115 |
| Sustainable and Renewable Technology | | | | | | | |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable Technology | Equity | 0.00% | Common Stock | 19,250 | 761 | |
| 4100 Alpha Road, Suite 900 | | | | | | | |
| Dallas, TX 75244 | | | | | | | |
| Glori Energy, Inc. ⁽³⁾ | Sustainable and Renewable Technology | Equity | 0.06% | Common Stock | 18,208 | 165 | |
| 4315 South Drive | | | | | | | |
| Houston, TX 77053 | | | | | | | |
| Modumetal, Inc. | Sustainable and Renewable Technology | Equity | 0.83% | Preferred Series C | 3,107,520 | 500 | 551 |
| Northlake R&D Center, 1443 N. Northlake Way | | | | | | | |
| Seattle, WA 98103 | | | | | | | |
| Proterra, Inc. | Sustainable and Renewable Technology | Equity | 0.10% | Preferred Series 5 | 99,280 | 500 | 516 |
| 1 Whitlee Ct. | | | | | | | |
| Greenville, SC 29607 | | | | | | | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾ | Sustainable and Renewable Technology | Equity | 33.30% | Common Stock | 333 | 61,502 | 8,288 |
| 66 Franklin Street, Suite 310 | | | | | | | |
| Oakland, CA 94607 | | | | | | | |

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Subtotal: Sustainable and Renewable Technology (1.14%)* 63,428 9,355

Total: Equity Investments (9.21%)* 135,080 75,316

Warrant Investments

Biotechnology Tools

| | | | | | | | |
|---------------|---------------------|---------|-------|--------------------|---------|-----|-----|
| Exicure, Inc. | Biotechnology Tools | Warrant | 0.20% | Preferred Series C | 104,348 | 107 | 202 |
|---------------|---------------------|---------|-------|--------------------|---------|-----|-----|

8045 Lamon Avenue, Suite 410

Skokie, IL 60077

| | | | | | | | |
|-------------------------------|---------------------|---------|-------|--------------------|-----------|-----|-----|
| Labcyte, Inc. ⁽¹⁵⁾ | Biotechnology Tools | Warrant | 0.85% | Preferred Series C | 1,127,624 | 323 | 397 |
|-------------------------------|---------------------|---------|-------|--------------------|-----------|-----|-----|

1190 Borregas Avenue

Sunnyvale, CA 94089

Subtotal: Biotechnology Tools (0.07%)* 430 599

Communications & Networking

| | | | | | | | |
|---------------|-----------------------------|---------|-------|--------------------|---------|----|----|
| PeerApp, Inc. | Communications & Networking | Warrant | 0.39% | Preferred Series B | 298,779 | 61 | 27 |
|---------------|-----------------------------|---------|-------|--------------------|---------|----|----|

29 Crafts Street, Suite 260

Newton, MA 02458

| | | | | | | | |
|---------------------------------|-----------------------------|---------|-------|--------------------|---------|----|-----|
| Peerless Network Holdings, Inc. | Communications & Networking | Warrant | 0.03% | Preferred Series A | 135,000 | 95 | 345 |
|---------------------------------|-----------------------------|---------|-------|--------------------|---------|----|-----|

222 South Riverside Plaza, Suite 2730

Chicago, IL 60606

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| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Percentage Ownership | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|------------------------------|---|-----------------------------|----------------------|---------------|---------------------------|----------------------------|
| Spring Mobile Solutions, Inc. 11710 Plaza America Drive, Suite 2000 Reston, VA 20190 | Communications & Networking | Warrant | 0.62% | Common Stock | 2,834,375 | \$ 418 | \$ |
| Subtotal: Communications & Networking (0.05%)* | | | | | | 574 | 372 |
| Consumer & Business Products | | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾ 709N 400 W #3 North Salt Lake, UT 84054 | Consumer & Business Products | Warrant | 0.51% | Common Stock | 1,662,441 | 228 | |
| Intelligent Beauty, Inc. ⁽¹⁵⁾ 2301 Rosecrans Ave, Suite 4100 El Segundo, CA 90245 | Consumer & Business Products | Warrant | 0.35% | Preferred Series B | 190,234 | 230 | 288 |
| The Neat Company ⁽¹⁵⁾ 601 Market St., Suite 3500 Philadelphia, PA 19103 | Consumer & Business Products | Warrant | 0.01% | Preferred Series C-1 | 540,540 | 365 | |
| Subtotal: Consumer & Business Products (0.04%)* | | | | | | 823 | 288 |
| Drug Delivery | | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾ 351 Galveston Drive Redwood City, CA 94063 | Drug Delivery | Warrant | 0.39% | Common Stock | 176,730 | 785 | 36 |
| Agile Therapeutics, Inc. ⁽³⁾ 101 Poor Farm Road Princeton, NJ 08540 | Drug Delivery | Warrant | 0.63% | Common Stock | 180,274 | 730 | 136 |
| Aprecia Pharmaceuticals Company 2010 Cabot Blvd., West Suite F Langhorne, PA 19047 | Drug Delivery | Warrant | 0.43% | Preferred Series A-1 | 735,981 | 366 | 31 |
| BIND Therapeutics, Inc. ⁽¹⁵⁾ 325 Vassar St. Cambridge, MA 02139 | Drug Delivery | Warrant | 0.73% | Common Stock | 152,586 | 488 | |
| BioQ Pharma Incorporated | Drug Delivery | Warrant | 1.55% | Common Stock | 459,183 | 1 | 379 |

