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WALT DISNEY CO/  
Form 8-K  
June 17, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):

June 17, 2002  
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THE WALT DISNEY COMPANY  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OF JURISDICTION OF INCORPORATION)

1-11605  
(COMMISSION FILE NUMBER)

95-4545390  
(IRS EMPLOYER IDENTIFICATION NO.)

500 South Buena Vista Street, Burbank, California  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

91521  
(ZIP CODE)

(818) 560-1000  
(REGISTRANT'S TELEPHONE NUMBER)

ITEM 5. OTHER EVENTS

On June 17, 2002 the Company submitted to the Luxembourg Stock Exchange an Information Memorandum in connection with the Company's U.S. \$4 billion programme for the issuance of debt securities. As required by the United States Securities Exchange Commission (SEC) regulations, the Company included in the Information Memorandum disclosure of the impact of adopting Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142) for the fiscal years ended September 30, 1999, 2000 and 2001. The Company adopted SFAS 142 effective October 1, 2001. As required by the SEC regulations, a copy of this disclosure is filed herewith as Exhibit 99.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

Exhibits

99

Impact of SFAS 142

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

THE WALT DISNEY COMPANY

By: /s/ David K. Thompson

David K. Thompson  
Senior Vice President  
Assistant General Counsel

Date: June 17, 2002

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Impact of SFAS 142

Exhibit 99

Effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). As a result of adopting SFAS 142, a substantial amount of the Company's goodwill and intangible assets are no longer amortized, and the Company is required to perform an annual impairment test for goodwill and intangible assets.

The following table provides a reconciliation of reported net (loss) earnings for the prior years to adjusted earnings had SFAS 142 been applied as of the beginning of fiscal 1999:

Year Ended September 30	2001		2000		1999	
	Amount	Earnings per Share	Amount	Earnings per Share	Amount	Earnings per Share
Reported earnings attributed to Disney Common Stock before the cumulative effect of accounting changes (Diluted)	\$ 237	\$ 0.11	\$1,196	\$ 0.57	\$1,300	\$ 0.62
Cumulative effect of accounting changes (Diluted)	(278)	(0.13)	--	--	--	--
Reported net (loss) earnings attributed to Disney Common Stock (Diluted)	(41)	(0.02)	1,196	0.57	1,300	0.62
Add back amortization (net of tax):						
Goodwill	349	0.17	351	0.16	368	0.18
Indefinite life intangible assets	50	0.02	61	0.03	193	0.09
Adjusted earnings attributed to Disney Common Stock after the cumulative effect of accounting changes (Diluted)	\$ 358	\$ 0.17	\$1,608	\$ 0.76	\$1,861	\$ 0.89
Adjusted earnings per share attributed to Disney Common Stock after the cumulative effect of accounting changes (Basic)	\$ 0.17		\$ 0.78		\$ 0.91	
Average number of common and common equivalent shares outstanding attributed to Disney Common Stock						
Diluted	2,100		2,103		2,083	
Basic	2,085		2,074		2,056	

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Quanterix Corporation<sup>(10)(14A)</sup>

113 Hartwell Avenue  
Lexington, MA 02421

Medical Devices & Equipment Senior Secured March 2019 Interest rate PRIME + 2.75% or Floor rate of 8.00% \$9,043 9,427 9,424

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity		Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
			Date					
Sebacia <sup>(14B)(15)</sup> 2905 Premiere Parkway, Suite 150 Duluth, GA 30097	Medical Devices & Equipment	Senior Secured	July 2020		Interest rate PRIME + 4.35% or Floor rate of 8.85%	\$ 8,000	\$ 7,805	\$ 7,805
Tela Bio, Inc. <sup>(14A)(15)</sup> One Great Valley Pkwy, Suite 24 Malvern, PA 19355	Medical Devices & Equipment	Senior Secured	September 2020		Interest rate PRIME + 4.95% or Floor rate of 9.45%	\$ 5,000	4,945	4,945
<b>Subtotal: 1-5 Years Maturity</b>							63,065	63,107
<b>Subtotal: Medical Devices &amp; Equipment (8.41%)*</b>							69,109	68,785
<b>Semiconductors</b>								
<b>Under 1 Year Maturity</b>								
Achronix Semiconductor Corporation <sup>(15)</sup> 2953 Bunker Hill Lane, Suite 101 Santa Clara, CA 95054	Semiconductors	Senior Secured	November 2017		Interest rate PRIME + 7.00% or Floor rate of 10.50%	\$ 4,025	4,025	4,025
Aquantia Corp. <sup>(17)</sup> 105 E. Tasman Drive San Jose, CA 95134	Semiconductors	Senior Secured	February 2018		Interest rate PRIME + 3.95% or Floor rate of 7.20%	\$ 5,000	5,000	5,000
<b>Subtotal: Under 1 Year Maturity</b>							9,025	9,025
<b>1-5 Years Maturity</b>								
Achronix Semiconductor Corporation <sup>(14B)(15)</sup> 2953 Bunker Hill Lane, Suite 101 Santa Clara, CA 95054	Semiconductors	Senior Secured	July 2018		Interest rate PRIME + 8.25% or Floor rate of 11.50%	\$ 2,356	2,623	2,607
<b>Subtotal: 1-5 Years Maturity</b>							2,623	2,607
<b>Subtotal: Semiconductors (1.42%)*</b>							11,648	11,632
<b>Software</b>								
<b>Under 1 Year Maturity</b>								
Clickfox, Inc. <sup>(12)(14C)</sup> 3445 Peachtree Road, Suite 450 Atlanta, GA 30326	Software	Senior Secured	May 2018		Interest rate PRIME + 8.00% or Floor rate of 11.50%	\$ 9,672	10,437	10,437

