

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 497

November 19, 2013

Table of Contents

**Filed Pursuant to Rule 497  
Registration No. 333-187447**

**PROSPECTUS SUPPLEMENT**

(To prospectus dated June 12, 2013)

## **Up to 8,000,000 Shares**

### **Common Stock**

We have entered into an equity distribution agreement, dated August 16, 2013, with JMP Securities LLC, or JMP Securities, relating to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol HTGC. The last sale price, as reported on NYSE on November 18, 2013, was \$16.90 per share. The net asset value per share of our common stock at September 30, 2013 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$10.42.

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

The equity distribution agreement provides that we may offer and sell up to 8,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent. Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices. As of the date of this prospectus supplement, we have not sold any shares of our common stock under the equity distribution agreement.

JMP Securities will receive a commission from us to be negotiated from time to time, but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the equity distribution agreement. JMP Securities is not required to sell any specific number or dollar amount of common stock, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-13 of this prospectus supplement. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities' commission, will not be less than the net asset value per share of our common stock at the time of such sale.

Please read this prospectus supplement, and the accompanying prospectus, before investing, and keep it for future reference. The prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. This information is available free of charge by contacting us at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, or by telephone by calling collect at (650) 289-3060 or on our website at [www.htgc.com](http://www.htgc.com). The information on our website is

not incorporated by reference into this prospectus or the accompanying prospectus. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

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

## **JMP Securities**

The date of this prospectus supplement is November 18, 2013.

**Table of Contents**

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

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<b>Page</b>
<u>FEES AND EXPENSES</u>	S-1
<u>FORWARD-LOOKING STATEMENTS; MARKET DATA</u>	S-3
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-5
<u>THE OFFERING</u>	S-10
<u>SUPPLEMENTARY RISK FACTORS</u>	S-11
<u>USE OF PROCEEDS</u>	S-16
<u>CAPITALIZATION</u>	S-17
	<b>Page</b>
<u>PLAN OF DISTRIBUTION</u>	S-18
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	S-20
<u>LEGAL MATTERS</u>	S-57
<u>EXPERTS</u>	S-57
<u>AVAILABLE INFORMATION</u>	S-57
<u>INDEX TO FINANCIAL STATEMENTS</u>	S-58

**Prospectus**

	<b>Page</b>
<u>SUMMARY</u>	1
<u>FEES AND EXPENSES</u>	7
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	9
<u>RISK FACTORS</u>	11
<u>FORWARD-LOOKING STATEMENTS</u>	46
<u>USE OF PROCEEDS</u>	48
<u>PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS</u>	49
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	52

# Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	53
<u>BUSINESS</u>	94
<u>PORTFOLIO COMPANIES</u>	106
<u>SENIOR SECURITIES</u>	130
<u>MANAGEMENT</u>	132
<u>CORPORATE GOVERNANCE</u>	138
<u>EXECUTIVE COMPENSATION</u>	148
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	169
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	171
	<b>Page</b>
<u>CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>	172
<u>REGULATION</u>	181
<u>DETERMINATION OF NET ASSET VALUE</u>	188
<u>SALES OF COMMON STOCK BELOW NET ASSET VALUE</u>	192
<u>DIVIDEND REINVESTMENT PLAN</u>	196
<u>DESCRIPTION OF CAPITAL STOCK</u>	197
<u>DESCRIPTION OF OUR PREFERRED STOCK</u>	204
<u>DESCRIPTION OF OUR SUBSCRIPTION RIGHTS</u>	206
<u>DESCRIPTION OF WARRANTS</u>	208
<u>DESCRIPTION OF OUR DEBT SECURITIES</u>	210
<u>PLAN OF DISTRIBUTION</u>	223
<u>BROKERAGE ALLOCATION AND OTHER PRACTICES</u>	225
<u>CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR</u>	225
<u>LEGAL MATTERS</u>	225
<u>EXPERTS</u>	225
<u>AVAILABLE INFORMATION</u>	226
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

**Table of Contents****FEES AND EXPENSES**

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

<b>Stockholder Transaction Expenses (as a percentage of the public offering price):</b>	
Sales load (as a percentage of offering price) <sup>(1)</sup>	2.00%
Offering expenses	0.21% <sup>(2)</sup>
Dividend reinvestment plan fees	<sup>(3)</sup>
<b>Total stockholder transaction expenses (as a percentage of the public offering price)</b>	<b>2.21%</b>
<b>Annual Expenses (as a percentage of net assets attributable to common stock):<sup>(8)</sup></b>	
Operating expenses	5.9% <sup>(4)(5)</sup>
Interest and fees paid in connection with borrowed funds	5.9% <sup>(6)</sup>
<b>Total annual expenses</b>	<b>11.8%<sup>(7)</sup></b>

- (1) Represents the estimated commission with respect to the shares of common stock being sold in this offering. JMP Securities will be entitled to compensation up to 2.00% of the gross proceeds of the sale of any shares of our common stock under the equity distribution agreement, with the exact amount of such compensation to be mutually agreed upon by the Company and JMP Securities from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.
- (2) The percentage reflects estimated offering expenses of approximately \$285,000.
- (3) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan in the accompanying prospectus.
- (4) Operating expenses represent our estimated operating expenses by annualizing our actual operating expenses incurred for the nine-months ended September 30, 2013, excluding interest and fees on indebtedness. This percentage for the year ended December 31, 2012 was 5.4%. See Management's Discussion and Analysis and Results of Operations, Management, and Executive Compensation in the accompanying prospectus.
- (5) 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.
- (6) Interest and fees paid in connection with borrowed funds represents estimated interest and fee payments on borrowed funds by annualizing our actual interest, fees and credit facility expenses incurred for the nine-months ended September 30, 2013, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the 2019 Notes, the Asset-Backed Notes and the SBA debentures, each of which is defined within Management's Discussion and Analysis and Results of Operations in this prospectus supplement. This percentage for the year ended December 31, 2012 was 4.9%.
- (7) Total annual expenses is the sum of operating expenses and interest and fees paid in connection with borrowed funds.
- (8) Net assets attributable to common stock equals the weighted average net assets as of September 30, 2013, which is approximately \$589.1 million.

**Table of Contents****Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a \$1,000 hypothetical investment in our common stock, assuming (1) a 2.00% sales load (underwriting discounts and commissions) and offering expenses totaling 0.21%, (2) total net annual expenses of 11.8% of net assets attributable to common shares as set forth in the table above and (3) a 5% annual return. These amounts assume no additional leverage.

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 131	\$ 328	\$ 501	\$ 848

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

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

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

our future operating results;

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

the impact of investments that we expect to make;

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

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

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

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

our ability to access debt markets and equity markets;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

our regulatory structure and tax status;

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

the adequacy of our cash resources and working capital;

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

the timing, form and amount of any dividend distributions;

the impact of fluctuations in interest rates on our business;

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

our ability to recover unrealized losses; and

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

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



**Table of Contents**

Factors in the accompanying prospectus. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made and are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act ).

**Industry and Market Data**

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

S-4

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

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

**Our Company**

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

As of September 30, 2013, our total assets were approximately \$1.23 billion, of which our investments comprised \$983.4 million at fair value and \$983.0 million at cost. Since inception through September 30, 2013, we have made debt and equity commitments of approximately \$3.9 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company ( SBIC ) subsidiaries, Hercules Technology II, L.P. ( HT II ) and Hercules Technology III, L.P. ( HT III ). HT II and HT III hold approximately \$163.9 million and \$274.7 million in assets, respectively, and accounted for approximately 10.4% and 17.5%, respectively, of our total assets prior to consolidation at September 30, 2013. We have issued \$225.0 million in SBA-guaranteed debentures in our SBIC subsidiaries, which is the maximum amount allowed for a group of SBICs under common control. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

Our portfolio is comprised of, and we anticipate that our portfolio will continue to be comprised of, investments in technology-related companies at various stages of development. Consistent with regulatory requirements, we invest primarily in United States based companies and to a lesser extent in foreign companies. See Regulation Qualifying Assets in the accompanying prospectus. As of September 30, 2013, our proprietary structured query language (SQL)-based database system included over 33,500 technology-related companies and approximately 8,800 venture capital, private equity sponsors/investors, as well as various other industry contacts. Our principal executive office is located in Silicon Valley, and we have additional offices in Boston, MA, New York, NY, Boulder, CO and McLean, VA.

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

**Table of Contents**

including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by select or all of the assets of the portfolio company.

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

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. Our primary business objectives are to increase our net income, net operating income and net asset value by investing in structured debt with warrants and equity of venture capital and private equity backed technology-related companies with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investments. Our equity ownership in our portfolio companies may represent a controlling interest. 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. Capital that we provide directly to venture capital and private equity backed technology-related companies is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

**Table of Contents**

As of September 30, 2013, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 39 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

**Our Market Opportunity**

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

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

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

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

## **Table of Contents**

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

Due to the difficulties described above, we believe traditional lenders are generally refraining from entering the structured mezzanine 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, in part because of the credit market collapse in 2008 and the resulting exit of debt capital providers to technology-related companies. The venture capital market for the technology-related companies in which we invest has been active and is continuing to show signs of increased investment activity. Therefore, to the extent we have capital available, we believe this is an opportune time to be active in the structured lending market for technology-related companies.

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

## **Table of Contents**

### **Our Business Strategy**

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

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

***Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities.*** We expect that our investments have the potential to produce attractive risk adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from equity-related securities. We believe that we can mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities (generally, 12-60 months), security interests in the assets of our portfolio companies, and, on select investments, 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, to expansion-stage companies, including select publicly listed companies and select lower middle market companies 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 mezzanine and investment funds, which typically have a limited life. In addition, because of our access to the equity markets, we believe that we may benefit from a lower cost of capital than that available to private investment funds.

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

### **General Information**

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

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

**Table of Contents****THE OFFERING**

Common stock offered by us	Up to 8,000,000 shares of our common stock
Common stock outstanding prior to this offering	61,736,693 shares
Manner of offering	At the market offering that may be made from time to time through JMP Securities, as sales agent, using commercially reasonable efforts. See <a href="#">Plan of Distribution</a> in this prospectus supplement.
Use of proceeds	We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objective and for other general corporate purposes.  Pending such use, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objective. See <a href="#">Use of Proceeds</a> in this prospectus supplement.
Distribution	To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. The amount of our dividends, if any, will be determined by our Board of Directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. See <a href="#">Price Range of Common Stock and Distributions</a> in the accompanying prospectus.
Taxation	We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See <a href="#">Price Range of Common Stock and Distributions</a> in the accompanying prospectus and <a href="#">Certain United States Federal Income Tax Considerations</a> in the accompanying prospectus.
New York Stock Exchange symbol	HTGC
Risk factors	An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See <a href="#">Supplementary Risk Factors</a> beginning on page S-11 of this prospectus supplement and <a href="#">Risk Factors</a> beginning on page 11 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.

S-10



**Table of Contents****SUPPLEMENTARY RISK FACTORS**

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at September 30, 2013 (unaudited) that represent greater than 5% of our net assets:

(in thousands)	September 30, 2013	
	Fair Value	Percentage of Net Assets
Merrimack Pharmaceuticals, Inc.	\$ 41,526	6.5%
BrightSource Energy, Inc.	\$ 35,573	5.5%
Tectura Corporation	\$ 32,170	5.0%

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

Brightsource Energy, Inc. designs, develops and sells solar thermal power systems that deliver reliable, clean energy to utilities and industrial companies.

Tectura Corporation provides technology solutions, consulting services, including ERP implementations and solutions, to businesses worldwide.

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.

*A failure or the perceived risk of a failure to raise the statutory debt limit of the United States could have a material adverse effect on our business, financial condition and results of operations.*

As has been widely reported, the United States Treasury Secretary has stated that the federal government may not be able to meet its debt payments in the relatively near future (currently February 2014) unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted and the debt ceiling is reached, the federal government may stop or delay making payments on its obligations. A failure by Congress to raise the debt limit would increase the risk of default by the United States on its obligations, as well as the risk of other economic dislocations. If the U.S. Government fails to complete its budget process or to provide for a continuing resolution before the expiration of the current continuing resolution (currently January 2014), another federal government shutdown may result. Such a failure or the perceived risk of such a failure consequently could have a material adverse effect on the financial markets and economic conditions in the United States and throughout the world. It could also limit our ability and the ability of our portfolio companies to obtain financing, and it could have a material adverse effect on the valuation of our portfolio companies. Consequently, the continued uncertainty in the general economic environment, including the recent government shutdown and potential debt ceiling implications, as well in specific economies of several individual geographic markets in which our portfolio companies operate, could adversely affect our business, financial condition and results of operations.

## **Table of Contents**

### ***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.

### ***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, or IPO. As publicly traded companies, the securities of these companies may not trade at high volumes, and prices can be volatile, which may restrict our ability to sell our positions and may have a material impact on us.

### ***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 Wells Facility and Union Bank Facility (together the Credit Facilities ), each of which is defined within Management's Discussion and Analysis and Results of Operations in this prospectus supplement, current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets in the collateral pool. Our Credit Facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a securities interest in our assets in connection with any such credit facilities and borrowings.

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

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

### ***To the extent original issue discount and paid-in-kind interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.***

Our investments may include original issue discount, or OID, instruments and contractual payment-in-kind, or PIK, interest, 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 typical risks

## Table of Contents

associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

OID instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments;

OID accruals may create uncertainty about the source of our distributions to stockholders;

OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral; and

OID and PIK instruments may represent a higher credit risk than coupon loans.

***If we are unable to satisfy Code requirements for qualification as a RIC, then we will be subject to corporate-level income tax, which would adversely affect our results of operations and financial condition.***

We elected to be treated as a RIC for federal income tax purposes with the filing of our federal corporate income tax return for 2006. We will not qualify for the tax treatment allowable to RICs if we are unable to comply with the source of income, asset diversification and distribution requirements contained in Subchapter M of the Code, or if we fail to maintain our election to be regulated as a business development company under the 1940 Act. If we fail to qualify for the federal income tax benefits allowable to RICs for any reason and become subject to a corporate-level income tax, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders and the actual amount of our distributions. Such a failure would have a material adverse effect on us, the net asset value of our common stock and the total return, if any, obtainable from your investment in our common stock. Any net operating losses that we incur in periods during which we qualify as a RIC will not offset net capital gains (i.e., net realized long-term capital gains in excess of net realized short-term capital losses), and we cannot pass such net operating losses through to our stockholders.

***We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.***

In accordance with U.S. federal tax requirements, we include in income for tax purposes certain amounts that we have not yet received in cash, such as contractual PIK interest, which represents contractual interest added to a loan balance and due at the end of such loan's term. In addition to the cash yields received on our loans, in some instances, certain loans may also include any of the following: end-of-term payments, exit fees, balloon payment fees or prepayment fees. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such payment-in-kind interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash.

Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in original issue discount for tax purposes, which we must recognize as ordinary income, increasing the amount that we are required to distribute to qualify for the federal income tax benefits applicable to RICs. Because these warrants generally will not produce distributable cash for us at the same time as we are required to make distributions in respect of the related original issue discount, we would need to obtain cash from other sources or to pay a portion of our distributions using shares of newly issued common stock, consistent with Internal Revenue Service requirements, to satisfy such distribution requirements.

Other features of the debt instruments that we hold may also cause such instruments to generate original issue discount, resulting in a dividend distribution requirement in excess of current cash interest received. Since

## **Table of Contents**

in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to distribute generally an amount equal to at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Under such circumstances, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level income tax on all our income.

### ***Our realized gains are reduced by amounts paid pursuant to the warrant participation agreement.***

Citigroup, a former credit facility provider to Hercules, has an equity participation right through a warrant participation agreement on the pool of loans and certain warrants formerly collateralized under its then existing credit facility (the Citigroup Facility). Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. As a result, Citigroup is entitled to 10% of the realized gains on certain warrants until the realized gains paid to Citigroup pursuant to the agreement equals \$3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citigroup Facility is terminated until the Maximum Participation Limit has been reached.

During the nine-months ended September 30, 2013, we reduced our realized gain by approximately \$249,000 for Citigroup's participation in the gain on sale of equity securities which were obtained from exercising a portfolio company warrant which was included in the collateral pool. We recorded an increase on participation liability and a decrease on unrealized appreciation by a net amount of approximately \$54,000 as a result of current quarter appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately \$268,000 as of September 30, 2013 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid \$1.6 million under the warrant participation agreement thereby reducing our realized gains by this amount. We will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between March 2014 and January 2017.

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

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to \$150.0 million or to a group of SBICs under common control to \$225.0 million. A proposed bill in the U.S. Senate, the Expanding Access to Capital for Entrepreneurial Act, or Senate Bill 511, would increase the total SBIC leverage capacity for affiliated SBIC funds from \$225 million to \$350 million. However, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

### ***Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.***

Concerns have been publicized that some of the member banks surveyed by the British Bankers' Association (BBA) in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they

**Table of Contents**

actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

**Table of Contents**

**USE OF PROCEEDS**

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of all 8,000,000 shares of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of \$16.90 per share for our common stock on the NYSE as of November 18, 2013, we estimate that the net proceeds of this offering will be approximately \$132.2 million after deducting the estimated sales commission payable to JMP Securities and our estimated offering expenses.