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| | | | | | | | | |
|--|---------------|---------|-------|--------------------|---------|-----|-----|--|
| 185 Berry St., Ste 160 | | | | | | | | |
| San Francisco, CA 94107 | | | | | | | | |
| Celsion Corporation ⁽³⁾ | Drug Delivery | Warrant | 0.34% | Common Stock | 13,927 | 428 | | |
| 997 Lenox Drive, Suite 100 | | | | | | | | |
| Lawrenceville, NJ 08648 | | | | | | | | |
| Dance Biopharm, Inc. ⁽¹⁵⁾ | Drug Delivery | Warrant | 0.40% | Common Stock | 110,882 | 74 | | |
| 150 North Hill Drive, Suite 24 | | | | | | | | |
| Brisbane, CA 94005 | | | | | | | | |
| Edge Therapeutics, Inc. ⁽³⁾ | Drug Delivery | Warrant | 0.25% | Common Stock | 78,595 | 390 | 266 | |
| 300 Connell Dr., Suite 4000 | | | | | | | | |
| Berkeley Heights, NJ 07922 | | | | | | | | |
| Kaleo, Inc. (p.k.a. Intelliject, Inc.) | Drug Delivery | Warrant | 0.47% | Preferred Series B | 82,500 | 594 | 306 | |
| 111 Virginia St., Ste 300 | | | | | | | | |
| Richmond, VA 23219 | | | | | | | | |
| Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾ | Drug Delivery | Warrant | 0.26% | Common Stock | 70,833 | 285 | 25 | |
| 2940 N. Highway 360, Suite 400 | | | | | | | | |
| Grand Prairie, TX 75050 | | | | | | | | |
| Pulmatrix Inc. ⁽³⁾ | Drug Delivery | Warrant | 0.12% | Common Stock | 25,150 | 116 | 14 | |
| 99 Hayden Avenue, Suite 390 | | | | | | | | |
| Lexington, MA 02421 | | | | | | | | |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Percentage Ownership | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|------------------------------|-----------------------------------|----------------------|--------------------|-----------|---------------------|----------------------|
| ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽³⁾ 34790 Ardentech Court Fremont, CA 94555 | Drug Delivery | Warrant | 0.18% | Common Stock | 72,379 | \$ 266 | \$ 5 |
| Subtotal: Drug Delivery (0.15%)* | | | | | | 4,523 | 1,198 |
| Drug Discovery & Development | | | | | | | |
| ADMA Biologics, Inc. ⁽³⁾ 465 Route 17 South Ramsey, NJ 07446 | Drug Discovery & Development | Warrant | 0.35% | Common Stock | 89,750 | 295 | 15 |
| Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾ 25801 Industrial Blvd., Suite B Hayward, CA 94545 | Drug Discovery & Development | Warrant | 0.05% | Common Stock | 5,022 | 984 | |
| Audentes Therapeutics, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾ 600 California Street, 17th Floor San Francisco, CA 94108 | Drug Discovery & Development | Warrant | 0.04% | Common Stock | 9,914 | 62 | 82 |
| Auris Medical Holding, AG ⁽³⁾⁽⁴⁾⁽⁹⁾ Dornacherstrasse 210 CH-4053, Basel Switzerland | Drug Discovery & Development | Warrant | 0.35% | Common Stock | 156,726 | 249 | 21 |
| Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾ One Broadway, 9th Floor Cambridge, MA 02142 | Drug Discovery & Development | Warrant | 1.77% | Common Stock | 2,069,880 | 396 | 2,089 |
| Axovant Sciences Ltd. ⁽³⁾⁽⁴⁾⁽⁹⁾ 2 Church Street Hamilton, Bermuda HM11 | Drug Discovery & Development | Warrant | 0.26% | Common Stock | 274,086 | 1,269 | 3,237 |
| Brickell Biotech, Inc. 5777 Central Ave, Suite 102 Boulder, CO 80301 | Drug Discovery & Development | Warrant | 0.42% | Preferred Series C | 26,086 | 119 | 124 |
| Cerecor, Inc. ⁽³⁾ 400 East Pratt Street, Suite 606 Baltimore, MD 21202 | Drug Discovery & Development | Warrant | 0.16% | Common Stock | 22,328 | 70 | |