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Cloud Technology Partners, Inc. 321 Summer Street, 5th Floor Boston, MA 02210	Software	Senior Secured	June 2018	Interest rate PRIME + 3.05% or Floor rate of 7.05%	\$ 3,400	3,400	3,400
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(7)(13)(14A)(14C)(15)(18)</sup> 21250 Hawthorne Boulevard, Suite 380 Torrance, CA 90503	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 13,000	12,747	3,220
	Software	Senior Secured	February 2017	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,566	1,698	429
<b>Total JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.)</b>					<b>\$ 14,566</b>	<b>14,445</b>	<b>3,649</b>
RedSeal Inc. <sup>(14A)(15)(17)</sup> 940 Stewart Drive, Suite 101 Sunnyvale, CA 94085	Software	Senior Secured	August 2017	Interest rate PRIME + 3.25% or Floor rate of 6.50%	\$ 1,205	1,205	1,205
	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 3,431	3,581	3,581
<b>Total RedSeal Inc.</b>					<b>\$ 4,636</b>	<b>4,786</b>	<b>4,786</b>
<b>Subtotal: Under 1 Year Maturity</b>						<b>33,068</b>	<b>22,272</b>

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			Date					
<b>1-5 Years Maturity</b>								
Clarabridge, Inc. <sup>(13)</sup> 11400 Commerce Park Drive., Suite 500 Reston, VA 20191	Software	Senior Secured	April 2021		Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25%	\$ 40,224	\$ 40,196	\$ 40,196
Cloud Technology Partners, Inc. <sup>(14A)</sup> 321 Summer Street, 5th Floor Boston, MA 02210	Software	Senior Secured	December 2019		Interest rate PRIME + 5.75% or Floor rate of 9.75%	\$ 10,000	9,982	9,914
Evernote Corporation <sup>(13)(15)(17)</sup> 305 Walnut Street Redwood City, CA 94063	Software	Senior Secured	October 2020		Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 6,000	5,967	6,134
	Software	Senior Secured	July 2021		Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	\$ 4,000	3,972	3,972
<b>Total Evernote Corporation</b>						<b>\$ 10,000</b>	<b>9,939</b>	<b>10,106</b>
Fuze, Inc. <sup>(13)(14A)(15)</sup> 2 Copley Place, Floor 7 Boston, MA 02116	Software	Senior Secured	July 2021		Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.55%	\$ 50,000	49,901	49,901
Impact Radius Holdings, Inc. <sup>(13)(14A)</sup> 223 East De La Guerra Street Santa Barbara, CA 93101	Software	Senior Secured	December 2020		Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55%	\$ 5,000	4,990	4,990
Lithium Technologies, Inc. <sup>(13)(14A)(15)(19)</sup> 225 Bush St. San Francisco, CA 94104	Software	Senior Secured	June 2020		Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 1.80%	\$ 25,247	25,351	25,351
OneLogin, Inc. <sup>(13)(15)</sup> 150 Spear Street, Suite 1400 San Francisco, CA 94105	Software	Senior Secured	August 2019		Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25%	\$ 15,623	15,526	15,838
Quid, Inc. <sup>(13)(14A)(15)</sup> 600 Harrison Street, Suite 400 San Francisco, CA 94107	Software	Senior Secured	October 2019		Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 8,208	8,278	8,399
RedSeal Inc. <sup>(14A)(15)(17)</sup> 940 Stewart Drive, Suite 101	Software	Senior Secured	January 2020		Interest rate PRIME + 7.75% or Floor rate of 11.25%	\$ 5,000	4,952	4,952