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

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

**Table of Contents****CAPITALIZATION**

The equity distribution agreements provide that we may offer and sell up to 8,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent for the offer and sale of such common stock. The table below assumes that we will sell all of the 8,000,000 shares at a price of \$16.90 per share (the last reported sale price per share of our common stock on the NYSE on November 18, 2013) but there is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than \$16.90, depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of September 30, 2013:

on an actual basis; and

on an as further adjusted basis giving effect to the transactions noted above and the assumed sale of 8,000,000 shares of our common stock at a price of \$16.90 per share (the last reported sale price per share of our common stock on the NYSE on November 18, 2013) less commissions and expenses.

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

	<b>As of September 30, 2013</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(in thousands)</b>	
Investments at fair value	\$ 983,427	\$ 983,427
Cash and cash equivalents	\$ 204,993	\$ 337,204
Debt:		
Long-term SBA debentures	\$ 225,000	\$ 225,000
Convertible Senior Notes	72,248	72,248
2019 Notes	170,364	170,364
Asset-Backed Notes	102,474	102,474
Total debt	\$ 570,086	\$ 570,086
Stockholders' equity:		
Common stock, par value \$0.001 per share; 100,000,000 shares authorized; 61,756,014 shares issued and outstanding, actual, 69,756,014 shares issued and outstanding, as adjusted, respectively	\$ 62	\$ 70
Capital in excess of par value	664,650	796,853
Unrealized appreciation (depreciation) on investments	1,091	1,091
Accumulated realized gains (losses) on investments	(25,607)	(25,607)
Distributions in excess of investment income	3,180	3,180
Total stockholders' equity	\$ 643,376	\$ 775,587
Total capitalization	\$ 1,213,462	\$ 1,345,673

**Table of Contents**

**PLAN OF DISTRIBUTION**

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

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

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

JMP Securities will receive a commission from us to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the equity distribution agreement. We estimate that the total expenses for the offering, excluding compensation payable to JMP Securities under the terms of the equity distribution agreement, will be approximately \$285,000 (including up to \$10,000 in reimbursement of the underwriters' counsel fees in connection with the review of the terms of the offering by the Financial Industry Regulatory Authority, Inc.).

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

We will report at least quarterly the number of shares of our common stock sold through JMP Securities under the equity distribution agreement and the net proceeds to us.

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

The offering of our shares of common stock pursuant to the equity distribution agreement will terminate upon the earlier of (i) the sale of all common stock subject to the equity distribution agreement or (ii) the termination of the equity distribution agreement. The equity distribution agreement may be terminated by us in our sole discretion under the circumstances specified in the equity distribution agreement by giving notice to JMP Securities. In addition, JMP Securities may terminate the equity distribution agreement under the circumstances specified in the equity distribution agreement by giving notice to us.



**Table of Contents**

**Potential Conflicts of Interest**

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

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

**Table of Contents**

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

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

**Overview**

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science, and energy and renewables technology industries at all stages of development. We source our investments through our principal office located in Palo Alto, CA, as well as through our additional offices in Boston, MA, New York, NY, Boulder, CO and McLean, VA.

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

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

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. Our primary business objectives are to increase our net income, net operating income and net asset value by investing in structured debt with warrants and equity of venture capital-backed companies in technology-related markets with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investments. Our equity ownership in our portfolio companies may represent a controlling interest. In some cases, we receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. Capital that we provide directly to venture capital-backed companies in technology-related markets is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

We also make investments in qualifying small businesses through our two wholly-owned SBICs. Our SBICs, HT II and HT III, hold approximately \$163.9 million and \$274.7 million in assets, respectively, and accounted for approximately 10.4% and 17.5% of our total assets, respectively, prior to consolidation at September 30, 2013. We have issued \$225.0 million in SBA-guaranteed debentures in our SBIC subsidiaries, which is the maximum amount allowed for a group of SBICs under common control.

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

## **Table of Contents**

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.

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

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 value of our investment portfolio was \$983.4 million at September 30, 2013, as compared to \$906.3 million at December 31, 2012.

The fair value of our loan portfolio at September 30, 2013 was approximately \$894.5 million, compared to a fair value of approximately \$827.5 million at December 31, 2012. The fair value of the equity portfolio at September 30, 2013 was approximately \$54.7 million, compared to a fair value of approximately \$49.2 million at December 31, 2012. The fair value of the warrant portfolio at September 30, 2013 was approximately \$34.2 million, compared to a fair value of approximately \$29.5 million at December 31, 2012.

### ***Portfolio Activity***

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

Prior to entering into a contractual commitment, we generally issue a non-binding term sheet to a prospective portfolio company. Non-binding term sheets are subject to completion of our due diligence and final

**Table of Contents**

approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies and generally convert to contractual commitments within approximately 45 to 60 days of signing. Not all non-binding term sheets are expected to close and do not necessarily represent our future cash requirements.

Our portfolio activity for the nine-month period ended September 30, 2013 (unaudited) and the year ended December 31, 2012 was comprised of the following:

(in millions)	September 30, 2013	December 31, 2012
<b>Debt Commitments <sup>(1)</sup></b>		
New portfolio company	\$ 453.0	\$ 362.3
Existing portfolio company	121.9	274.3
<b>Total</b>	<b>\$ 574.9</b>	<b>\$ 636.6</b>
<b>Funded Debt Investments</b>		
New portfolio company	\$ 324.1	\$ 267.9
Existing portfolio company	81.3	191.4
<b>Total</b>	<b>\$ 405.4</b>	<b>\$ 459.3</b>
<b>Funded Equity Investments</b>		
New portfolio company	\$	\$ 6.0
Existing portfolio company	3.5	3.7
<b>Total</b>	<b>\$ 3.5</b>	<b>\$ 9.7</b>
<b>Unfunded Contractual Commitments <sup>(2)</sup></b>		
<b>Total</b>	<b>\$ 169.6</b>	<b>\$ 61.9</b>
<b>Non-Binding Term Sheets</b>		
New portfolio company	\$ 46.5	\$ 70.0
Existing portfolio company	10.8	
<b>Total</b>	<b>\$ 57.3</b>	<b>\$ 70.0</b>

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

(2) The amount for September 30, 2013 includes unfunded contractual commitments in 27 new and existing portfolio companies. Approximately \$93.1 million of these unfunded commitments as of September 30, 2013 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available.

We receive payments in our loan 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-month period ended September 30, 2013, we received approximately \$132.2 million in aggregate principal repayments. Of the approximately \$132.2 million of aggregate principal repayments, approximately \$67.6 million were early principal repayments related to nine portfolio companies, approximately \$34.5 million were early repayments due to current quarter M&A transactions related to six portfolio companies and approximately \$30.1 million were scheduled principal payments.

**Table of Contents**

Total portfolio investment activity (inclusive of unearned income) for the nine-month period ended September 30, 2013 (unaudited) and for the year ended December 31, 2012 was as follows:

(in millions)	September 30, 2013	December 31, 2012
Beginning Portfolio	\$ 906.3	\$ 652.9
New Fundings	401.5	469.9
Warrants not related to current period fundings	2.5	(0.2)
Principal payments received on investments	(140.0)	(120.7)
Early payoffs	(196.4)	(125.1)
Restructure payoffs	(9.7)	(48.5)
Restructure fundings	17.1	85.0
Accretion of loan discounts and paid-in-kind principal	27.6	21.3
New loan fees	(13.3)	(12.8)
Conversion of Other Assets		9.6
Debt Converted to Equity		0.6
Warrants converted to Equity	0.1	
Proceeds from sale of investments	(14.7)	(7.2)
Net realized (loss) gain on investments	(6.0)	(14.1)
Net change in unrealized appreciation (depreciation)	8.4	(4.4)
Ending Portfolio	\$ 983.4	\$ 906.3

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2013 (unaudited) and December 31, 2012.

(in thousands)	September 30, 2013		December 31, 2012	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior secured debt with warrants	\$ 687,932	70.0%	\$ 652,041	72.0%
Senior secured debt	240,796	24.5%	205,049	22.6%
Preferred stock	44,370	4.5%	33,885	3.7%
Common Stock	10,329	1.0%	15,325	1.7%
	\$ 983,427	100.0%	\$ 906,300	100.0%

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

(in thousands)	September 30, 2013		December 31, 2012	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 948,214	96.4%	\$ 901,041	99.4%
Netherlands	9,878	1.0%		0.0%
Canada	24,835	2.5%		0.0%
England	500	0.1%	5,259	0.6%
	\$ 983,427	100.0%	\$ 906,300	100.0%

As of September 30, 2013, we held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, specifically, ADMA Biologics, Inc. ( ADMA ) and two companies that filed confidentially under the JOBS Act. Subsequent to quarter end, in October 2013, ADMA completed its initial public offering of 3,352,941 shares

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

of its common stock at \$8.50 per share. There can be no assurance that the other two companies will complete their initial public offerings in a timely manner or at all.

S-23

---

**Table of Contents*****Changes in Portfolio***

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$1.0 million to \$25.0 million. As of September 30, 2013, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from the prevailing U.S. prime rate, or Prime or the LIBOR rate to approximately 15%. In addition to the cash yields received on our loans, in some instances, our loans may also include any of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees, PIK provisions or prepayment fees which may be required to be included in income prior to receipt. Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. We had approximately \$3.4 million and \$2.0 million of unamortized fees at September 30, 2013 and December 31, 2012, respectively, and approximately \$13.6 million and \$6.8 million in exit fees receivable at September 30, 2013 and December 31, 2012, respectively. The increase of both unamortized fees and exit fees receivable is attributable to overall growth of the loan portfolio.

We have loans in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately \$889,000 and \$297,000 in PIK income during the three-months ended September 30, 2013 and 2012, respectively. We recorded approximately \$2.7 million and \$866,000 in PIK income in the nine-month periods ended September 30, 2013 and 2012, respectively.

In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we obtain a negative pledge covering a company's intellectual property. At September 30, 2013, approximately 66.9% of our portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 31.9% of the loans were to portfolio companies that were prohibited from pledging or encumbering their intellectual property and 1.2% of portfolio company loans had an equipment-only lien.

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

The effective yield on our debt investments during the three-month periods ended September 30, 2013 and 2012 was 17.7% and 14.4%, respectively. Excluding the effect of fee accelerations that occurred from early payoffs and one-time events, the adjusted effective yield for the three-month period ended September 30, 2013 was 14.3%. The adjusted effective yield for the three-month period ended December 31, 2012 was 13.6%. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter which exclude non-interest earning assets such as warrants and equity investments. The overall weighted average yield to maturity of our loan investments was approximately 13.3% at September 30, 2013, compared to 12.91% at December 31, 2012. The weighted average yield to maturity is computed using the interest rates in effect at the inception of each of the loans, and includes

**Table of Contents**

amortization of the loan facility fees, commitment fees and market premiums or discounts over the expected life of the debt investments, weighted by their respective costs when averaged and based on the assumption that all contractual loan commitments have been fully funded and held to maturity.

**Portfolio Composition**

Our portfolio companies are primarily privately held companies and, to a lesser extent, public companies which are active in the drug discovery and development, internet consumer and business services, clean technology, software, drug delivery, medical device and equipment, media/content/info, communications and networking, information services, healthcare services, diagnostic, specialty pharmaceuticals, biotechnology tools, surgical devices, consumer and business products, semiconductors, electronics and computer hardware and therapeutic 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, 2013, approximately 65.2% of the fair value of our portfolio was composed of investments in four industries: 21.3% was composed of investments in the drug discovery and development industry, 17.6% was composed of investments in the clean technology industry, 16.1% was composed of investments in the internet consumer and business services industry and 10.2% was composed of investments in the medical device and equipment industry.

The following table shows the fair value of our portfolio by industry sector at September 30, 2013 (unaudited) and December 31, 2012:

(in thousands)	September 30, 2013		December 31, 2012	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 209,624	21.3%	\$ 188,479	20.8%
Clean Tech	173,305	17.6%	126,600	14.0%
Internet Consumer & Business Services	157,884	16.1%	136,149	15.0%
Medical Devices & Equipment	100,635	10.2%	54,575	6.0%
Software	58,813	6.0%	70,838	7.8%
Drug Delivery	54,748	5.6%	74,218	8.2%
Information Services	46,696	4.7%	53,523	5.9%
Communications & Networking	40,155	4.1%	37,560	4.1%
Electronics & Computer Hardware	33,272	3.4%	12,715	1.4%
Healthcare Services, Other	29,378	3.0%	36,481	4.0%
Media/Content/Info	25,920	2.6%	51,534	5.7%
Specialty Pharmaceuticals	23,177	2.4%	12,473	1.4%
Biotechnology Tools	11,639	1.2%	6,845	0.8%
Surgical Devices	10,150	1.0%	11,358	1.3%
Semiconductors	4,845	0.5%	2,922	0.3%
Consumer & Business Products	1,899	0.2%	13,723	1.5%
Diagnostic	1,288	0.1%	16,307	1.8%
	\$ 983,427	100.0%	\$ 906,300	100.0%

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



**Table of Contents**

For the nine-months ended September 30, 2013 and the year ended December 31, 2012, our ten largest portfolio companies represented approximately 29.7% and 35.2% of the total fair value of our investments in portfolio companies, respectively. At September 30, 2013 and December 31, 2012, we had three and eight investments, respectively, that represented 5% or more of our net assets. At September 30, 2013, we had five equity investments representing approximately 64.4% 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, 2012, we had six equity investments which represented approximately 70.9% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of such investments.

As of September 30, 2013, over 98.8% of our debt investments were in a senior secured first lien position, and more than 98.0% 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 increase.

Our investments in senior secured debt with warrants have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of September 30, 2013, we held warrants in 116 portfolio companies, with a fair value of approximately \$34.2 million. The fair value of our warrant portfolio increased by approximately 15.9%, as compared to a fair value of \$29.5 million at December 31, 2012.

Our existing warrant holdings currently would require us to invest approximately \$73.2 million to exercise such warrants. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. Of the warrants which we have monetized since inception, we have realized warrant gain multiples in the range of approximately 1.01x to 14.91x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our warrant portfolio.

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

The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three and nine-month periods ended September 30, 2013 and 2012 (unaudited):

(in thousands)

Portfolio Company	Type	Three months ended September 30, 2013					Nine months ended September 30, 2013				
		Fair Value at September 30, 2013	Investment Income	Unrealized (Depreciation)/ Appreciation	Reversal of Unrealized (Depreciation)/ Appreciation	Realized Gain/ (loss)	Investment Income	Unrealized (Depreciation)/ Appreciation	Reversal of Unrealized (Depreciation)/ Appreciation	Realized Gain/ (loss)	
Gelesis, Inc.	Affiliate	\$ 523	\$	\$ (487)	\$	\$	\$ (1,143)	\$	\$	\$	
Optiscan BioMedical, Corp.	Affiliate	12,374	566	(505)		1,693	(325)				
<b>Total</b>		<b>\$ 12,897</b>	<b>\$ 566</b>	<b>\$ (992)</b>	<b>\$</b>	<b>\$ 1,693</b>	<b>\$ (1,468)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	

**Table of Contents***(in thousands)*

Portfolio Company	Type	Three months ended September 30, 2012					Nine months ended September 30, 2012				
		Fair Value at September 30, 2012	Investment Income	Unrealized (Depreciation)/ Appreciation	Reversal of Unrealized (Depreciation)/ Appreciation	Realized Gain/ (loss)	Investment Income	Unrealized (Depreciation)/ Appreciation	Reversal of Unrealized (Depreciation)/ Appreciation	Realized Gain/ (loss)	
E-Band Communication, Corp.	Affiliate	\$ 1,483	\$	\$ 21	\$	\$ 4	\$ (1,466)	\$	\$		
Gelesis	Affiliate	1,792	239	92		683	(799)				
<b>Total</b>		\$ 3,275	\$ 239	\$ 113	\$	\$ 687	\$ (2,265)	\$	\$		

Our investment in E-Band Communications Corp., a company that was a non-controlled affiliate investment as of September 30, 2012, was liquidated during the period ended June 30, 2013. Approximately \$3.3 million of realized losses and \$3.3 million of net change in unrealized appreciation was recognized on this non-controlled affiliate investment during the nine-months ended September 30, 2013.

During the year ended December 31, 2012, Optiscan BioMedical, Corp. became classified as a non-controlled affiliate of ours.

**Portfolio Grading**

We grade each of our debt investments 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, 2013 and December 31, 2012, respectively:

(in thousands)	September 30, 2013			December 31, 2012		
	Number of Companies	Investments at Fair Value	Percentage of Total Portfolio	Number of Companies	Investments at Fair Value	Percentage of Total Portfolio
<b>Investment Grading</b>						
1	17	\$ 186,084	20.8%	9	\$ 134,166	16.2%
2	46	483,412	54.0%	52	542,885	65.6%
3	17	188,442	21.1%	16	127,560	15.4%
4	5	33,046	3.7%	5	22,929	2.8%
5	9	3,509	0.4%	1		
		\$ 894,493	100.0%		\$ 827,540	100.0%

As of September 30, 2013, our investments had a weighted average investment grading of 2.13, as compared to 2.06 at December 31, 2012. 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 have therefore been downgraded until their funding is complete or their operations improve.

At September 30, 2013, we had seven loans on non-accrual with a cumulative fair value of approximately \$3.1 million compared to one loan on non-accrual at December 31, 2012 with no fair market value.

**Results of Operations**

*Comparison of the three and nine-month periods ended September 30, 2013 and 2012*

**Investment Income**

Total investment income for the three-month period ended September 30, 2013 was approximately \$41.0 million as compared to approximately \$23.9 million for the three-month period ended September 30, 2012. Total



**Table of Contents**

investment income for the nine-month period ended September 30, 2013 was approximately \$106.5 million as compared to approximately \$70.1 million for the nine-month period ended September 30, 2012.