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|--|---|----------------|--------------|---------------------------|----------------|------------|------------|
| <p>Cerulean Pharma, Inc.⁽³⁾</p> <p>35 Gatehouse Drive</p> <p>Waltham, MA 02451</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.59%</p> | <p>Common Stock</p> | <p>171,901</p> | <p>369</p> | <p>17</p> |
| <p>Chroma Therapeutics, Ltd.⁽⁴⁾⁽⁹⁾</p> <p>93 Innovation Drive, Milton Park</p> <p>Abingdon Oxon, UK OX14 4RZ</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.61%</p> | <p>Preferred Series D</p> | <p>325,261</p> | <p>490</p> | |
| <p>Cleveland BioLabs, Inc.⁽³⁾⁽¹⁵⁾</p> <p>73 High Street</p> <p>Buffalo, NY 14203</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.07%</p> | <p>Common Stock</p> | <p>7,813</p> | <p>105</p> | <p>1</p> |
| <p>Concert Pharmaceuticals, Inc.⁽³⁾⁽¹⁵⁾</p> <p>99 Hayden Avenue, Suite 500</p> <p>Lexington, MA 02421-7966</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.58%</p> | <p>Common Stock</p> | <p>132,069</p> | <p>545</p> | <p>369</p> |
| <p>CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.)⁽³⁾</p> <p>3101 Western Avenue, Suite 600</p> <p>Seattle, WA 98121</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.07%</p> | <p>Common Stock</p> | <p>29,239</p> | <p>165</p> | <p>4</p> |
| <p>CytRx Corporation⁽³⁾⁽¹⁵⁾</p> <p>11726 San Vicente Blvd., Suite 650</p> <p>Los Angeles, CA 90049</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.41%</p> | <p>Common Stock</p> | <p>634,146</p> | <p>416</p> | <p>150</p> |
| <p>Dicerna Pharmaceuticals, Inc.⁽³⁾⁽¹⁵⁾</p> <p>87 Cambridge Park Dr</p> <p>Cambridge, MA 02140</p> | <p>Drug Discovery & Development</p> | <p>Warrant</p> | <p>0.00%</p> | <p>Common Stock</p> | <p>200</p> | <p>28</p> | |

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| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Percentage Ownership | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|---|------------------------------|---|-----------------------------|--------------------|---------------|---------------------------|----------------------------|
| Epirus Biopharmaceuticals, Inc. 99 High Street Boston, MA 02110-2320 | Drug Discovery & Development | Warrant | 0.25% | Common Stock | 64,194 | \$ 276 | \$ |
| Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾ 2 Gansevoort Street, 9th Floor New York, NY 10014 | Drug Discovery & Development | Warrant | 0.14% | Common Stock | 73,009 | 142 | 54 |
| Genocea Biosciences, Inc. ⁽³⁾ 100 Acorn Park Drive, 5th Floor Cambridge, MA 02140 | Drug Discovery & Development | Warrant | 0.26% | Common Stock | 73,725 | 266 | 86 |
| Immune Pharmaceuticals ⁽³⁾ 430 East 29th St., Suite 940 New York, NY 10016 | Drug Discovery & Development | Warrant | 0.11% | Common Stock | 10,742 | 164 | |
| Melinta Therapeutics 300 TriState International, Suite 272 Lincolnshire, IL 60069 | Drug Discovery & Development | Warrant | 0.48% | Preferred Series 3 | 1,382,323 | 626 | 564 |
| Nanotherapeutics, Inc. ⁽¹⁵⁾ 13200 NW Nano Court Alachua, FL 32615 | Drug Discovery & Development | Warrant | 2.67% | Common Stock | 171,389 | 838 | 245 |
| Neothetics, Inc. (p.k.a. Lithera, Inc.) ⁽³⁾⁽¹⁵⁾ 9171 Towne Centre Drive, Suite 270 San Diego, CA 92122 | Drug Discovery & Development | Warrant | 0.34% | Common Stock | 46,838 | 266 | 11 |
| Neuralstem, Inc. ⁽³⁾⁽¹⁵⁾ 20271 Goldenrod Lane, 2nd floor Germantown, MD 20876 | Drug Discovery & Development | Warrant | 0.05% | Common Stock | 5,783 | 77 | 2 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁵⁾ 75 Park Plaza, 4th Floor Boston, MA 02116 | Drug Discovery & Development | Warrant | 0.27% | Common Stock | 75,214 | 178 | 477 |
| PhaseRx, Inc. ⁽³⁾⁽¹⁵⁾ 4 10 West Harrison Street, Suite 300 | Drug Discovery & Development | Warrant | 0.54% | Common Stock | 63,000 | 125 | 4 |