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Sunnyvale, CA 94085								
Signpost, Inc. <sup>(13)(14A)(15)</sup>	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%	\$ 15,373	15,306	15,447	
127 W 26th St., Floor 2								
New York, NY 10001								
Vela Trading Technologies <sup>(17)</sup>	Software	Senior Secured	July 2022	Interest rate LIBOR + 9.50% or Floor rate of 10.50%	\$ 15,200	14,782	14,782	
211 East 43rd Street, 5th Floor								
New York, NY 10017								
Wrike, Inc. <sup>(13)(14A)(17)</sup>	Software	Senior Secured	February 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 2.00%	\$ 10,062	9,790	9,790	
10 Almaden Blvd, Suite 1000								
San Jose, CA 95113								
<b>Subtotal: 1-5 Years Maturity</b>						208,993	209,666	
<b>Subtotal: Software (28.37%)*</b>						242,061	231,938	



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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity		Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
			Date					
<b>Specialty Pharmaceuticals</b>								
<b>1-5 Years Maturity</b>								
Alimera Sciences, Inc. <sup>(10)(13)(14A)</sup> 6120 Windward Parkway, Suite 290 Alpharetta, GA 30005	Specialty Pharmaceuticals	Senior Secured	November 2020		Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 35,218	\$ 35,049	\$ 35,398
Jaguar Animal Health, Inc. <sup>(10)(14B)</sup> 201 Mission Street, Suite 2375 San Francisco, CA 94105	Specialty Pharmaceuticals	Senior Secured	August 2018		Interest rate PRIME + 5.65% or Floor rate of 9.90%	\$ 2,520	2,876	2,821
<b>Subtotal: 1-5 Years Maturity</b>							37,925	38,219
<b>Subtotal: Specialty Pharmaceuticals (4.68%)*</b>							37,925	38,219
<b>Surgical Devices</b>								
<b>1-5 Years Maturity</b>								
Transmedics, Inc. <sup>(12)(14B)</sup> 200 Minuteman Road, Suite 302 Andover, MA 01810	Surgical Devices	Senior Secured	February 2020		Interest rate PRIME + 5.30% or Floor rate of 9.55%	\$ 8,500	8,621	8,632
<b>Subtotal: 1-5 Years Maturity</b>							8,621	8,632
<b>Subtotal: Surgical Devices (1.06%)*</b>							8,621	8,632
<b>Sustainable and Renewable Technology</b>								
<b>1-5 Years Maturity</b>								
FuelCell Energy, Inc. <sup>(11)(14B)</sup> 3 Great Pasture Road Danbury, CT 06810	Sustainable and Renewable Technology	Senior Secured	October 2018		Interest rate PRIME + 5.50% or Floor rate of 9.50%	\$ 20,000	20,925	21,034
Proterra, Inc. <sup>(10)(14A)(14B)</sup> 1 Whitlee Ct. Greenville, SC 29607	Sustainable and Renewable Technology	Senior Secured	June 2019		Interest rate PRIME + 6.95% or Floor rate of 10.20%	\$ 5,000	5,109	5,137
	Sustainable and Renewable Technology	Senior Secured	June 2019		Interest rate PRIME + 6.95% or Floor rate of 10.20%	\$ 25,000	25,872	25,814
	Sustainable and Renewable Technology	Senior Secured	June 2019		Interest rate PRIME + 5.75% or Floor rate of 9.25%	\$ 10,000	10,089	10,115
Total Proterra, Inc.						\$ 40,000	41,070	41,066
Rive Technology, Inc. <sup>(14A)(15)</sup>		Senior Secured	January 2019			\$ 6,061	6,234	6,283

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1 Deer Park Drive, Suite A Monmouth Junction, NJ 08852	Sustainable and Renewable Technology			Interest rate PRIME + 6.20% or Floor rate of 9.45%			
Tendril Networks <sup>(11)(14B)</sup> 2580 55th Street, Suite 100 Boulder, CO 80301	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 9.25%	\$ 13,156	13,765	13,735
<b>Subtotal: 1-5 Years Maturity</b>						81,994	82,118
<b>Subtotal: Sustainable and Renewable Technology (10.05%)*</b>						81,994	82,118
<b>Total: Debt Investments (157.52%)*</b>						1,324,039	1,287,623