Interest income for the three-month period ended September 30, 2013 totaled approximately \$36.2 million as compared to approximately \$21.7 million for the three-month period ended September 30, 2012. Interest income for the nine-month period ended September 30, 2013 totaled approximately \$95.4 million as compared to approximately \$63.2 million for the nine-month period ended September 30, 2012. In general, the increase in interest income is attributable to overall growth in the loan portfolio. Specifically, the increase in interest income is attributable to an increase of loan interest income of approximately \$6.9 million and \$21.2 million for the three and nine-month periods ended September 30, 2013, respectively, and an increase of PIK interest income of approximately \$592,000 and \$1.8 million for the three and nine-month periods ended September 30, 2013, respectively. In addition, backend interest income for the three and nine-month periods ended September 30, 2013 increased by \$5.4 million and \$7.4 million, respectively, primarily due to one-time forbearance fee of approximately \$1.9 million and back end interest income for new fundings.

Income from commitment, facility and loan related fees for the three-month period ended September 30, 2013 totaled approximately \$4.8 million as compared to approximately \$2.2 million for the three-month period ended September 30, 2012. Income from commitment, facility and loan related fees for the nine-month period ended September 30, 2013 totaled approximately \$11.1 million as compared to approximately \$6.9 million for the nine-month period ended September 30, 2012. The increase in fee income is primarily attributable to additional fee accelerations and one time fees due to early pay-offs during the three and nine-month periods ended September 30, 2013 as compared to the same periods in 2012.

The following table shows the PIK-related activity for the nine-months ended September 30, 2013 and 2012, at cost (unaudited):

(in thousands)	Nine Months Ended September 30,	
	2013	2012
Beginning PIK loan balance	\$ 3,309	\$ 2,041
PIK interest capitalized during the period	2,410	1,125
Payments received from PIK loans	(824)	
Realized Loss		(291)
<b>Ending PIK loan balance</b>	<b>\$ 4,895</b>	<b>\$ 2,875</b>

The increase in payments received from PIK loans and PIK interest capitalized during the nine-months ended September 30, 2013 is due to the addition of fourteen PIK loans which have incurred PIK capitalizations during the period and the payoff of three PIK loans during the period ended September 30, 2013.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three and nine-month periods ended September 30, 2013 and 2012, respectively.

**Operating Expenses**

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$19.5 million and \$12.6 million during the three month periods ended September 30, 2013 and 2012, respectively. Operating expenses totaled approximately \$52.3 million and \$35.1 million during the nine-month periods ended September 30, 2013 and 2012, respectively.

**Interest and Fees on our Borrowings**

Interest and fees on our borrowings totaled approximately \$8.7 million for the three-month period ended September 30, 2013 as compared to approximately \$6.1 million for the three-month period ended September 30,

**Table of Contents**

2012. This increase was primarily attributable to an increase in interest and fee expenses of approximately \$1.6 million for the three-month period ended September 30, 2013 related to the 2019 Notes and an increase of approximately \$1.2 million related to the Asset-Backed Notes issued in December 2012.

Interest and fees on borrowings totaled approximately \$26.1 million for the nine-month period ended September 30, 2013 as compared to approximately \$16.3 million for the nine-month period ended September 30, 2012. This increase was primarily attributable to an increase in interest and fee expenses of approximately \$7.4 million for the nine-month period ended September 30, 2013 related to the 2019 Notes and approximately \$3.7 million related to the Asset-Backed Notes issued in December 2012. These expenses were partially offset by a decrease in interest and fees of approximately \$1.1 million for the nine-month period ended September 30, 2013 associated with our SBA debentures due to the pay down in August 2012.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 6.0% at September 30, 2013, as compared to 6.7% during September 30, 2012. The decrease was primarily driven by the Asset-Backed Notes issued in December 2012, which account for approximately 19.6% of our outstanding debt and accrue interest at 3.32%. As of September 30, 2013 the weighted average debt outstanding was approximately \$585.1 million.

*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 \$2.2 million from \$2.4 million for the three-month periods ended September 30, 2013 and 2012, respectively. These decreases were primarily due to decreases of approximately \$279,000 and \$136,000 related to outside accounting fees and Board of Directors compensation, respectively, partially offset by increases of approximately \$149,000 and \$90,000 for recruiting and consultant expenses, respectively, in the three-month period ended September 30, 2013. Expenses increased to \$6.8 million from \$6.1 million for the nine-month periods ended September 30, 2013 and 2012, respectively. These increases were primarily due to increases of approximately \$514,000, \$230,000 and \$168,000 related to outside consulting services, office and transportation expenses as a result of increased headcount and recruiting fees, respectively, partially offset by a decrease of approximately \$313,000 for outside accounting expenses in the nine-month period ended September 30, 2013.

*Employee Compensation*

Employee compensation and benefits totaled approximately \$7.0 million for the three-month period ended September 30, 2013 as compared to approximately \$2.9 million for the three-month period ended September 30, 2012 and approximately \$15.0 million for the nine-month period ended September 30, 2013 as compared to approximately \$9.6 million for the nine-month period ended September 30, 2012. This increase was due to increasing our staff to 63 active employees at September 30, 2013 from 52 active employees at September 30, 2012 and increasing our variable compensation (bonus) accrual based on performance improvements.

Stock-based compensation totaled approximately \$1.6 million for the three-month period ended September 30, 2013 as compared to approximately \$1.1 million for the three-month period ended September 30, 2012 and approximately \$4.3 million for the nine-month period ended September 30, 2013 as compared to approximately \$3.1 million for the nine-month period ended September 30, 2012. These increases were due primarily to the expense on restricted stock grants of approximately 606,000 shares granted in the first quarter of 2013.

*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,

**Table of Contents**

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-month periods ended September 30, 2013 and 2012 is as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Realized gains	\$ 7,827	\$ 948	\$ 17,476	\$ 13,122
Realized losses	(702)	(10,039)	(6,167)	(11,073)
Net realized gains (losses)	\$ 7,125	\$ (9,091)	\$ 11,309	\$ 2,049

During the three-month periods ended September 30, 2013 and September 30, 2012, we recognized net realized gains of approximately \$7.1 million and net realized losses of approximately \$9.1 million, respectively. During the three-months ended September 30, 2013, we recorded gross realized gains of approximately \$7.8 million primarily from the sale of investments in three portfolio companies. These gains were partially offset by the liquidation of the Company's investments in eight portfolio companies of approximately \$700,000 in gross realized losses.

During the nine-month periods ended September 30, 2013 and September 30, 2012, we recognized net realized gains of approximately \$11.3 million and \$2.0 million, respectively. During the nine-month period ended September 30, 2013, we recorded gross realized gains of approximately \$17.5 million primarily from the sale of investments in eight portfolio companies. These gains were partially offset by the liquidation of our investments in nineteen portfolio companies of approximately \$6.2 million in gross realized losses.

The net unrealized appreciation and depreciation of our investments is based on fair value of each investment determined in good faith by our Board of Directors. The following table itemizes the change in net unrealized appreciation/depreciation of investments for the three and nine-month periods ended September 30, 2013 and 2012:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013 Amount	2012 Amount	2013 Amount	2012 Amount
Gross unrealized appreciation on portfolio investments	\$ 28,760	\$ 15,000	\$ 58,168	\$ 40,531
Gross unrealized depreciation on portfolio investments	(15,626)	(23,845)	(44,117)	(56,190)
Reversal of prior period net unrealized appreciation upon a realization event	(6,196)	(80)	(13,599)	(11,666)
Reversal of prior period net unrealized depreciation upon a realization event	2,335	11,503	7,977	12,122
Net unrealized appreciation (depreciation) on escrow receivables	(923)		564	
Citigroup Warrant Participation	(54)	(93)	45	16
Net unrealized appreciation (depreciation) on portfolio investments	\$ 8,296	\$ 2,485	\$ 9,038	\$ (15,187)

During the three-months ended September 30, 2013, we recorded approximately \$9.3 million of net unrealized appreciation from our debt, equity and warrant investments. Approximately \$7.3 million is attributed to net unrealized appreciation on equity, which primarily resulted from appreciation of our investment in Virident Systems due to the announcement of the portfolio company's acquisition by Western Digital, Inc. Approximately \$2.1 million is attributed to net unrealized appreciation on our debt investments, which primarily resulted from

**Table of Contents**

fair value adjustments made as a result of a decrease in interest rates reflected in our current quarter effective yield. We recorded approximately \$99,000 of net unrealized depreciation on our warrant investments.

During the three-month period ended September 30, 2013, net unrealized appreciation decreased by approximately \$54,000 as a result of appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. Additionally during the three-month period ended September 30, 2013, net unrealized appreciation on escrow receivables decreased by approximately \$923,000, primarily due to the reversal of prior period net unrealized appreciation upon being realized as a gain.

During the three month period ended September 30, 2012, we recorded approximately \$2.6 million of net unrealized appreciation from our loans, warrant and equity investments. Approximately \$3.9 million and \$2.0 million is attributed to net unrealized appreciation on equity and warrants, respectively, of which approximately \$4.1 million and \$457,000 is due to the reversal of prior period net unrealized appreciation upon being realized as a loss.

During the three-month period ended September 30, 2012, we recorded approximately \$3.3 million of net unrealized depreciation on our debt investments, partially offset by approximately \$6.9 million due to the reversal of prior period net unrealized depreciation upon being realized as a loss.

The following table itemizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the three-month periods ended September 30, 2013 and 2012.

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

(in millions)	Three Months Ended September 30, 2012			
	Loans	Equity	Warrants	Total
Collateral based impairments	\$ (8.7)	\$ (2.1)	\$ (1.2)	\$ (12.0)
Reversals due to Loan Payoffs & Warrant/Equity sales	6.9	4.1	0.4	11.4
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		(1.5)	0.6	(0.9)
Level 3 Assets	(1.5)	3.4	2.2	4.1
Total Fair Value Market/Yield Adjustments	(1.5)	1.9	2.8	3.2
Total Unrealized Appreciation/(Depreciation)	\$ (3.3)	\$ 3.9	\$ 2.0	\$ 2.6

\* 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

## Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

financial statements discussing ASC 820.

During the nine-months ended September 30, 2013, we recorded approximately \$8.4 million of net unrealized depreciation from our debt, equity and warrant investments. Approximately \$14.7 million is attributed to net

S-31



**Table of Contents**

unrealized appreciation on equity which primarily resulted from appreciation of our investment in Virident Systems due to the announcement of the portfolio company's acquisition by Western Digital, Inc. and \$3.5 million is due to the reversal of prior period net unrealized depreciation upon being realized as a loss. Approximately \$3.9 million is attributed to net unrealized appreciation on our warrant investments, of which approximately \$8.7 million is due to the reversal of prior period net unrealized appreciation upon being realized as a gain and \$2.7 million is due to the reversal of prior period net unrealized depreciation upon being realized as a loss. We recorded approximately \$10.2 million of net unrealized depreciation on our debt investments, which primarily related to fair value adjustments made as a result of fluctuations in interest rates reflected in our effective yield.

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

During the nine-month period ended September 30, 2012, we recorded approximately \$15.2 million of net unrealized depreciation from our loans, equity and warrant investments. Approximately \$1.6 million is attributed to net unrealized appreciation on equity investments and approximately \$2.3 million is attributed to net unrealized depreciation on warrant investments. Approximately \$497,000 and \$6.0 million is due to the reversal of prior period net unrealized appreciation on equity and warrants respectively, upon being realized as a gain. Additionally, we recorded approximately \$500,000 of unrealized depreciation attributed to reduced expectations of escrow proceeds previously anticipated to be collected.

We recorded approximately \$12.6 million net unrealized depreciation on our debt investments related to fluctuations in current market interest rates during the nine-month period ended September 30, 2012.

The following table itemizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the nine-month periods ended September 30, 2013 and 2012.

(in millions)	9 Months Ended September 30, 2013			
	Loans	Equity	Warrants	Total
Collateral based impairments	\$ (10.3)	\$	\$ (0.1)	\$ (10.4)
Reversals due to Loan Payoffs & Warrant/Equity sales	1.6	2.7	(8.2)	(3.9)
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		2.0	3.2	5.2
Level 3 Assets	(1.5)	10.0	9.0	17.5
Total Fair Value Market/Yield Adjustments	(1.5)	12.0	12.2	22.7
Total Unrealized Appreciation/(Depreciation)	\$ (10.2)	\$ 14.7	\$ 3.9	\$ 8.4

(in millions)	9 Months Ended September 30, 2012			
	Loans	Equity	Warrants	Total
Collateral based impairments	\$ (9.3)	\$ (2.1)	\$ (1.2)	\$ (12.6)
Reversals due to Loan Payoffs & Warrant/Equity sales	7.9	(0.5)	(6.0)	1.4
Fair Value Market/Yield Adjustments*				
Level 1 & 2 Assets		(5.7)	2.1	(3.6)
Level 3 Assets	(12.6)	9.9	2.8	0.1
Total Fair Value Market/Yield Adjustments	(12.6)	4.2	4.9	(3.5)
Total Unrealized Appreciation/(Depreciation)	\$ (14.0)	\$ 1.6	\$ (2.3)	\$ (14.7)

\* 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.

S-32

## **Table of Contents**

Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC 820.

### ***Income and Excise Taxes***

We account for income taxes in accordance with the provisions of ASC 740, Income Taxes, which requires that deferred income taxes be determined based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances are used to reduce deferred tax assets to the amount likely to be realized. We intend to distribute approximately \$1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013.

### ***Net Increase in Net Assets Resulting from Operations and Change in Net Assets per Share***

For the three-month periods ended September 30, 2013 and September 30, 2012, the net increase in net assets resulting from operations totaled approximately \$37.0 million and approximately \$4.7 million, respectively. For the nine-month periods ended September 30, 2013 and September 30, 2012, the net increase in net assets resulting from operations totaled approximately \$74.5 million and \$21.9 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 was \$0.61 and \$0.59 for the three-month period ended September 30, 2013, whereas both the basic and fully diluted net change in net assets per common share for the three-month period ended September 30, 2012 was \$0.09. The basic and fully diluted net change in net assets per common share for the nine-month period ended September 30, 2013 was and \$1.26 and \$1.23, respectively, whereas both the basic and fully diluted net change in net assets per common share for the nine-month period ended September 30, 2012 was \$0.44.

### ***Financial Condition, Liquidity, and Capital Resources***

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

At September 30, 2013, we had \$75.0 million of Convertible Senior Notes payable, \$170.4 million of 2019 Notes, \$102.5 million of Asset-Backed Notes and \$225.0 million of SBA debentures payable. We had no borrowings outstanding under either the Wells Facility or the Union Bank Facility.

At September 30, 2013, we had \$310.0 million in available liquidity, including \$205.0 million in cash and cash equivalents. We had available borrowing capacity of approximately \$75.0 million under the Wells Facility and \$30.0 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At September 30, 2013, we had approximately \$3.6 million of restricted cash. Our restricted cash consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized Asset-Backed Notes, based on current characteristics of the securitized loan portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed

## Table of Contents

to us or available for our general operations. During the nine-months ended September 30, 2013, 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 loan investments and the sale of loan and equity investments.

During the nine-months ended September 30, 2013, our operating activities provided \$4.7 million of cash and cash equivalents, compared to \$88.6 million used during the nine-months ended September 30, 2012. The \$93.3 million increase in cash provided by operating activities resulted primarily from an increase in net assets resulting from operations of \$52.7 and principal payments received on investments of approximately \$171.3 million, partially offset by additional purchases of investments of approximately \$108.9 million. During the nine-months ended September 30, 2013, our investing activities used \$3.9 million of cash, compared to \$85,000 during nine-months ended September 30, 2012. This \$3.8 million increase in cash used by investing activities was primarily due to an increase of approximately \$3.6 million in cash collections of interest and principal payments, classified as restricted cash, on assets that are securitized.

During the nine-months ended September 30, 2013, our financing activities provided \$21.2 million of cash, compared to \$131.3 million during the nine-months ended September 30, 2012. This \$110.1 million decrease in cash provided by financing activities was primarily due to a decrease in borrowings of credit facilities of \$39.3 million and the Issuance of our 2019 Notes of \$159.5 million in 2012 partially offset by an increase in proceeds from issuance of common stock of \$46.8 million and a decrease in repayments of credit facilities of \$47.5 million.

As of September 30, 2013, net assets totaled \$643.4 million, with a net asset value per share of \$10.42. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in other high-quality debt investments that mature in one year or less as well as from future borrowings as required to meet our lending activities. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

Additionally, we expect to raise additional capital to support our future growth through future equity and debt offerings, and/or future borrowings, to the extent permitted by the 1940 Act. To the extent we determine to raise additional equity through an offering of our common stock at a price below net asset value, existing investors will experience dilution. During our 2013 Annual Shareholder Meeting held on May 30, 2013, our stockholders authorized us, with the approval of our Board of Directors, to offer and issue debt with warrants or debt convertible into shares of our common stock at an exercise or conversion price that will not be less than the fair market value per share. There can be no assurance that these capital resources will be available.

On July 25, 2012, our Board of Directors approved an extension of the stock repurchase plan under the same terms and conditions that allowed us to repurchase up to \$35.0 million of our common stock. The stock repurchase plan expired on February 26, 2013 and no shares were repurchased in 2013.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of September 30, 2013 our asset coverage ratio under our regulatory requirements as a business development company was 286.4%, 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. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total leverage when including our SBA debentures was 212.8% at September 30, 2013.