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Seattle, WA 98119

| | | | | | | | |
|--|------------------------------|---------|-------|--------------|--------|-----|----|
| Savara Inc. (p.k.a. Mast Therapeutics, Inc.) | Drug Discovery & Development | Warrant | 0.13% | Common Stock | 32,467 | 203 | 50 |
| 900 S. Capital of Texas Highway, Suite 150 | | | | | | | |
| Austin, TX 78746 | | | | | | | |

| | | | | | | | |
|-----------------------------|------------------------------|---------|-------|--------------|---------|-----|-----|
| Sorrento Therapeutics, Inc. | Drug Discovery & Development | Warrant | 0.40% | Common Stock | 306,748 | 890 | 180 |
| 9380 Judicial Dr | | | | | | | |

San Diego, CA 92121

| | | | | | | | |
|--------------------------------|------------------------------|---------|-------|--------------------|---------|-----|-----|
| Stealth Bio Therapeutics Corp. | Drug Discovery & Development | Warrant | 0.09% | Preferred Series A | 487,500 | 116 | 116 |
| 275 Grove Street, Suite 3-107 | | | | | | | |
| Newton, MA 02466 | | | | | | | |

| | | | | | | | |
|-----------------|------------------------------|---------|-------|--------------|--------|-----|----|
| uniQure B.V. | Drug Discovery & Development | Warrant | 0.15% | Common Stock | 37,174 | 218 | 10 |
| Tafelbergweg 51 | | | | | | | |

Amsterdam, The Netherlands 1105 BD

| | | | | | | | |
|---------------------|------------------------------|---------|-------|--------------|-------|-----|----|
| XOMA Corporation | Drug Discovery & Development | Warrant | 0.12% | Common Stock | 9,063 | 279 | 10 |
| 2910 Seventh Street | | | | | | | |
| Berkeley, CA 94710 | | | | | | | |

Subtotal: Drug Discovery & Development (0.97%)* 10,226 7,918

Electronics & Computer Hardware

| | | | | | | | |
|----------------------------------|---------------------------------|---------|-------|--------------------|--------|-----|-----|
| 908 DEVICES INC. ⁽¹⁵⁾ | Electronics & Computer Hardware | Warrant | 0.26% | Preferred Series D | 79,856 | 100 | 114 |
| 27 Drydock Avenue, 7th Floor | | | | | | | |
| Boston, MA 02210 | | | | | | | |

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| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Percentage Ownership | Series | Shares | Cost ⁽²⁾ | Value ⁽³⁾ |
|---|---------------------------------------|-----------------------------------|----------------------|----------------------|-----------|---------------------|----------------------|
| Clustrix, Inc. 201 Mission Street, Suite 800 San Francisco, CA 94105 | Electronics & Computer Hardware | Warrant | 0.23% | Common Stock | 50,000 | \$ 12 | \$ |
| Subtotal: Electronics & Computer Hardware (0.01%)* | | | | | | 112 | 114 |
| Healthcare Services, Other | | | | | | | |
| Chromadex Corporation ⁽³⁾⁽¹⁵⁾ 10005 Muirlands Boulevard, Suite G, First Floor Irvine, CA 92618 | Healthcare Services, Other | Warrant | 0.30% | Common Stock | 139,673 | 157 | 155 |
| Subtotal: Healthcare Services, Other (0.02%)* | | | | | | 157 | 155 |
| Information Services | | | | | | | |
| INMOBI Inc. ⁽⁴⁾⁽⁹⁾ 475 Brannan St., Suite 420 San Francisco, CA 94107 | Information Services | Warrant | 0.11% | Common Stock | 46,874 | 82 | |
| InXpo, Inc. ⁽¹⁵⁾ 770 N Halsted Street, Suite 6s Chicago, IL 60642 | Information Services | Warrant | 0.61% | Preferred Series C | 648,400 | 98 | 15 |
| | Information Services | Warrant | 1.09% | Preferred Series C-1 | 1,165,183 | 74 | 27 |
| Total InXpo, Inc. | | | | | 1,813,583 | 172 | 42 |
| MDX Medical, Inc. ⁽¹⁵⁾ 160 Chubb Avenue, Suite 301 Lyndhurst, NJ 07071 | Information Services | Warrant | 0.70% | Common Stock | 2,250,000 | 246 | 215 |
| RichRelevance, Inc. 633 Folsom Street, 4th Floor San Francisco, CA 94107 | Information Services | Warrant | 0.13% | Preferred Series E | 112,612 | 98 | |
| Subtotal: Information Services (0.03%)* | | | | | | 598 | 257 |
| Internet Consumer & Business Services | | | | | | | |
| Aria Systems, Inc. 575 Market Street, 32nd Floor San Francisco, CA 94105 | Internet Consumer & Business Services | Warrant | 0.11% | Preferred Series E | 239,692 | 73 | |