**Table of Contents****Outstanding Borrowings**

At September 30, 2013 (unaudited) and December 31, 2012, we had the following borrowing capacity and outstanding amounts:

(in thousands)	September 30, 2013		December 31, 2012	
	Total Available	Carrying Value <sup>(1)</sup>	Total Available	Carrying Value <sup>(1)</sup>
Union Bank Facility	\$ 30,000	\$	\$ 30,000	\$
Wells Facility	75,000		75,000	
Convertible Senior Notes <sup>(2)</sup>	75,000	72,248	75,000	71,436
2019 Notes	170,364	170,364	170,364	170,364
Asset-Backed Notes	102,474	102,474	129,300	129,300
SBA Debentures <sup>(3)</sup>	225,000	225,000	225,000	225,000
<b>Total</b>	<b>\$ 677,838</b>	<b>\$ 570,086</b>	<b>\$ 704,664</b>	<b>\$ 596,100</b>

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

(2) Represents the aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was \$2.8 million at September 30, 2013 and \$3.6 million at December 31, 2012.

(3) At September 30, 2013 and at December 31, 2012, the total available borrowings under the SBA was \$225.0 million, of which 76.0 million was available in HT II and \$149.0 million was available in HT III.

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

Debt financing costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized into the consolidated statement of operations as loan fees over the term of the related debt instrument. Prepaid financing costs, net of accumulated amortization, as of September 30, 2013 (unaudited) and December 31, 2012 were as follows:

(in thousands)	September 30, 2013	December 31, 2012
Wells Facility	\$ 516	\$ 867
SBA Debenture	5,320	5,877
Convertible Debt	1,467	1,900
Class A2 Notes	3,260	4,074
2019 Notes	5,562	6,287
	<b>\$ 16,125</b>	<b>\$ 19,005</b>

**Commitments**

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded contractual commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded contractual commitments may be significant from time to time. As of September 30, 2013, we had unfunded contractual commitments of approximately \$169.6 million. Approximately \$93.1 million of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones



**Table of Contents**

before the contractual commitment becomes available. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent our future cash requirements. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

In addition, we had approximately \$57.3 million of non-binding term sheets outstanding to seven new companies, which generally convert to contractual commitments within approximately 45 to 60 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

**Contractual Obligations**

The following table shows our contractual obligations as of September 30, 2013 (unaudited):

Contractual Obligations <sup>(1)(2)</sup>	Total	Payments due by period (in thousands)			
		Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Borrowings <sup>(3)(4)</sup>	\$ 570,086	\$	\$ 102,474	\$ 72,248	\$ 395,364
Operating Lease Obligations <sup>(5)</sup>	7,964	1,447	2,944	3,107	466
<b>Total</b>	<b>\$ 578,050</b>	<b>\$ 1,447</b>	<b>\$ 105,418</b>	<b>\$ 75,355</b>	<b>\$ 395,830</b>

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

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

(3) Includes \$225.0 million in borrowings under the SBA debentures, \$170.4 million of the 2019 Notes, \$102.5 million in aggregate principal amount of the Asset-Backed Notes and \$72.2 million of the Convertible Senior Notes.

(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes was \$2.8 million at September 30, 2013.

(5) Long-term facility leases.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$296,000 and \$900,000 during the three and nine-month periods ended September 30, 2013, respectively. There was approximately \$294,000 and \$868,000 recorded in the same periods ended September 30, 2012, respectively

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

**Borrowings***Long-term SBA Debentures*

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. HT II has a total of \$76.0 million of SBA guaranteed debentures outstanding as of September 30, 2013 and has paid the SBA commitment fees of approximately \$1.5 million. As of September 30, 2013, we held investments in HT II in 46 companies with a fair value of approximately \$103.1 million, accounting for approximately 10.5% of our total portfolio at September 30, 2013.





---

**Table of Contents**

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With our net investment of \$74.5 million in HT III as of September 30, 2013, 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, 2013. As of September 30, 2013, HT III has paid commitment fees of approximately \$1.5 million. As of September 30, 2013, we held investments in HT III in 38 companies with a fair value of approximately \$202.0 million accounting for approximately 20.5% of our total portfolio at September 30, 2013.

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 \$18.0 million and have average annual fully taxed net income not exceeding \$6.0 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiaries HT II and HT III, we plan to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 2013 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 April 2007 are set semiannually in March and September and range from 2.25% to 5.73%. 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 April 2007, the initial maturity of SBA debentures will occur in April 2017. 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 related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the three-months ended September 30, 2013 for HT II was approximately \$76.0 million with an average interest rate of approximately 5.41%. The average amount of debentures outstanding for the three-months ended September 30, 2013 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.46%.

In January 2011, we repaid \$25.0 million of SBA debentures under HT II, priced at approximately 6.63%, including annual fees. In April 2011, the SBA approved a \$25.0 million dollar commitment for HT III. In February 2012, we repaid \$24.25 million of SBA debentures under HT II, priced at 6.63%, including annual fees. In June 2012, the SBA approved a \$24.25 million dollar commitment for HT III. In August 2012, we repaid \$24.75 million of SBA debentures under HT II, \$12.0 million priced at 6.43%, including annual fees and \$12.75 million priced at 6.38%, including annual fees.

**Table of Contents**

As of September 30, 2013, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is \$150.0 million, subject to periodic adjustments by the SBA, and a maximum amount of \$225.0 million for funds under common control, subject to periodic adjustments by the SBA. In the aggregate, at September 30, 2013 there was \$225.0 million principal amount of indebtedness outstanding incurred by our SBIC subsidiaries, bringing us to the maximum statutory limit on the dollar amount of SBA guaranteed debentures under the SBIC program.

We reported the following SBA debentures outstanding as of September 30, 2013 (unaudited) and December 31, 2012:

(in thousands)

Issuance/Pooling Date	Maturity Date	Interest Rate (1)	September 30, 2013	December 31, 2012
<b>SBA Debentures:</b>				
March 26, 2008	March 1, 2018	6.38%	\$ 34,800	\$ 34,800
March 25, 2009	March 1, 2019	5.53%	18,400	18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 27, 2023	3.16%	24,750	24,750
<b>Total SBA Debentures</b>			<b>\$ 225,000</b>	<b>\$ 225,000</b>

(1) Interest rate includes annual charge

**Wells Facility**

In August 2008, we entered into a \$50.0 million two-year revolving senior secured credit facility with Wells Fargo Capital Finance (the Wells Facility). On June 20, 2011, we renewed the Wells Facility. Under this three-year senior secured facility, Wells Fargo Capital Finance has made commitments of \$75.0 million. The facility contains an accordion feature, in which we can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo Capital Finance and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the new facility; however, there can be no assurances that additional lenders will join the Wells Facility.

On August 1, 2012, we entered into an amendment to the Wells Facility. The amendment reduces the interest rate floor by 75 basis points to 4.25% and extends the maturity date by one year to August 2015. Additionally, an amortization period of 12 months was added to pay down the principal balance as of the maturity date, and the unused line fee was reduced.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 4.25% and an advance rate of 50% against eligible loans. The Wells Facility is secured by loans in the borrowing base. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% of the average monthly outstanding balance. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.50%. For the three-month period ended September 30, 2013, this non-use fee was approximately \$96,000. On June 20, 2011 we paid an additional \$1.1 million in structuring fees in connection with the Wells Facility which is being amortized through the end of the term. At September 30, 2013, there were no borrowings outstanding on this facility.

**Table of Contents**

The Wells Facility includes various financial and operating covenants applicable to us and our subsidiaries, in addition to those applicable to Hercules Funding II, LLC. These covenants require us to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$362.0 million plus 90% of the cumulative amount of equity raised after June 30, 2012. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital that we subsequently raise. As of September 30, 2013, the minimum tangible net worth covenant has increased to \$478.5 million as a result of the October 2012 follow-on public offering of 3.1 million shares of common stock for proceeds of approximately \$33.6 million and the March 2013 follow-on public offering of 8.1 million shares of common stock for proceeds of approximately \$95.8 million. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at September 30, 2013.

***Union Bank Facility***

On February 10, 2010, we entered a \$20.0 million one-year revolving senior secured credit facility with Union Bank (the Union Bank Facility). On November 2, 2011, we renewed and amended the Union Bank Facility and added a new lender under the Union Bank Facility. Union Bank and RBC Capital Markets (RBC) have made commitments of \$30.0 million and \$25.0 million, respectively. The Union Bank Facility contains an accordion feature, in which we can increase the credit line up to an aggregate of \$150.0 million, funded by additional lenders and with the agreement of Union Bank and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the new facility; however, there can be no assurances that additional lenders will join the Union Bank Facility.

On March 30, 2012 we entered into an amendment to the Union Bank Facility which permitted us to issue additional senior notes relating to the offer and sale of our 2019 Notes. On September 17, 2012, we entered into an amendment to the Union Bank Facility. Pursuant to the terms of the amendment, we are permitted to increase our unsecured indebtedness by an aggregate original principal amount not to exceed \$200.0 million incurred after March 30, 2012 in one or more issuances, provided certain conditions are satisfied for each issuance.

On December 17, 2012, we further amended the Union Bank Facility to remove RBC from the Union Bank Facility. Following the removal of RBC, the Union Bank Facility consists solely of Union Bank's commitment of \$30.0 million. In connection with the amendment, the maximum availability under the Union Bank Facility, subject to a borrowing base, was reduced from \$55.0 million to \$30.0 million. The Union Bank Facility contains an accordion feature, in which we could increase the credit line by up to \$95.0 million in the aggregate, funded by commitments from additional lenders and with the agreement of Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three-month period ended September 30, 2013, this nonuse fee was approximately \$38,000. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50.0% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. At September 30, 2013 there were no borrowings outstanding on this facility.

The Union Bank Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$314.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after March 31, 2011. As of September 30, 2013, the minimum tangible net worth covenant has increased to \$472.8 million as a result of the January and October 2012 follow-on public offerings of 5.0 and 3.1 million shares of common stock, respectively, for total net proceeds of approximately \$80.9 million and the March 2013 follow-on public offering of 8.1 million shares of common stock for total net

**Table of Contents**

proceeds of approximately \$95.6 million. The Union Bank Facility will mature on November 1, 2014, approximately three years from the date of issuance, revolving through the first 24 months with a term out provision for the remaining 12 months. Union Bank Facility also provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at September 30, 2013.

***Citibank Credit Facility***

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

During the nine-months ended September 30, 2013, we reduced our realized gain by approximately \$249,000 for Citigroup's participation in the gain on sale of equity securities which were obtained from exercising a portfolio company warrant which was included in the collateral pool. We recorded an increase on participation liability and a decrease on unrealized appreciation by a net amount of approximately \$54,000 as a result of current quarter appreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately \$268,000 as of September 30, 2013 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid Citigroup approximately \$1.6 million under the warrant participation agreement thereby reducing our realized gains by this amount. We will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between March 2014 and January 2017.

***Convertible Senior Notes***

In April 2011, we issued \$75.0 million in aggregate principal amount of 6.00% convertible senior notes (the *Convertible Senior Notes*) due 2016. As of September 30, 2013, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately \$72.2 million.

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

Prior to the close of business on the business day immediately preceding October 15, 2015, holders may convert their Convertible Senior Notes only under certain circumstances set forth in the Indenture. On or after

**Table of Contents**

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

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

The Convertible Senior Notes are accounted for in accordance with ASC 470-20 (previously FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ). In accounting for the Convertible Senior Notes, we estimated that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes has initially been recorded in capital in excess of par value in the consolidated statement of assets and liabilities. As a result, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 7.9%.

As of September 30, 2013 (unaudited) and December 31, 2012, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	As of September 30, 2013	As of December 31, 2012
Principal amount of debt	\$ 75,000	\$ 75,000
Original issue discount, net of accretion	(2,752)	(3,564)
Carrying value of debt	\$ 72,248	\$ 71,436

For the three and nine-months ended September 30, 2013 and 2012 (unaudited), the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Three Months Ended September,		Nine Months Ended September,	
	2013	2012	2013	2012
Stated interest expense	\$ 1,125	\$ 1,125	\$ 3,375	\$ 3,375
Accretion of original issue discount	271	271	812	812
Amortization of debt issuance cost	144	144	433	433
Total interest expense	\$ 1,540	\$ 1,540	\$ 4,620	\$ 4,620
Cash paid for interest expense	\$	\$	\$ 2,250	\$ 2,250

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.0% and 8.1% for the three and nine-months ended September 30, 2013 and approximately 8.1% and 8.2% for the three and nine-months ended September 30, 2012, respectively. As of September 30, 2013, we are in compliance with the terms of the indentures governing the Convertible Senior Notes.

**Table of Contents****2019 Notes**

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

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

2019 Notes payable is compromised of:

(in thousands)	September 30, 2013	As of December 31, 2012
April 2019 Notes	\$ 84,490	\$ 84,490
September 2019 Notes	85,874	85,874
<b>Carrying Value of Debt</b>	<b>\$ 170,364</b>	<b>\$ 170,364</b>

**April 2019 Notes**

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

The April 2019 Notes are our direct unsecured obligations and rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the \$75.0 million in aggregate principal amount of the Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the April 2019 Notes; (iii) effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our Credit Facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance, LLC.

The Base Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants requiring our compliance with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the April 2019 Notes and the Trustee if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. These covenants are subject to important limitations and exceptions that are described in the Indenture, as supplemented by the First Supplemental Indenture. The Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the

## **Table of Contents**

outstanding April 2019 Notes in a series may declare such April 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

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

### *September 2019 Notes*

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

The September 2019 Notes are our direct unsecured obligations and rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the \$75 million in aggregate principal amount of the Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the September 2019 Notes; (iii) effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance.

The Base Indenture, as supplemented by the Second Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the September 2019 Notes and the Trustee if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. These covenants are subject to important limitations and exceptions that are described in the Indenture, as supplemented by the Second Supplemental Indenture. The Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding September 2019 Notes in a series may declare such September 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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

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

**Table of Contents**

For the three and nine-months ended September 30, 2013 and 2012 (unaudited), the components of interest expense and cash paid for interest expense for the April 2019 Notes and September 2019 Notes are as follows:

(in thousands)	Three Months Ended September 30,	
	2013	2012
Stated interest expense	\$ 2,981	\$ 1,509
Amortization of debt issuance cost	243	130
<b>Total interest expense and fees</b>	<b>\$ 3,224</b>	<b>\$ 1,639</b>
Cash paid for interest expense and fees	\$ 2,981	\$

  

(in thousands)	Nine Months Ended September 30,	
	2013	2012
Stated interest expense	\$ 8,944	\$ 2,128
Amortization of debt issuance cost	725	179
<b>Total interest expense and fees</b>	<b>\$ 9,669</b>	<b>\$ 2,307</b>
Cash paid for interest expense and fees	\$ 8,944	\$

As of September 30, 2013, we are in compliance with the terms of the indenture, and respective supplemental indenture, governing the April 2019 Notes and September 2019 Notes. See Note 4 to our consolidated financial statements for more detail on the 2019 Notes.

**Asset-Backed Notes**

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

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

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

The *Loans* are serviced by us pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. We perform certain servicing and administrative functions with





**Table of Contents**

respect to the Loans. We are entitled to receive a monthly fee from the Issuer for servicing the Loans. This servicing fee equals the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including December 5, 2012 through and including January 15, 2013 over 360) of 2.00% and the aggregate outstanding principal balance of the Loans, excluding all defaulted Loans and all purchased Loans, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including December 5, 2012, to the close of business on January 4, 2013).

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

At September 30, 2013 and December 31, 2012, the Asset Backed Notes had an outstanding balance of \$102.5 million and \$129.3 million, respectively.

Under the terms of the Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the Asset-Backed Notes. We have segregated these funds and classified them as Restricted Cash. There was approximately \$3.6 million of Restricted Cash as of September 30, 2013 funded through interest collections. There was no cash segregated at December 31, 2012 due to immaterial monthly interest collections for the period ended December 31, 2012.

**Table of Contents****Dividends**

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

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>
October 27, 2005	November 1, 2005	November 17, 2005	\$ 0.03
December 9, 2005	January 6, 2006	January 27, 2006	0.30
April 3, 2006	April 10, 2006	May 5, 2006	0.30
July 19, 2006	July 31, 2006	August 28, 2006	0.30
October 16, 2006	November 6, 2006	December 1, 2006	0.30
February 7, 2007	February 19, 2007	March 19, 2007	0.30
May 3, 2007	May 16, 2007	June 18, 2007	0.30
August 2, 2007	August 16, 2007	September 17, 2007	0.30
November 1, 2007	November 16, 2007	December 17, 2007	0.30
February 7, 2008	February 15, 2008	March 17, 2008	0.30
May 8, 2008	May 16, 2008	June 16, 2008	0.34
August 7, 2008	August 15, 2008	September 19, 2008	0.34
November 6, 2008	November 14, 2008	December 15, 2008	0.34
February 12, 2009	February 23, 2009	March 30, 2009	0.32*
May 7, 2009	May 15, 2009	June 15, 2009	0.30
August 6, 2009	August 14, 2009	September 14, 2009	0.30
October 15, 2009	October 20, 2009	November 23, 2009	0.30
December 16, 2009	December 24, 2009	December 30, 2009	0.04
February 11, 2010	February 19, 2010	March 19, 2010	0.20
May 3, 2010	May 12, 2010	June 18, 2010	0.20
August 2, 2010	August 12, 2010	September 17, 2010	0.20
November 4, 2010	November 10, 2010	December 17, 2010	0.20
March 1, 2011	March 10, 2011	March 24, 2011	0.22
May 5, 2011	May 11, 2011	June 23, 2011	0.22
August 4, 2011	August 15, 2011	September 15, 2011	0.22
November 3, 2011	November 14, 2011	November 29, 2011	0.22
February 27, 2012	March 12, 2012	March 15, 2012	0.23
April 30, 2012	May 18, 2012	May 25, 2012	0.24
July 30, 2012	August 17, 2012	August 24, 2012	0.24
October 26, 2012	November 14, 2012	November 21, 2012	0.24
February 26, 2013	March 11, 2013	March 19, 2013	0.25
April 29, 2013	May 14, 2013	May 21, 2013	0.27
July 29, 2013	August 13, 2013	August 20, 2013	0.28
November 4, 2013	November 18, 2013	November 25, 2013	0.31
			\$ 8.75

\* Dividend paid in cash and stock.