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|--|--|---------|-------|-------------------------|---------|-------|-------|
| Blurb, Inc. ⁽¹⁵⁾ 580 California St., Suite 300 San Francisco, CA 94104 | Internet Consumer & Business Services | Warrant | 0.40% | Preferred Series C | 234,280 | 636 | 61 |
| CashStar, Inc. ⁽¹⁵⁾ 25 Pearl Street Portland, ME 04101 | Internet Consumer & Business Services | Warrant | 0.43% | Preferred Series C-2 | 727,272 | 130 | 30 |
| ClearObject, Inc. (p.k.a. CloudOne, Inc.) 8626 E 116th Street, Suite 300 Fishers, IN 46038 | Internet Consumer & Business Services | Warrant | 0.59% | Preferred Series E | 968,992 | 19 | 112 |
| Intent Media, Inc. ⁽¹⁵⁾ 315 Hudson St., 9th Floor New York, NY 10013 | Internet Consumer & Business Services | Warrant | 0.48% | Common Stock | 140,077 | 168 | 148 |
| Just Fabulous, Inc. 2301 Rosecrans Avenue, Suite 5000 El Segundo, CA 90245 | Internet Consumer & Business Services | Warrant | 0.39% | Preferred Series B | 206,184 | 1,102 | 1,850 |
| Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾ 700 St-Antoine Est, Suite 300 Montreal, Canada H2Y1A6 | Internet Consumer & Business Services | Warrant | 0.10% | Preferred Series C | 245,610 | 20 | 25 |
| LogicSource ⁽¹⁵⁾ 20 Marshall Street South Norwalk, CT 06854 | Internet Consumer & Business Services | Warrant | 0.41% | Preferred Series C | 79,625 | 30 | 32 |

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| Portfolio Company | Sub-Industry | Type of Investment⁽¹⁾ | Percentage Ownership | Series | Shares | Cost⁽²⁾ | Value⁽³⁾ |
|--|---------------------------------------|---|-----------------------------|----------------------|---------------|---------------------------|----------------------------|
| Oportun (p.k.a. Progress Financial) 1600 Seaport Blvd., Suite 250 Redwood City, CA 94063 | Internet Consumer & Business Services | Warrant | 0.07% | Preferred Series G | 174,562 | \$ 78 | \$ 175 |
| ShareThis, Inc. ⁽¹⁵⁾ 4005 Miranda Avenue, Suite 100 Palo Alto, CA 94304 | Internet Consumer & Business Services | Warrant | 0.91% | Preferred Series C | 493,502 | 547 | |
| Snagajob.com, Inc. 1919 N Lynn Street, 7th Floor Arlington, VA 22209 | Internet Consumer & Business Services | Warrant | 0.79% | Preferred Series A | 1,575,000 | 640 | 782 |
| Tapjoy, Inc. 111 Sutter Street, 12th Floor San Francisco, CA 94104 | Internet Consumer & Business Services | Warrant | 0.41% | Preferred Series D | 748,670 | 316 | 1 |
| Subtotal: Internet Consumer & Business Services (0.39%)* | | | | | | 3,759 | 3,216 |
| Media/Content/Info | | | | | | | |
| FanDuel, Inc. 300 Park Avenue South, 14th Floor New York, NY 10005 | Media/Content/Info | Warrant | 0.09% | Preferred Series E-1 | 4,648 | 730 | 851 |
| Machine Zone, Inc. ⁽¹⁶⁾ 1050 Page Mill Road Palo Alto, CA 94304 | Media/Content/Info | Warrant | 0.12% | Common Stock | 1,552,710 | 1,958 | 4,484 |
| Rhapsody International, Inc. ⁽¹⁵⁾ 701 5th Ave., Suite 3100 Seattle, WA 98104 | Media/Content/Info | Warrant | 0.50% | Common Stock | 715,755 | 385 | 17 |