On November 4, 2013 the Board of Directors increased the quarterly dividend by \$0.03, or approximately 10.7%, and declared a cash dividend of \$0.31 per share to be paid on November 25, 2013 to shareholders of record as of November 18, 2013. This dividend will represent our thirty-third consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$8.75 per share.

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



## **Table of Contents**

fifth dividend, such that we may distribute approximately all of our annual taxable income in the year it was earned, while maintaining the option to spill over our excess taxable income.

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year. Of the dividends declared during the year ended December 31, 2012 and 2011, 100% were distributions of ordinary income. There can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2013 distributions to stockholders will actually be.

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

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

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

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

We intend to distribute approximately \$1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013.

## **Table of Contents**

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

### ***Critical Accounting Policies***

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

### ***Valuation of Portfolio Investments***

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

Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification topic 820 Fair Value Measurements and Disclosures ( ASC 820 ). At September 30, 2013, approximately 80.1% of our total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and energy and renewables technology industries. Given the nature of lending to these types of businesses, our investments in these portfolio companies are generally considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy and our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board 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.

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

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 or investment 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;

**Table of Contents**

(3) the valuation committee of the Board of Directors reviews the preliminary valuation of the investment committee which incorporates the results of the independent valuation firm as appropriate.

(4) the Board of Directors 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 valuation committee.

ASC 820 establishes a framework for measuring the fair value of the assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. ASC 820 also enhances disclosure requirements for fair value measurements based on the level within the hierarchy of the information used in the valuation. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

**Table of Contents**

In accordance with ASU 2011-04, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of September 30, 2013. 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 below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements.

**Investment Type -****Level Three Debt**

Investments	Fair Value at September 30, 2013 (in thousands)	Valuation Techniques/		
		Methodologies	Unobservable Input (a)	Range
Pharmaceuticals - Debt	\$ 271,642	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	12.84% - 17.62% (1.0%) - 0.00%
	3,258	Option Pricing Model(b)	Average Industry Volatility(c)	55.86%
	1,033	Liquidation	Risk Free Interest Rate Estimated Time to Exit (in months)	0.04% 6.07
Medical Devices - Debt	60,557	Market Comparable Companies	Investment Collateral	\$1.0 - \$3.2 million
Technology - Debt	148,459	Market Comparable Companies	Hypothetical Market Yield	13.54% - 18.41%
			Premium/(Discount)	(1.0%) - 1.0%
Clean Tech - Debt	174,487	Market Comparable Companies	Hypothetical Market Yield	7.84% - 21.22%
			Premium/(Discount)	(1.0%) - 2.0%
Lower Middle Market - Debt	232,580	Market Comparable Companies	Investment Collateral	\$0.4 - \$5.4 million
			Hypothetical Market Yield	13.29% - 17.86%
	100		Premium/(Discount)	(0.5%) - 1.5%
			Investment Collateral	\$0.00 - \$2.1 million
Total Level Three Debt Investments	\$ 894,493			

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

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

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

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

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

Clean Tech, above, aligns with the Clean Tech industry in the Schedule of Investments.

(b) An option pricing model valuation technique was used to derive the fair value of the conversion feature of convertible notes.

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





**Table of Contents**

Investment Type -	Fair Value at September 30, 2013 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input (a)	Range
Level Three Equity Investments		Market Comparable Companies	EBITDA Multiple <sup>(b)</sup>	5.7x - 47.0x
			Revenue Multiple <sup>(b)</sup>	1.2x - 5.7x
			Discount for Lack of Marketability <sup>(c)</sup>	10.8% - 27.4%
	\$ 45,063			
Level Three Warrant Investments		Market Comparable Companies	EBITDA Multiple <sup>(b)</sup>	5.7x - 47.0x
			Revenue Multiple <sup>(b)</sup>	1.2x - 5.7x
			Discount for Lack of Marketability <sup>(c)</sup>	10.8% - 27.4%
	26,393			
Warrant positions additionally subject to:		Option Pricing Model	Average Industry Volatility <sup>(d)</sup>	34.9% - 103.5%
			Risk-Free Interest Rate	0.1% - 1.3%
			Estimated Time to Exit (in months)	12 - 48
Total Level Three Warrant and Equity Investments	\$ 71,456			

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

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

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

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

**Debt Investments**

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

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

We apply a procedure for debt investments that assumes a sale of investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. Under this process, we also evaluate the collateral for recoverability of the debt investments as well as apply all of its historical fair value analysis. We use pricing on recently issued comparable debt securities to determine the baseline hypothetical market yields as of the measurement date. We consider each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a 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.

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Our process includes, among other things, the underlying investment performance, the current portfolio company's financial condition and market changing events that impact valuation, estimated remaining life, current

S-51

## Table of Contents

market yield and interest rate spreads of similar securities as of the measurement date. We value our syndicated loans 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 loan is doubtful or, if under the in-exchange premise, when the value of a debt security were to be less than amortized cost of the investment. Conversely, where appropriate, we record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, that our investment has also appreciated in value or, if under the in-exchange premise, the value of a debt security were to be greater than amortized cost.

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

### Equity-Related Securities and Warrants

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

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

### *Income Recognition*

We record interest income on the accrual basis and we recognize it as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount (OID) initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, we will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal has been paid. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. At September 30, 2013, we had seven loans on non-accrual with a cumulative fair value of approximately \$3.1 million compared to one loan on non-accrual at December 31, 2012 with no fair market value.

### *Paid-In-Kind and End of Term Income*

Contractual paid-in-kind (PIK) interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent

## **Table of Contents**

such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately \$889,000 and \$2.7 million in PIK income in the three and nine-month periods ended September 30, 2013, respectively. The Company recorded approximately \$297,000 and \$866,000 in PIK income in the three and nine-month periods ended September 30, 2012, respectively.

### *Fee Income*

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

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

### *Equity Offering Expenses*

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

### *Debt Issuance Costs*

Debt issuance costs are being amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method.

### *Stock-Based Compensation*

We have issued and may, from time to time, issue additional stock options and restricted stock to employees under our 2004 Equity Incentive Plan and Board members under our 2006 Equity Incentive Plan. We follow ASC 718, formally known as FAS 123R *Share-Based Payments* to account for stock options granted. Under ASC 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period.

### *Federal Income Taxes*

We intend to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To qualify as a RIC, we are required to distribute at least 90% of our investment company taxable income, as defined by the Code. We are subject to a non-deductible federal excise tax if we do not distribute at least 98% of our taxable income and 98.2% of our capital gain net income for each one year period ending on October 31. At December 31, 2012, 2011, 2010 and 2009, no excise tax was recorded. We intend to distribute approximately \$1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance

**Table of Contents**

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

*Recent Accounting Pronouncements*

In June 2013, the FASB issued ASU 2013-08, Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements, which amends the criteria that define an investment company and clarifies the measurement guidance and requires new disclosures for investment companies. Under ASU 2013-08, an entity already regulated under the 1940 Act is automatically an investment company under the new GAAP definition, so we anticipate no impacts from adopting this standard on our statement of assets and liabilities or results of operations. We are currently assessing the additional disclosure requirements. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013.

*Subsequent Events**Dividend Declaration*

On November 4, 2013 the Board of Directors increased the quarterly dividend by \$0.03, or approximately 10.7%, and declared a cash dividend of \$0.31 per share to be paid on November 25, 2013 to shareholders of record as of November 18, 2013. This dividend will represent our thirty-third consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to \$8.75 per share.

*Closed and Pending Commitments*

As of November 4, Hercules has:

- a. Closed commitments of approximately \$27.3 million to new and existing portfolio companies, and funded approximately \$19.5 million since the close of the third quarter.
- b. Pending commitments (signed non-binding term sheets) of approximately \$91.5 million.

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

<b>Closed Commitments and Pending Commitments (in millions)</b>		
January 1	September 30, 2013 Closed Commitments	\$ 579.3
	Q4-13 Closed Commitments (as of November 4, 2013)	27.3
	<b>Total Year-to-date 2013 Closed Commitments<sup>(a)</sup></b>	<b>\$ 606.6</b>
	Pending Commitments (as of November 4, 2013) <sup>(b)</sup>	91.5
	<b>Year to date 2013 Closed and Pending Commitments</b>	<b>\$ 698.1</b>

Notes:

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

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

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

*Portfolio Company Developments*

In October 2013, ADMA Biologics, Inc. (OTCBB: ADMA) completed its initial public offering of 3,352,941 shares of its common stock at \$8.50 per share.

S-54

**Table of Contents**

In October 2013, Western Digital Corp (NASDAQ: WDC) completed its acquisition of Hercules portfolio company Virident Systems, Inc. This liquidity event represents a net realized gain of approximately \$7.5 million, an internal rate of return of 76.5% (excluding proceeds in escrow) and a gross multiple of 2.5x on Hercules total investment in Virident Systems, Inc.

In October 2013, EnerSys (NYSE: ENS) completed its acquisition of Hercules portfolio company Purcell Systems, Inc. This liquidity event represents a net realized gain of approximately \$617,000, an internal rate of return of 15.6% (excluding proceeds in escrow), and a gross multiple of 6.0x on Hercules total investment in Purcell Systems, Inc.

In November 2013, Biomet, Inc. completed its acquisition of Hercules portfolio company Lanx, Inc. This liquidity event represents an expected net realized gain of approximately \$1.9 million, an expected internal rate of return of 38.6% (excluding proceeds in escrow), and an expected gross multiple of 2.3x on Hercules total investment in Lanx, Inc.

**Quantitative and Qualitative Disclosures About Market Risk**

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle funds investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of September 30, 2013, approximately 98.0% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates, or variable 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, 2013, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

Basis Point Change (1)	Interest Income	Interest Expense	Net Income
100	\$ 7,267	\$	\$ 7,267
200	\$ 13,114	\$	\$ 13,114
300	\$ 20,018	\$	\$ 20,018
400	\$ 26,977	\$	\$ 26,977
500	\$ 33,935	\$	\$ 33,935

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

We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the nine-month period ended September 30, 2013, we did not engage in interest rate hedging activities.

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



## **Table of Contents**

Convertible Senior Notes, 2019 Notes and Asset-Based Notes, that could affect the net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

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

### ***Disclosure Controls and Procedures***

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by our September 30, 2013 quarterly report on Form 10-Q, our chief executive and chief financial officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

### ***Changes in Internal Control Over Financial Reporting***

There have been no other changes in our internal control over financing reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### ***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.

**Table of Contents**

**LEGAL MATTERS**

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

**EXPERTS**

The consolidated financial statements as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 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, 2012 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](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

**Table of Contents**

**INDEX TO FINANCIAL STATEMENTS**

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

<u>Consolidated Statement of Assets and Liabilities as of September 30, 2013 (unaudited) and December 31, 2012</u>	S-59
<u>Consolidated Statement of Operations for the nine month periods ended September 30, 2013 and 2012 (unaudited)</u>	S-61
<u>Consolidated Statement of Changes in Net Assets for the nine month periods ended September 30, 2013 and 2012 (unaudited)</u>	S-62
<u>Consolidated Statement of Cash Flows for the nine month periods ended September 30, 2013 and 2012 (unaudited)</u>	S-63
<u>Consolidated Schedule of Investments as of September 30, 2013 (unaudited)</u>	S-64
<u>Consolidated Schedule of Investments as of December 31, 2012</u>	S-85
<u>Notes to Consolidated Financial Statements (unaudited)</u>	S-104

S-58

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

	September 30, 2013	December 31, 2012
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments (cost of \$965,490 and \$896,031, respectively)	\$ 970,530	\$ 894,428
Affiliate investments (cost of \$17,546 and \$18,307, respectively)	12,897	11,872
Total investments, at value (cost of \$983,036 and \$914,338, respectively)	983,427	906,300
Cash and cash equivalents	204,993	182,994
Restricted Cash	3,632	
Interest receivable	10,275	9,635
Other assets	25,186	24,714
Total assets	\$ 1,227,513	\$ 1,123,643
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,051	\$ 11,575
Long-term Liabilities (Convertible Senior Notes)	72,248	71,436
Asset-Backed Notes	102,474	129,300
2019 Notes	170,364	170,364
Long-term SBA Debentures	225,000	225,000
Total liabilities	\$ 584,137	\$ 607,675
Commitments and Contingencies (Note 10)		
<b>Net assets consist of:</b>		
Common stock, par value	\$ 62	\$ 53
Capital in excess of par value	664,650	564,508
Unrealized appreciation/(depreciation) on investments	1,091	(7,947)
Accumulated realized losses on investments	(25,607)	(36,916)
Undistributed net investment income/(Distributions in excess of net investment income)	3,180	(3,730)
<b>Total net assets</b>	<b>\$ 643,376</b>	<b>\$ 515,968</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,227,513</b>	<b>\$ 1,123,643</b>
<b>Shares of common stock outstanding (\$0.001 par value, 100,000,000 authorized)</b>	<b>61,756</b>	<b>52,925</b>
<b>Net asset value per share</b>	<b>\$ 10.42</b>	<b>\$ 9.75</b>

See notes to consolidated financial statements.

**Table of Contents**

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

(Dollars in thousands)	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Restricted Cash	\$ 3,632	\$
Total investments, at value (cost of \$189,917 and \$226,844, respectively)	185,244	226,997
Total assets	\$ 188,876	\$ 226,997
<b>LIABILITIES</b>		
Asset-Backed Notes	\$ 102,474	\$ 129,300
Total liabilities	\$ 102,474	\$ 129,300

See notes to consolidated financial statements.

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Investment income:</b>				
Interest Income				
Non-Control/Non-Affiliate investments	\$ 35,623	\$ 21,512	\$ 93,722	\$ 62,502
Affiliate investments	561	238	1,684	686
<b>Total interest income</b>	<b>36,184</b>	<b>21,750</b>	<b>95,406</b>	<b>63,188</b>
Fees				
Non-Control/Non-Affiliate investments	4,832	2,150	11,088	6,936
Affiliate investments	5	1	9	1
<b>Total fees</b>	<b>4,837</b>	<b>2,151</b>	<b>11,097</b>	<b>6,937</b>
<b>Total investment income</b>	<b>41,021</b>	<b>23,901</b>	<b>106,503</b>	<b>70,125</b>
<b>Operating expenses:</b>				
Interest	7,587	4,908	22,788	13,309
Loan fees	1,072	1,169	3,341	2,977
General and administrative	2,176	2,445	6,831	6,126
Employee Compensation:				
Compensation and benefits	7,030	2,919	14,992	9,566
Stock-based compensation	1,596	1,109	4,349	3,111
<b>Total employee compensation</b>	<b>8,626</b>	<b>4,028</b>	<b>19,341</b>	<b>12,677</b>
<b>Total operating expenses</b>	<b>19,461</b>	<b>12,550</b>	<b>52,301</b>	<b>35,089</b>
<b>Net investment income</b>	<b>21,560</b>	<b>11,351</b>	<b>54,202</b>	<b>35,036</b>
Net realized gain/(loss) on investments				
Non-Control/Non-Affiliate investments	7,125	(9,091)	11,309	2,049
<b>Total net realized gain/(loss) on investments</b>	<b>7,125</b>	<b>(9,091)</b>	<b>11,309</b>	<b>2,049</b>
Net unrealized appreciation (depreciation) on investments				
Non-Control/Non-Affiliate investments	9,288	2,372	10,506	(12,922)
Affiliate investments	(992)	113	(1,468)	(2,265)
<b>Total net unrealized appreciation (depreciation) on investments</b>	<b>8,296</b>	<b>2,485</b>	<b>9,038</b>	<b>(15,187)</b>
<b>Total net realized (unrealized) gain (loss)</b>	<b>15,421</b>	<b>(6,606)</b>	<b>20,347</b>	<b>(13,138)</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 36,981</b>	<b>\$ 4,745</b>	<b>\$ 74,549</b>	<b>21,898</b>

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Net investment income before investment gains and losses  
per common share:

Basic	\$ 0.35	\$ 0.23	\$ 0.91	\$ 0.71
-------	---------	---------	---------	---------

Change in net assets per common share:

Basic	\$ 0.61	\$ 0.09	\$ 1.26	\$ 0.44
-------	---------	---------	---------	---------

Diluted	\$ 0.59	\$ 0.09	\$ 1.23	\$ 0.44
---------	---------	---------	---------	---------

Weighted average shares outstanding

Basic	60,522	48,750	58,206	48,130
-------	--------	--------	--------	--------

Diluted	60,750	48,808	58,396	48,237
---------	--------	--------	--------	--------

See notes to consolidated financial statements.

S-61

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

(unaudited)

(dollars and shares in thousands)

	Common Stock			Unrealized Appreciation on Investments	Accumulated Realized Gains (Losses) on Investments	Distributions in Excess of Investment Income	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value	Capital in excess of par value					
<b>Balance at December 31, 2011</b>	43,853	\$ 44	\$ 484,244	\$ (3,431)	\$ (43,042)	\$ (6,432)	\$ (342)	\$ 431,041
Net increase in net assets resulting from operations				(15,187)	2,049	35,036		21,898
Issuance of common stock	574	1	3,252					3,253
Issuance of common stock under restricted stock plan	530	1	(1)					
Issuance of common stock as stock dividend	155		1,649					1,649
Retired shares from net issuance	(327)		(4,254)					(4,254)
Public Offering	5,000	5	47,649					47,654
Dividends declared						(35,292)		(35,292)
Stock-based compensation			3,168					3,168
<b>Balance at September 30, 2012</b>	49,785	\$ 51	\$ 535,707	\$ (18,618)	\$ (40,993)	\$ (6,688)	\$ (342)	\$ 469,117
<b>Balance at December 31, 2012</b>	52,925	\$ 53	\$ 564,508	\$ (7,947)	\$ (36,916)	\$ (3,388)	\$ (342)	\$ 515,968
Net increase in net assets resulting from operations				9,038	11,309	54,202		74,549
Issuance of common stock	1,337	1	16,542					16,543
Issuance of common stock under restricted stock plan	472	1	(1)					
Issuance of common stock as stock dividend	142		1,923					1,923
Retired shares from net issuance	(1,170)	(1)	(18,259)					(18,260)
Public Offering	8,050	8	95,529					95,537
Dividends declared						(47,292)		(47,292)
Stock-based compensation			4,408					4,408
<b>Balance at September 30, 2013</b>	61,756	\$ 62	\$ 664,650	\$ 1,091	\$ (25,607)	\$ 3,522	\$ (342)	\$ 643,376

See notes to consolidated financial statements.



**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)****(dollars in thousands)**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$ 74,549	\$ 21,898
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in / provided by operating activities:		
Purchase of investments	(411,515)	(302,662)
Principal payments received on investments	336,438	165,157
Proceeds from sale of investments	29,459	21,265
Net unrealized (appreciation) / depreciation on investments	(9,038)	15,187
Net realized gain on investments	(11,309)	(2,049)
Net unrealized appreciation due to lender		
Accretion of paid-in-kind principal	(2,269)	(834)
Accretion of loan discounts	(4,556)	(4,221)
Accretion of loan discount on Convertible Senior Notes	812	812
Accretion of loan exit fees	(10,031)	(2,998)
Change in deferred loan origination revenue	2,540	1,026
Unearned fees related to unfunded commitments	(364)	(1,865)
Amortization of debt fees and issuance costs	2,918	1,391
Depreciation	162	212
Stock-based compensation and amortization of restricted stock grants	4,408	3,168
Common stock issued in lieu of Director compensation		
Change in operating assets and liabilities:		
Interest and fees receivable	(641)	(1,955)
Prepaid expenses and other assets	570	(938)
Accounts payable	(63)	99
Income tax receivable (payable)		
Accrued liabilities	2,588	(1,289)
Net cash provided by (used in) operating activities	4,658	(88,596)
<b>Cash flows from investing activities:</b>		
Purchases of capital equipment	(240)	(85)
Investment in restricted cash	(3,632)	
Other long-term assets	(30)	
Net cash used in investing activities	(3,902)	(85)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock, net	93,443	46,594
Stock repurchase program		
Dividends paid	(45,368)	(33,643)
Issuance of Notes Payable		159,490
Borrowings of credit facilities		39,250
Repayments of credit facilities	(26,832)	(74,303)
Issuance of Class A2 Notes		
Cash paid for debt issuance costs		(6,088)

## Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

### Fees paid for credit facilities and debentures

Net cash provided by financing activities	21,243	131,300
Net increase in cash and cash equivalents	21,999	42,619
Cash and cash equivalents at beginning of period	182,994	64,474
Cash and cash equivalents at end of period	\$ 204,993	\$ 107,093

See notes to consolidated financial statements.

S-63

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
<b>Loan</b>							
<b>Biotechnology Tools</b>							
<b>1-5 Years Maturity</b>							
Cleveland BioLabs, Inc. <sup>(3)</sup>	Biotechnology Tools	Senior Secured	January 2017	Interest rate PRIME + 6.20% or Floor rate of 10.45%	\$ 6,000	\$ 5,865	\$ 5,865
Labcyte, Inc. <sup>(11)</sup>	Biotechnology Tools	Senior Secured	June 2016	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 4,640	4,655	4,628
<b>Subtotal: 1-5 Years Maturity</b>						10,520	10,493
<b>Subtotal: Biotechnology Tools (1.63%)*</b>						10,520	10,493
<b>Clean Tech</b>							
<b>Under 1 Year Maturity</b>							
Brightsource Energy, Inc.	Clean Tech	Senior Secured	January 2014	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 35,000	35,398	35,398
Enphase Energy, Inc. <sup>(11)</sup>	Clean Tech	Senior Secured	June 2014	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 1,947	1,981	1,963
<b>Subtotal: Under 1 Year Maturity</b>						37,379	37,361
<b>1-5 Years Maturity</b>							
Agrivida, Inc.	Clean Tech	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 6,000	5,835	5,835
Alphabet Energy, Inc.	Clean Tech	Senior Secured	February 2015	Interest rate PRIME + 5.75% or Floor rate of 9.00%	\$ 1,340	1,296	1,296
American Superconductor Corporation <sup>(3)(11)</sup>	Clean Tech	Senior Secured	December 2014	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 5,769	6,073	6,073
APTwater, Inc.	Clean Tech	Senior Secured	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 18,000	17,756	17,756
BioAmber, Inc. <sup>(5)(10)</sup>	Clean Tech	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 25,000	24,835	24,835
Enphase Energy, Inc.	Clean Tech	Senior Secured	August 2016	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 7,400	7,396	7,281

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Fluidic, Inc.	Clean Tech	Senior Secured	March 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 5,000	4,884	4,884
Fulcrum Bioenergy, Inc. <sup>(11)</sup>	Clean Tech	Senior Secured	November 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 10,000	9,907	9,907
Glori Energy, Inc. <sup>(11)</sup>	Clean Tech	Senior Secured	June 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 6,222	6,289	6,305

See notes to consolidated financial statements.

S-64

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Value</b>
Polyera Corporation	Clean Tech	Senior Secured	June 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 3,000	\$ 3,008	\$ 2,925
SCIEnergy, Inc. <sup>(4)</sup>	Clean Tech	Senior Secured	September 2015	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 4,805	4,863	4,928
Scifiniti (pka Integrated Photovoltaics, Inc.)	Clean Tech	Senior Secured	February 2015	Interest rate PRIME + 7.38% or Floor rate of 10.63%	\$ 1,751	1,723	1,702
Stion Corporation <sup>(4)</sup>	Clean Tech	Senior Secured	February 2015	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 5,102	5,274	5,168
TAS Energy, Inc.	Clean Tech	Senior Secured	February 2015	Interest rate PRIME + 6.25% or Floor rate of 9.50%	\$ 4,503	4,344	4r,306
TAS Energy, Inc.	Clean Tech	Senior Secured	February 2015	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 15,000	15,028	15,261
Total TAS Energy, Inc.						19,372	19,567
TPI Composites, Inc.	Clean Tech	Senior Secured	June 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 15,000	14,771	14,770
<b>Subtotal: 1-5 Years Maturity</b>						<b>133,282</b>	<b>133,232</b>
<b>Subtotal: Clean Tech (26.52%)*</b>						<b>170,661</b>	<b>170,593</b>
<b>Communications &amp; Networking</b>							
<b>1-5 Years Maturity</b>							
Bridgewave Communications <sup>(8)</sup>	Communications & Networking	Senior Secured	March 2016	Interest rate FIXED + 8.00%, PIK Interest 8.00%	\$ 7,753	7,433	2,007
OpenPeak, Inc. <sup>(11)</sup>	Communications & Networking	Senior Secured	July 2015	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 11,440	11,984	11,984
PointOne <sup>(8)</sup>	Communications & Networking	Senior Secured	January 2017	Interest rate LIBOR + 11.00% or Floor rate of 13.50%	\$ 2,128	2,128	
PointOne <sup>(8)</sup>	Communications & Networking	Senior Secured	April 2015	Interest rate LIBOR + 11.00% or Floor rate of 13.50%	\$	(100)	100
PointOne <sup>(8)</sup>	Communications & Networking	Senior Secured	September 2015	Interest rate LIBOR + 11.00% or Floor rate of 13.50%	\$	(4)	

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Total PointOne						2,024	100
Spring Mobile Solutions	Communications & Networking	Senior Secured	November 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 20,000	19,553	19,835
<b>Subtotal: 1-5 Years Maturity</b>						40,994	33,926
<b>Subtotal: Communications &amp; Networking (5.27%)</b>						40,994	33,926

See notes to consolidated financial statements.

S-65

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
<b>Diagnostic</b>							
<b>1-5 Years Maturity</b>							
Tethys Bioscience, Inc. <sup>(8)(11)</sup>	Diagnostic	Senior Secured	December 2015	Interest rate PRIME + 8.40% or Floor rate of 11.65%	\$ 4,032	\$ 4,242	\$ 1,033
<b>Subtotal: 1-5 Years Maturity</b>						4,242	1,033
<b>Subtotal: Diagnostic (0.16%)*</b>						4,242	1,033
<b>Drug Delivery</b>							
<b>Under 1 Year Maturity</b>							
Alexza Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Senior Secured	October 2013	Interest rate PRIME + 6.50% or Floor rate of 10.75%	\$ 561	1,003	1,003
<b>Subtotal: Under 1 Year Maturity</b>						1,003	1,003
<b>1-5 Years Maturity</b>							
AcelRx Pharmaceuticals, Inc. <sup>(3)(11)</sup>	Drug Delivery	Senior Secured	December 2014	Interest rate PRIME + 3.25% or Floor rate of 8.50%	\$ 5,278	5,327	5,240
AcelRx Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Senior Secured	December 2014	Interest rate PRIME + 3.25% or Floor rate of 8.50%	\$ 5,278	5,317	5,228
<b>Total AcelRx Pharmaceuticals, Inc.</b>						10,644	10,468
BIND Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Senior Secured	September 2016	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 4,500	4,391	4,391
Intelliject, Inc. <sup>(11)</sup>	Drug Delivery	Senior Secured	June 2016	Interest rate PRIME + 5.75% or Floor rate of 11.00%	\$ 15,000	15,013	15,269
NuPathe, Inc. <sup>(3)</sup>	Drug Delivery	Senior Secured	May 2016	Interest rate PRIME +3.25% or Floor rate of 9.85%	\$ 8,500	8,326	8,293
Revence Therapeutics, Inc.	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	\$ 1,161	1,189	1,160
Revence Therapeutics, Inc.	Drug Delivery	Senior Secured	March 2015	Interest rate PRIME + 6.60% or Floor rate of 9.85%	\$ 11,607	11,785	11,600
<b>Total Revence Therapeutics, Inc.</b>						12,974	12,760

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

<b>Subtotal: 1-5 Years Maturity</b>					51,348	51,181
<b>Subtotal: Drug Delivery (8.11%)*</b>					52,351	52,184
<b>Drug Discovery &amp; Development</b>						
<b>1-5 Years Maturity</b>						
ADMA Biologics, Inc.	Drug Discovery & Development	Senior Secured	April 2016	Interest rate PRIME +2.75% or Floor rate of 8.50%	\$ 5,000	4,921 4,756

See notes to consolidated financial statements.

S-66



**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
Anacor Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Secured	July 2017	Interest rate PRIME + 6.40% or Floor rate of 11.65%	\$ 15,000	\$ 14,498	\$ 14,498
Anacor Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Secured	July 2017	Interest rate PRIME + 6.40% or Floor rate of 11.65%	\$ 15,000	14,498	14,498
Total Anacor Pharmaceuticals, Inc.						28,996	28,996
Aveo Pharmaceuticals, Inc. <sup>(3)(11)</sup>	Drug Discovery & Development	Senior Secured	September 2015	Interest rate PRIME + 7.15% or Floor rate of 11.90%	\$ 10,348	10,348	10,452
Aveo Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Secured	September 2015	Interest rate PRIME + 7.15% or Floor rate of 11.90%	\$ 11,492	11,492	11,607
Total Aveo Pharmaceuticals, Inc.						21,840	22,059
Cell Therapeutics, Inc. <sup>(3)(11)</sup>	Drug Discovery & Development	Senior Secured	October 2016	Interest rate PRIME + 9.00% or Floor rate of 12.25%	\$ 10,000	9,889	10,091
Cempra, Inc. <sup>(3)(11)</sup>	Drug Discovery & Development	Senior Secured	June 2017	Interest rate PRIME + 6.30% or Floor rate of 9.55%	\$ 9,762	9,592	9,456
Cempra, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Secured	June 2017	Interest rate PRIME + 6.30% or Floor rate of 9.55%	\$ 5,238	5,147	5,075
Total Cempra, Inc.						14,739	14,531
Concert Pharmaceuticals, Inc. <sup>(4)</sup>	Drug Discovery & Development	Senior Secured	October 2015	Interest rate PRIME + 3.25% or Floor rate of 8.50%	\$ 16,967	16,764	16,270
Coronado Biosciences, Inc. <sup>(3)(11)</sup>	Drug Discovery & Development	Senior Secured	March 2016	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$ 15,000	14,993	14,606
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Secured	January 2015	Interest rate PRIME + 4.40% or Floor rate of 10.15%	\$ 6,101	6,048	5,970
Insmmed, Incorporated <sup>(11)</sup>	Drug Discovery & Development	Senior Secured	January 2016	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 10,000	9,888	9,782
Insmmed, Incorporated	Drug Discovery & Development	Senior Secured	January 2016	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 10,000	9,807	9,701
Total Insmmed, Incorporated						19,695	19,483
Merrimack Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Secured	May 2016	Interest rate PRIME + 5.30% or Floor rate of 10.55%	\$ 40,000	40,175	39,239

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Neuralstem, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Secured	June 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 8,000	7,800	7,904
Paratek Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior Secured	N/A	Interest rate FIXED + 10.00%	\$ 36	36	36

See notes to consolidated financial statements.

S-67

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Value</b>
Paratek Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior Secured	N/A	N/A	\$ 28	\$ 28	\$ 28
Paratek Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior Secured	N/A	Interest rate FIXED + 10.00%	\$ 45	45	45
Total Paratek Pharmaceuticals, Inc.						109	109
uniQure B.V. <sup>(5)(10)</sup>	Drug Discovery & Development	Senior Secured	October 2016	Interest rate PRIME + 8.60% or Floor rate of 11.85%	\$10,000	9,660	9,660
<b>Subtotal: 1-5 Years Maturity</b>						<b>195,629</b>	<b>193,674</b>
<b>Subtotal: Drug Discovery &amp; Development (30.10%)*</b>						<b>195,629</b>	<b>193,674</b>
<b>Electronics &amp; Computer Hardware</b>							
<b>1-5 Years Maturity</b>							
Clustrix, Inc.	Electronics & Computer Hardware	Senior Secured	December 2015	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 582	577	577
Identive <sup>(3)(11)</sup>	Electronics & Computer Hardware	Senior Secured	November 2015	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 6,621	6,524	6,609
OCZ Technology Group, Inc.	Electronics & Computer Hardware	Senior Secured	April 2016	Interest rate PRIME + 8.75% or Floor rate 12.50%, PIK Interest 3.00%	\$ 10,121	11,624	11,624
Plures Technologies, Inc. <sup>(3)</sup>	Electronics & Computer Hardware	Senior Secured	October 2016	Interest rate PRIME + 12.75% or Floor rate 16.00%, PIK Interest 4.00%	\$ 2,026	1,926	1,926
<b>Subtotal: 1-5 Years Maturity</b>						<b>20,651</b>	<b>20,736</b>
<b>Subtotal: Electronics &amp; Computer Hardware (3.22%)*</b>						<b>20,651</b>	<b>20,736</b>
<b>Healthcare Services, Other</b>							
<b>1-5 Years Maturity</b>							
InstaMed Communications, LLC	Healthcare Services, Other	Senior Secured	December 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$ 3,000	2,950	2,950
MDEverywhere, Inc.	Healthcare Services, Other	Senior Secured	June 2016	Interest rate LIBOR + 9.50% or Floor rate of 10.75%	\$ 2,000	1,871	1,871
Orion Healthcorp, Inc.	Healthcare Services, Other	Senior Secured	June 2017	Interest rate LIBOR + 10.50% or Floor	\$ 6,541	6,410	6,410

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Orion Healthcorp, Inc.	Healthcare Services, Other	Senior Secured	June 2016	rate of 12.00%, PIK	\$	2,000	461	461
				Interest 3.00%				
				Interest rate LIBOR + 8.25% or Floor rate of 9.50%				

See notes to consolidated financial statements.

S-68

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Value</b>
Orion Healthcorp, Inc.	Healthcare Services, Other	Senior Secured	June 2017	Interest rate LIBOR + 9.50% or Floor rate of 11.00%	\$ 9,000	\$ 8,823	\$ 8,823
Total Orion Healthcorp, Inc.						15,694	15,694
Pacific Child & Family Associates	Healthcare Services, Other	Senior Secured	January 2015	Interest rate LIBOR + 9.00% or Floor rate of 11.50%	\$ 2,104	2,159	2,117
Pacific Child & Family Associates	Healthcare Services, Other	Senior Secured	January 2015	Interest rate LIBOR + 11.00% or Floor rate 14.00%, PIK Interest 3.75%	\$ 6,772	6,790	6,687
Total Pacific Child & Family Associates						8,949	8,804
<b>Subtotal: 1-5 Years Maturity</b>						29,464	29,320
<b>Subtotal: Healthcare Services, Other (4.56%)*</b>						29,464	29,320
<b>Information Services</b>							
<b>1-5 Years Maturity</b>							
Eccentex Corporation <sup>(11)</sup>	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00% or Floor rate of 10.25%	\$ 763	759	370
InXpo, Inc.	Information Services	Senior Secured	April 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 2,550	2,467	2,337
Jab Wireless, Inc.	Information Services	Senior Secured	November 2017	Interest rate PRIME + 6.75% or Floor rate of 8.00%	\$ 2,000	1,996	1,996
Jab Wireless, Inc.	Information Services	Senior Secured	November 2017	Interest rate PRIME + 6.75% or Floor rate of 8.00%	\$ 7,574	7,526	7,526
Jab Wireless, Inc.	Information Services	Senior Secured	November 2017	Interest rate PRIME + 6.75% or Floor rate of 8.00%	\$ 22,426	22,286	22,286
Total Jab Wireless, Inc.						31,808	31,808
Womensforum.com <sup>(11)</sup>	Information Services	Senior Secured	October 2016	Interest rate LIBOR + 6.50% or Floor rate of 9.25%	\$ 7,200	7,080	6,772
Womensforum.com <sup>(11)</sup>	Information Services	Senior Secured	October 2016	Interest rate LIBOR + 7.50% or Floor rate of 10.25%, PIK Interest 2.00%	\$ 4,592	4,515	4,151

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Total Womensforum.com	11,595	10,923
<b>Subtotal: 1-5 Years Maturity</b>	<b>46,629</b>	<b>45,437</b>
<b>Subtotal: Information Services (7.06%)*</b>	<b>46,629</b>	<b>45,437</b>

See notes to consolidated financial statements.

S-69

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
<b>Internet Consumer &amp; Business Services</b>							
<b>Under 1 Year Maturity</b>							
Tectura Corporation	Internet Consumer & Business Services	Senior Secured	December 2013	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 563	\$ 563	\$ 563
Tectura Corporation	Internet Consumer & Business Services	Senior Secured	December 2013	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 6,468	6,461	6,461
Tectura Corporation	Internet Consumer & Business Services	Senior Secured	December 2013	Interest rate LIBOR + 8.00% or Floor rate of 11.00%	\$ 18,312	18,276	18,276
Tectura Corporation	Internet Consumer & Business Services	Senior Secured	December 2013	Interest rate LIBOR + 10.00% or Floor rate of 13.00%	\$ 5,000	6,870	6,870
Total Tectura Corporation						32,170	32,170
<b>Subtotal: Under 1 Year Maturity</b>						32,170	32,170
<b>1-5 Years Maturity</b>							
Ahhha, Inc. <sup>(8)</sup>	Internet Consumer & Business Services	Senior Secured	January 2015	Interest rate FIXED + 12.00%	\$ 350	346	
Blurb, Inc.	Internet Consumer & Business Services	Senior Secured	December 2015	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 7,069	6,900	6,812
CashStar, Inc.	Internet Consumer & Business Services	Senior Secured	June 2016	Interest rate PRIME + 6.25% or Floor rate 10.50%, PIK Interest 1.00%	\$ 4,008	3,921	3,921
Education Dynamics	Internet Consumer & Business Services	Senior Secured	March 2016	Interest rate FIXED + 12.50%, PIK Interest 1.50%	\$ 17,765	17,484	17,025
Education Dynamics	Internet Consumer & Business Services	Senior Secured	March 2016	Interest rate FIXED +12.50%, PIK Interest 1.50%	\$ 7,822	7,684	7,482
Total Education Dynamics						25,168	24,507
Gazelle	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate PRIME + 7.00% or Floor rate 10.25%, PIK Interest 2.50%	\$ 12,287	12,190	12,433
Gazelle	Internet Consumer & Business Services	Senior Secured	October 2014	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 754	724	739
Total Gazelle						12,914	13,172

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Just Fabulous, Inc.	Internet Consumer & Business Services	Senior Secured	August 2016	Interest rate PRIME + 8.00% or Floor rate of 11.25%	\$ 5,000	4,581	4,581
---------------------	---------------------------------------	----------------	-------------	---	----------	-------	-------

See notes to consolidated financial statements.

S-70



**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Value</b>
Just Fabulous, Inc.	Internet Consumer & Business Services	Senior Secured	February 2017	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 5,000	\$ 4,806	\$ 4,806
Total Just Fabulous, Inc.						9,387	9,387
Just.Me, Inc. <sup>(8)</sup>	Internet Consumer & Business Services	Senior Secured	June 2015	Interest rate PRIME + 5.00% or Floor rate of 8.25%	\$ 662	650	
Just.Me, Inc. <sup>(8)</sup>	Internet Consumer & Business Services	Senior Secured	June 2015	Interest rate PRIME + 5.25% or Floor rate of 5.75%	\$ 661	653	
Total Just.Me, Inc.						1,303	
NetPlenish <sup>(8)</sup>	Internet Consumer & Business Services	Senior Secured	April 2015	Interest rate FIXED + 10.00%	\$ 483	475	
Reply! Inc.	Internet Consumer & Business Services	Senior Secured	February 2016	Interest rate PRIME + 7.25% or Floor rate of 10.50%, PIK Interest 2.00%	\$ 3,015	3,021	3,111
Reply! Inc. <sup>(11)</sup>	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 6.88% or Floor rate of 10.13%, PIK Interest 2.00%	\$ 10,295	10,095	10,198
Reply! Inc. <sup>(11)</sup>	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 7.25% or Floor rate of 11.00%, PIK Interest 2.00%	\$ 2,010	2,014	2,054
Total Reply! Inc.						15,130	15,363
ShareThis, Inc.	Internet Consumer & Business Services	Senior Secured	June 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 15,000	14,503	14,575
Trulia, Inc. <sup>(3)(11)</sup>	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 5.50% or Floor rate of 8.75%	\$ 4,090	4,047	3,898
Trulia, Inc. <sup>(3)(11)</sup>	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 2.75% or Floor rate of 6.00%	\$ 4,062	4,020	3,973
Total Trulia, Inc.						8,067	7,871
Vaultlogix	Internet Consumer & Business Services	Senior Secured	September 2016	Interest rate LIBOR + 8.50% or Floor rate 10.00%, PIK Interest 2.50%	\$ 7,932	7,869	7,390
Vaultlogix	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate LIBOR + 7.00% or Floor rate of 8.50%	\$ 8,242	8,230	7,797

Total Vaultlogix

16,099

15,187

See notes to consolidated financial statements.

S-71

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
WaveMarket, Inc. <sup>(11)</sup>	Internet Consumer & Business Services	Senior Secured	September 2015	Interest rate PRIME + 5.75% or Floor rate of 9.50%	\$ 10,000	\$ 9,914	\$ 9,754
<b>Subtotal: 1-5 Years Maturity</b>						124,127	120,549
<b>Subtotal: Internet Consumer &amp; Business Services (23.74%)*</b>						156,297	152,719
<b>Media/Content/Info</b>							
<b>1-5 Years Maturity</b>							
Westwood One	Media/Content/Info	Senior Secured	October 2016	Interest rate LIBOR + 6.50% or Floor rate of 8.00%	\$ 5,113	4,824	4,824
Westwood One	Media/Content/Info	Senior Secured	October 2016	Interest rate LIBOR + 6.50% or Floor rate of 8.00%	\$ 12,782	11,951	11,951
Total Westwood One						16,775	16,775
Zoom Media and Marketing	Media/Content/Info	Senior Secured	December 2014	Interest rate PRIME + 5.25% or Floor rate of 8.50%	\$ 4,000	3,820	3,727
Zoom Media and Marketing	Media/Content/Info	Senior Secured	December 2015	Interest rate PRIME + 7.25% or Floor rate 10.50%, PIK Interest 3.75%	\$ 4,695	4,488	4,423
Total Zoom Media and Marketing						8,308	8,150
<b>Subtotal: 1-5 Years Maturity</b>						25,083	24,925
<b>Subtotal: Media/Content/Info (3.87%)</b>						25,083	24,925
<b>Medical Devices &amp; Equipment</b>							
<b>Under 1 Year Maturity</b>							
Novasys Medical, Inc. <sup>(9)</sup>	Medical Devices & Equipment	Senior Secured	June 2013	Interest rate FIXED of + 8.00%	\$ 35	34	34
Optiscan Biomedical, Corp. <sup>(6)</sup>	Medical Devices & Equipment	Senior Secured	December 2013	Interest rate PRIME + 8.20% or Floor rate of 11.45%	\$ 8,260	9,704	9,704
Oraya Therapeutics, Inc. <sup>(9)</sup>	Medical Devices & Equipment	Senior Secured	December 2013	Interest rate FIXED + 7.00%	\$ 500	500	500
<b>Subtotal: Under 1 Year Maturity</b>						10,238	10,238

**1-5 Years Maturity**

Home Dialysis Plus	Medical Devices & Equipment	Senior Secured	April 2017	Interest rate PRIME + 6.35% or Floor rate of 9.60%	\$ 10,000	9,661	9,661
Lanx, Inc.	Medical Devices & Equipment	Senior Secured	October 2015	Interest rate (PRIME -5.25%) + 9.60% or Floor rate of 10.25%	\$ 5,500	5,280	5,138

See notes to consolidated financial statements.

S-72

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
Lanx, Inc.	Medical Devices & Equipment	Senior Secured	October 2016	Interest rate PRIME + 8.50% or Floor rate of 11.75%, PIK Interest 2.00%	\$ 13,184	\$ 12,835	\$ 13,092
Total Lanx, Inc.						18,115	18,230
Medrobotics Corporation	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85% or Floor rate of 11.10%	\$ 5,000	4,877	4,898
NinePoint Medical, Inc.	Medical Devices & Equipment	Senior Secured	January 2016	Interest rate PRIME + 5.85% or Floor rate of 9.10%	\$ 6,585	6,499	6,367
Oraya Therapeutics, Inc. <sup>(11)</sup>	Medical Devices & Equipment	Senior Secured	September 2015	Interest rate PRIME + 5.50% or Floor rate of 10.25%	\$ 7,971	7,862	8,001
SonaCare Medical	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 4,000	3,930	3,785
SonaCare Medical <sup>(11)</sup>	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 6,000	6,031	5,805
Total SonaCare Medical						9,961	9,590
United Orthopedic Group, Inc.	Medical Devices & Equipment	Senior Secured	July 2016	Interest rate PRIME + 8.60% or Floor rate of 11.85%	\$ 25,000	24,401	25,151
<b>Subtotal: 1-5 Years Maturity</b>						81,375	81,898
<b>Subtotal: Medical Devices &amp; Equipment (14.32%)*</b>						91,613	92,136
<b>Semiconductors</b>							
<b>1-5 Years Maturity</b>							
Achronix Semiconductor Corporation	Semiconductors	Senior Secured	January 2015	Interest rate PRIME + 10.60% or Floor rate of 13.85%	\$ 1,247	1,232	1,207
SiTime Corporation	Semiconductors	Senior Secured	September 2016	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 3,500	3,442	3,442
<b>Subtotal: 1-5 Years Maturity</b>						4,674	4,649
<b>Subtotal: Semiconductors (0.72%)*</b>						4,674	4,649
<b>Software</b>							

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

<b>Under 1 Year Maturity</b>								
Clickfox, Inc.	Software	Senior Secured	September 2014	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 2,000	1,972	1,972	
Tada Innovations, Inc. <sup>(8)</sup>	Software	Senior Secured	October 2013	Interest rate FIXED + 8.00%	\$ 100	100		
<b>Subtotal: Under 1 Year Maturity</b>						2,072	1,972	

See notes to consolidated financial statements.

S-73

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Value</b>
<b>1-5 Years Maturity</b>							
Clickfox, Inc.	Software	Senior Secured	November 2015	Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 6,511	\$ 6,120	\$ 6,120
EndPlay, Inc.	Software	Senior Secured	August 2015	Interest rate PRIME + 7.35% or Floor rate of 10.60%	\$ 1,802	1,720	1,623
Hillcrest Laboratories, Inc.	Software	Senior Secured	July 2015	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 3,039	3,000	3,006
KXEN, Inc. <sup>(4)</sup>	Software	Senior Secured	January 2015	Interest rate PRIME + 5.08% or Floor rate of 8.33%	\$ 1,545	1,622	1,622
Mobile Posse, Inc.	Software	Senior Secured	December 2016	Interest rate PRIME + 7.50% or Floor rate of 10.75%	\$ 4,000	3,845	3,845
Neos Geosolutions, Inc.	Software	Senior Secured	May 2016	Interest rate PRIME + 5.75% or Floor rate of 10.50%	\$ 4,000	4,010	3,895
StartApp	Software	Senior Secured	March 2017	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 2,500	2,488	2,488
Touchcommerce, Inc.	Software	Senior Secured	June 2017	Interest rate PRIME + 6.00% or Floor rate of 10.25%	\$ 5,000	4,686	4,686
Touchcommerce, Inc.	Software	Senior Secured	December 2014	Interest rate PRIME + 2.25% or Floor rate of 6.50%	\$ 3,111	3,060	3,060
Total Touchcommerce, Inc.						7,746	7,746
<b>Subtotal: 1-5 Years Maturity</b>						30,551	30,345
<b>Subtotal: Software (5.02%)*</b>						32,623	32,317
<b>Specialty Pharmaceuticals</b>							
<b>Under 1 Year Maturity</b>							
QuatRx Pharmaceuticals Company <sup>(9)</sup>	Specialty Pharmaceuticals	Senior Secured	March 2014	Interest rate FIXED + 8.00%	\$ 82	82	267
QuatRx Pharmaceuticals Company <sup>(9)</sup>	Specialty Pharmaceuticals	Senior Secured	March 2014	Interest rate FIXED + 8.00%	\$ 556	556	920
QuatRx Pharmaceuticals Company <sup>(9)</sup>	Specialty Pharmaceuticals	Senior Secured	March 2014	Interest rate FIXED + 8.00%	\$ 1,250	1,250	2,071
Total QuatRx Pharmaceuticals Company						1,888	3,258

**Subtotal: Under 1 Year Maturity**

1,888

3,258

See notes to consolidated financial statements.

S-74



**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date	Interest Rate and Floor	Principal Amount	Cost	Value
<b>1-5 Years Maturity</b>							
Rockwell Medical, Inc.	Specialty Pharmaceuticals	Senior Secured	December 2016	Interest rate PRIME + 9.25% or Floor rate of 12.50%	\$ 20,000	\$ 19,919	\$ 19,919
<b>Subtotal: 1-5 Years Maturity</b>						19,919	19,919
<b>Subtotal: Specialty Pharmaceuticals (3.60%)*</b>						21,807	23,177
<b>Surgical Devices</b>							
<b>1-5 Years Maturity</b>							
Transmedics, Inc. <sup>(11)</sup>	Surgical Devices	Senior Secured	November 2015	Interest rate FIXED + 12.95%	\$ 7,250	7,174	7,174
<b>Subtotal: 1-5 Years Maturity</b>						7,174	7,174
<b>Subtotal: Surgical Devices (1.12%)*</b>						7,174	7,174
<b>Total Debt (139.03%)*</b>						910,412	894,493

See notes to consolidated financial statements.

S-75

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Series	Shares	Cost	Value
<b>Equity</b>						
<b>Biotechnology Tools</b>						
NuGEN Technologies, Inc.	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 691
<b>Subtotal: Biotechnology Tools (0.11%)*</b>					500	691
<b>Communications &amp; Networking</b>						
GlowPoint, Inc. <sup>(3)</sup>	Communications & Networking	Equity	Common Stock	114,192	102	153
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	3,046
Stoke, Inc.	Communications & Networking	Equity	Preferred Series E	152,905	500	685
<b>Subtotal: Communications &amp; Networking (0.60%)*</b>					1,602	3,884
<b>Consumer &amp; Business Products</b>						
Caivis Acquisition Corporation	Consumer & Business Products	Equity	Common Stock	295,861	819	598
IPA Holdings, LLC	Consumer & Business Products	Equity	LLC Interest	500,000	500	564
Market Force Information, Inc.	Consumer & Business Products	Equity	Preferred Series B	187,970	500	403
<b>Subtotal: Consumer &amp; Business Products (0.24%)*</b>					1,819	1,565
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	89,243	178	858
Merrion Pharm <sup>(3)(5)(10)</sup>	Drug Delivery	Equity	Common Stock	20,000	9	
NuPathe, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	50,000	146	120
Transcept Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	41,570	500	132
<b>Subtotal: Drug Delivery (0.17%)*</b>					833	1,110
<b>Drug Discovery &amp; Development</b>						
Acceleron Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	235,872	1471	4260
Aveo Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	167,864	842	346
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Equity	Preferred Series B	20,107	503	202
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Equity	Preferred Series C	142,858	1,000	991
<b>Total Dicerna Pharmaceuticals, Inc.</b>				162,965	1,503	1,193
Inotek Pharmaceuticals Corporation		Equity	Common Stock	15,334	1,500	

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

	Drug Discovery & Development					
Merrimack Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	546,448	2,000	2,071
Paratek Pharmaceuticals, Inc.	Drug Discovery & Development	Equity	Common Stock	85,450	5	
Paratek Pharmaceuticals, Inc.	Drug Discovery & Development	Equity	Preferred Series H	244,158	1000	
<b>Total Paratek Pharmaceuticals, Inc.</b>				<b>329,608</b>	<b>1,005</b>	
<b>Subtotal: Drug Discovery &amp; Development (1.22%)*</b>					<b>8,321</b>	<b>7,870</b>

See notes to consolidated financial statements.

S-76

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Series	Shares	Cost	Value
<b>Electronics &amp; Computer Hardware</b>						
Virident Systems, Inc.	Electronics & Computer Hardware	Equity	Preferred Series D	6,546,217	\$ 5,000	\$ 12,235
<b>Subtotal: Electronics &amp; Computer Hardware (1.90%)*</b>					5,000	12,235
<b>Information Services</b>						
Buzznet, Inc.	Information Services	Equity	Preferred Series C	263,158	250	
Good Technologies, Inc. (pka Visto Corporation)	Information Services	Equity	Common Stock	500,000	603	
<b>Subtotal: Information Services (0.00%)*</b>					853	
<b>Internet Consumer &amp; Business Services</b>						
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	8,121	93	
Progress Financial	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	250
Trulia, Inc. <sup>(3)</sup>	Internet Consumer & Business Services	Equity	Common Stock	29,340	141	1,697
<b>Subtotal: Internet Consumer &amp; Business Services (0.30%)*</b>					484	1,947
<b>Media/Content/Info</b>						
Everyday Health, Inc. (pka Waterfront Media, Inc.)	Media/Content/Info	Equity	Preferred Series D	145,590	1,000	544
<b>Subtotal: Media/Content/Info (0.08%)*</b>					1,000	544
<b>Medical Devices &amp; Equipment</b>						
Gelesis, Inc. <sup>(6)</sup>	Medical Devices & Equipment	Equity	LLC Interest	2,024,092	925	513
Lanx, Inc.	Medical Devices & Equipment	Equity	Preferred Series C	1,203,369	1,000	2,000
Medrobotics Corporation	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	270
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	
Optiscan Biomedical, Corp. <sup>(6)</sup>	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	390
Optiscan Biomedical, Corp. <sup>(6)</sup>	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	132
Optiscan Biomedical, Corp. <sup>(6)</sup>	Medical Devices & Equipment	Equity	Preferred Series D	20,251,220	1932	1859
<b>Total Optiscan Biomedical, Corp.</b>				28,364,096	5,587	2,381

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

<b>Subtotal: Medical Devices &amp; Equipment (0.80%)*</b>				8,762	5,164	
<b>Software</b>						
Atrenta, Inc.	Software	Equity	Preferred Series C	1,196,845	986	1,780
Atrenta, Inc.	Software	Equity	Preferred Series D	635,513	508	1126
<b>Total Atrenta, Inc.</b>				1,832,358	1,494	2,906
Box, Inc.	Software	Equity	Preferred Series C	390,625	500	5,352
Box, Inc.	Software	Equity	Preferred Series D	158,133	500	2,166
Box, Inc.	Software	Equity	Preferred Series D-1	124,511	1,000	1,706
Box, Inc.	Software	Equity	Preferred Series D-2	220,751	2,001	3,024

See notes to consolidated financial statements.

S-77

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Series	Shares	Cost	Value
Box, Inc.	Software	Equity	Preferred Series E	38,183	\$ 500	\$ 523
<b>Total Box, Inc.</b>				932,203	4,501	12,771
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	50	71
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,401
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	302
<b>Subtotal: Software (2.71%)*</b>					6,750	17,451
<b>Specialty Pharmaceuticals</b>						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	166,419	750	
<b>Subtotal: Specialty Pharmaceuticals (0.00%)*</b>					750	
<b>Surgical Devices</b>						
Gynesonics, Inc.	Surgical Devices	Equity	Preferred Series B	219,298	250	60
Gynesonics, Inc.	Surgical Devices	Equity	Preferred Series C	656,538	282	109
Gynesonics, Inc.	Surgical Devices	Equity	Preferred Series D	1,621,553	580	675
<b>Total Gynesonics, Inc.</b>				2,497,389	1,112	844
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	300
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series C	119,999	300	219
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series D	260,000	650	875
<b>Total Transmedics, Inc.</b>				468,960	2,050	1,394
<b>Subtotal: Surgical Devices (0.35%)*</b>					3,162	2,238
<b>Subtotal: Equity (8.50%)*</b>					39,836	54,699
<b>Warrant</b>						
<b>Biotechnology Tools</b>						
Cleveland BioLabs, Inc (3)	Biotechnology Tools	Warrant	Common Stock	156,250	105	105
Labcyte, Inc.	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	75
NuGEN Technologies, Inc.	Biotechnology Tools	Warrant	Preferred Series B	204,545	45	249
NuGEN Technologies, Inc.	Biotechnology Tools	Warrant	Preferred Series C	30,114	33	25
<b>Total NuGEN Technologies, Inc.</b>					78	274
<b>Subtotal: Biotechnology Tools (0.07%)*</b>					506	454

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

<b>Clean Tech</b>						
Agrivida, Inc.	Clean Tech	Warrant	Preferred Series C	77,447	120	243
Alphabet Energy, Inc.	Clean Tech	Warrant	Preferred Series A	86,329	82	205
American Superconductor Corporation <sup>(3)</sup>	Clean Tech	Warrant	Preferred Common Stock	139,275	244	55
Brightsource Energy, Inc.	Clean Tech	Warrant	Preferred Series 1	175,000	780	175
Calera, Inc.	Clean Tech	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc.	Clean Tech	Warrant	Preferred Series B	437,500	308	434
Fluidic, Inc.	Clean Tech	Warrant	Preferred Series C	59,665	102	102
Fulcrum Bioenergy, Inc.	Clean Tech	Warrant	Preferred Series C-1	280,897	275	198
Glori Energy, Inc.	Clean Tech	Warrant	Preferred Series C	145,932	165	46
GreatPoint Energy, Inc.	Clean Tech	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation	Clean Tech	Warrant	Preferred Series C	161,575	69	90
Propel Fuels	Clean Tech	Warrant	Preferred Series C	3,200,000	211	169
SCIEnergy, Inc.	Clean Tech	Warrant	Preferred Series D	1,061,623	360	25

See notes to consolidated financial statements.

S-78

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Series</b>	<b>Shares</b>	<b>Cost</b>	<b>Value</b>	
Scifiniti (pka Integrated Photovoltaics, Inc.)	Clean Tech	Warrant	Preferred Series B	390,000	\$ 82	\$ 114	
Solexel, Inc.	Clean Tech	Warrant	Preferred Series B	1,171,625	1162	236	
Stion Corporation	Clean Tech	Warrant	Preferred Series E	110,226	317	171	
TAS Energy, Inc.	Clean Tech	Warrant	Preferred Series E	37,406	299	172	
TPI Composites, Inc.	Clean Tech	Warrant	Preferred Series B	120	172	241	
Trilliant, Inc.	Clean Tech	Warrant	Preferred Series A	320,000	162	36	
<b>Subtotal: Clean Tech (0.42%)*</b>					5,971	2,712	
<b>Communications &amp; Networking</b>							
Bridgewave Communications	Communications & Networking	Warrant	Preferred Series 5	29,426	753		
Intelepeer, Inc.	Communications & Networking	Warrant	Preferred Series C	117,958	102	124	
OpenPeak, Inc.	Communications & Networking	Warrant	Preferred Series E	25,646	149		
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	52	
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	304	
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	80	
Purcell Systems, Inc.	Communications & Networking	Warrant	Preferred Series B	110,000	123	730	
Spring Mobile Solutions	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	776	
Stoke, Inc.	Communications & Networking	Warrant	Preferred Series C	158,536	53	195	
Stoke, Inc.	Communications & Networking	Warrant	Preferred Series D	72,727	65	84	
<b>Total Stoke, Inc.</b>					231,263	118	279
<b>Subtotal: Communications &amp; Networking (0.36%)*</b>					1,871	2,345	
<b>Consumer &amp; Business Products</b>							
IPA Holdings, LLC	Consumer & Business Products	Warrant	Common Stock	650,000	275	322	
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A	99,286	24	9	
Seven Networks, Inc.	Consumer & Business Products	Warrant	Preferred Series C	1,821,429	174	3	
<b>Subtotal: Consumer &amp; Business Products (0.05%)*</b>					473	334	

**Diagnostic**



Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

Navidea Biopharmaceuticals, Inc. (pka Neoprobe) <sup>(3)</sup>	Diagnostic	Warrant	Common Stock	333,333	244	255
Tethys Bioscience, Inc.	Diagnostic	Warrant	Preferred Series E	2,689,945	147	
<b>Subtotal: Diagnostic (0.04%)*</b>					391	255
<b>Drug Delivery</b>						
Alexza Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	37,639	645	3
BIND Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	71,359	367	267

See notes to consolidated financial statements.

S-79

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Series</b>	<b>Shares</b>	<b>Cost</b>	<b>Value</b>	
Intelliject, Inc.	Drug Delivery	Warrant	Preferred Series B	82,500	\$ 594	\$ 780	
NuPathe, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	106,631	139	83	
Revanche Therapeutics, Inc.	Drug Delivery	Warrant	Preferred Series D	802,675	557	317	
Transcept Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	61,452	87	4	
<b>Subtotal: Drug Delivery (0.23%)*</b>					2,389	1,454	
<b>Drug Discovery &amp; Development</b>							
Acceleron Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	39,178	74	451	
ADMA Biologics, Inc.	Drug Discovery & Development	Warrant	Common Stock	31,750	129	129	
Anacor Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	528,375	1155	2919	
Anthera Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	40,178	984	24	
Cell Therapeutics, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	679,040	300	483	
Cempra, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	138,797	458	655	
Chroma Therapeutics, Ltd. <sup>(5)(10)</sup>	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	500	
Concert Pharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	400,000	367	524	
Coronado Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,009	142	161	
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Common Stock	200	28		
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Preferred Series A	21,000	237	43	
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Preferred Series B	26,400	310	55	
<b>Total Dicerna Pharmaceuticals, Inc.</b>					47,600	575	98
Horizon Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	22,408	231		
Merrimack Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	302,143	155	217	
Neuralstem, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	648,798	295	972	
Portola Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Preferred Series B	68,702	152	729	
uniQure B.V. <sup>(5)(10)</sup>	Drug Discovery & Development	Warrant	Preferred Series A	185,873	218	218	
<b>Subtotal: Drug Discovery &amp; Development (1.26%)*</b>					5,725	8,080	

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

**Electronics & Computer Hardware**

Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Preferred Series B	50,000	12	17
Identive <sup>(3)</sup>	Electronics & Computer Hardware	Warrant	Common Stock	992,084	247	226

See notes to consolidated financial statements.

S-80

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Series	Shares	Cost	Value
Plures Technologies, Inc. <sup>(3)</sup>	Electronics & Computer Hardware	Warrant	Preferred Series A	552,467	\$ 124	\$ 58
<b>Subtotal: Electronics &amp; Computer Hardware (0.05%)*</b>					383	301
<b>Healthcare Services, Other</b>						
MDEverywhere, Inc.	Healthcare Services, Other	Warrant	Common Stock	129	94	58
<b>Subtotal: Healthcare Services, Other (0.01%)*</b>					94	58
<b>Information Services</b>						
Buzznet, Inc.	Information Services	Warrant	Preferred Series B	19,962	9	
Cha Cha Search, Inc.	Information Services	Warrant	Preferred Series G	48,232	58	15
Ecentex Corporation	Information Services	Warrant	Preferred Series A	408,719	31	
Intelligent Beauty, Inc.	Information Services	Warrant	Preferred Series B	190,234	230	797
InXpo, Inc.	Information Services	Warrant	Preferred Series C	915,449	123	54
InXpo, Inc.	Information Services	Warrant	Preferred Series C-1	314,966	24	19
<b>Total InXpo, Inc.</b>				1,230,415	147	73
Jab Wireless, Inc.	Information Services	Warrant	Preferred Series A	266,567	265	334
RichRelevance, Inc.	Information Services	Warrant	Preferred Series D	112,749	98	40
<b>Subtotal: Information Services (0.20%)*</b>					838	1,259
<b>Internet Consumer &amp; Business Services</b>						
Blurb, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	439,336	323	506
Blurb, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	364
<b>Total Blurb, Inc.</b>				673,616	959	870
CashStar, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series C-2	454,545	102	39
Gazelle	Internet Consumer & Business Services	Warrant	Preferred Series D	151,827	165	384
Invoke Solutions, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	53,084	39	
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	137,456	589	1199
Just.Me, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A	102,299	20	
Prism Education Group, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
Progress Financial	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	62
Reply! Inc.		Warrant	Preferred Series B	137,225	320	144

Edgar Filing: HERCULES TECHNOLOGY GROWTH CAPITAL INC - Form 497

	Internet Consumer & Business Services					
ShareThis, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	473
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
WaveMarket, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	1,083,333	106	47
<b>Subtotal: Internet Consumer &amp; Business Services (0.50%)*</b>					3,019	3,218

See notes to consolidated financial statements.

S-81

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

September 30, 2013

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Series	Shares	Cost	Value
<b>Media/Content/Info</b>						
Everyday Health, Inc. (pka Waterfront Media, Inc.)	Media/Content/Info	Warrant	Preferred Series C	110,018	\$ 60	\$ 72
Glam Media, Inc.	Media/Content/Info	Warrant	Preferred Series D	407,457	482	
Zoom Media and Marketing	Media/Content/Info	Warrant	Preferred	1,204	348	379
<b>Subtotal: Media/Content/Info (0.07%)*</b>					890	451
<b>Medical Devices &amp; Equipment</b>						
Gelesis, Inc. <sup>(6)</sup>	Medical Devices & Equipment	Warrant	LLC Interest	263,688	78	9
Home Dialysis Plus	Medical Devices & Equipment	Warrant	Preferred Series A	300,000	245	245
Lanx, Inc.	Medical Devices & Equipment	Warrant	Preferred Series C	1,203,369	441	1,156
Medrobotics Corporation	Medical Devices & Equipment	Warrant	Preferred Series D	424,008	343	207
Medrobotics Corporation	Medical Devices & Equipment	Warrant	Preferred Series E	34,199	27	25
<b>Total Medrobotics Corporation</b>				458,207	370	232
MELA Sciences, Inc. <sup>(3)</sup>	Medical Devices & Equipment	Warrant	Common Stock	693,202	401	137
NinePoint Medical, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	260
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
<b>Total Novasys Medical, Inc.</b>				689,896	133	
Optiscan Biomedical, Corp. <sup>(6)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1252	290
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	95,498	66	39
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Preferred Series C	716,948	676	232
<b>Total Oraya Therapeutics, Inc.</b>				812,446	742	271
SonaCare Medical	Medical Devices & Equipment	Warrant	Preferred Series G	1,413,880	188	62
United Orthopedic Group, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	423,076	608	673
<b>Subtotal: Medical Devices &amp; Equipment (0.52%)*</b>					4,628	3,335
<b>Semiconductors</b>						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	160	173
Kovio, Inc.	Semiconductors	Warrant	Preferred Series B	319,352	92	
SiTime Corporation	Semiconductors	Warrant	Preferred Series G	195,683	23	23
<b>Subtotal: Semiconductors (0.03%)*</b>					275	196

See notes to consolidated financial statements.



**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2013****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment</b>	<b>Series</b>	<b>Shares</b>	<b>Cost</b>	<b>Value</b>
<b>Software</b>						
Atrenta, Inc.	Software	Warrant	Preferred Series D	392,670	\$ 121	\$ 345
Box, Inc.	Software	Warrant	Preferred Series B	271,070	73	3,535
Box, Inc.	Software	Warrant	Preferred Series C	199,219	117	2,475
Box, Inc.	Software	Warrant	Preferred Series D-1	62,255	193	378
<b>Total Box, Inc.</b>				532,544	383	6,388
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
Central Desktop, Inc.	Software	Warrant	Preferred Series B	522,823	108	206
Clickfox, Inc.	Software	Warrant	Preferred Series B	1,038,563	329	460
Clickfox, Inc.	Software	Warrant	Preferred Series C	592,019	730	289
<b>Total Clickfox, Inc.</b>				1,630,582	1,059	749
Daegis Inc. (pka Unify Corporation) <sup>(3)</sup>	Software	Warrant	Common Stock	718,860	1,434	38
EndPlay, Inc.	Software	Warrant	Preferred Series B	180,000	67	
ForeScout Technologies, Inc.	Software	Warrant	Preferred Series E	80,587	41	223
Hillcrest Laboratories, Inc.	Software	Warrant	Preferred Series E	1,865,650	55	226
KXEN, Inc.	Software	Warrant	Preferred Series D	184,614	47	120
Mobile Posse, Inc.	Software	Warrant	Preferred Series C	396,430	130	141
Neos Geosolutions, Inc.	Software	Warrant	Preferred Series 3	221,150	22	
SugarSync, Inc.	Software	Warrant	Preferred Series CC	332,726	78	85
SugarSync, Inc.	Software	Warrant	Preferred Series DD	107,526	34	29
<b>Total SugarSync, Inc.</b>				440,252	112	114
Touchcommerce, Inc.	Software	Warrant	Preferred Series E	992,595	251	426
White Sky, Inc.	Software	Warrant	Preferred Series B-2	124,295	54	5
WildTangent, Inc.	Software	Warrant	Preferred Series 3A	100,000	238	64
<b>Subtotal: Software (1.41%)*</b>					4,310	9,045
<b>Specialty Pharmaceuticals</b>						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324		