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Percentage Ownership	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Equity Investments</b>							
<b>Biotechnology Tools</b>							
NuGEN Technologies, Inc. <sup>(15)</sup>	Biotechnology Tools	Equity	0.69%	Common Stock	55,780	\$ 500	\$
201 Industrial Road, Suite 310							
San Carlos, CA 94070							
<b>Subtotal: Biotechnology Tools (0.00%)*</b>						500	
<b>Communications &amp; Networking</b>							
Achilles Technology Management Co II, Inc. <sup>(6)(15)</sup>	Communications & Networking	Equity	100.00%	Common Stock	100	4,000	1,188
1441 Knightsbridge Drive							
Blue Bell, PA 19422							
GlowPoint, Inc. <sup>(3)</sup>	Communications & Networking	Equity	0.31%	Common Stock	114,192	101	32
1776 Lincoln Street, 13th Floor							
Denver, CO 80203							
Peerless Network Holdings, Inc.	Communications & Networking	Equity	0.21%	Preferred Series A	1,000,000	1,000	4,585
222 South Riverside Plaza, Suite 2730							
Chicago, IL 60606							
<b>Subtotal: Communications &amp; Networking (0.71%)*</b>						5,101	5,805
<b>Consumer &amp; Business Products</b>							
Market Force Information, Inc.	Consumer & Business Products	Equity	0.67%	Common Stock	480,261		433
PO Box 270355	Consumer & Business Products	Equity	0.26%	Preferred Series B-1	187,970	500	280
Louisville, CO 80027							
Total Market Force Information, Inc.					668,231	500	713
<b>Subtotal: Consumer &amp; Business Products (0.09%)*</b>						500	713
<b>Diagnostic</b>							
Singulex, Inc.	Diagnostic	Equity	0.37%	Common Stock	937,998	750	655
1701 Harbor Way Parkway, Suite 200							
Alameda, CA 94502							
<b>Subtotal: Diagnostic (0.08%)*</b>						750	655
<b>Drug Delivery</b>							

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AcelRx Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Delivery	Equity	0.12%	Common Stock	54,240	108	117
351 Galveston Drive							
Redwood City, CA 94063							
BioQ Pharma Incorporated <sup>(15)</sup>	Drug Delivery	Equity	0.56%	Preferred Series D	165,000	500	599
185 Berry St., Ste 160							
San Francisco, CA 94107							
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	0.17%	Common Stock	53,165	329	545
300 Connell Dr., Suite 4000							
Berkeley Heights, NJ 07922							
Merrion Pharmaceuticals, Plc <sup>(4)(9)</sup>	Drug Delivery	Equity	0.11%	Common Stock	20,000	9	
3200 Lake Drive, Citywest Business Campus							
Dublin, Ireland 24							
Neos Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Equity	0.46%	Common Stock	125,000	1,500	913
2940 N. Highway 360, Suite 400							
Grand Prairie, TX 75050							
Revance Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	0.07%	Common Stock	22,765	557	601
7555 Gateway Blvd.							
Newark, CA 94560							
<b>Subtotal: Drug Delivery (0.34%)*</b>						3,003	2,775

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Percentage Ownership</b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Drug Discovery &amp; Development</b>							
Aveo Pharmaceuticals, Inc. <sup>(3)(9)(15)</sup> One Broadway, 9th Floor Cambridge, MA 02142	Drug Discovery & Development	Equity	0.37%	Common Stock	426,931	\$ 1,060	\$ 950
Cerecor, Inc. <sup>(3)</sup> 400 East Pratt Street, Suite 606 Baltimore, MD 21202	Drug Discovery & Development	Equity	0.85%	Common Stock	119,087	1,000	68
Cerulean Pharma, Inc. <sup>(3)</sup> 35 Gatehouse Drive Waltham, MA 02451	Drug Discovery & Development	Equity	0.47%	Common Stock	135,501	1,000	60
Dicerna Pharmaceuticals, Inc. <sup>(3)(15)</sup> 87 Cambridge Park Dr Cambridge, MA 02140	Drug Discovery & Development	Equity	0.69%	Common Stock	142,858	1,000	453
Dynavax Technologies <sup>(3)(9)</sup> 2929 Seventh Street, Suite 100 Berkley, CA 94710	Drug Discovery & Development	Equity	0.04%	Common Stock	20,000	550	193
Epirus Biopharmaceuticals, Inc. 99 High Street Boston, MA 02110-2320	Drug Discovery & Development	Equity	0.76%	Common Stock	200,000	1,000	
Genocea Biosciences, Inc. <sup>(3)</sup> 100 Acorn Park Drive, 5th Floor Cambridge, MA 02140	Drug Discovery & Development	Equity	0.78%	Common Stock	223,463	2,000	1,166
Inotek Pharmaceuticals Corporation <sup>(3)</sup> 131 Hartwell Ave., Suite 105 Lexington, MA 02421	Drug Discovery & Development	Equity	0.01%	Common Stock	3,778	1,500	7
Insmed, Incorporated <sup>(3)</sup> 10 FINDERNE AVENUE, BUILDING 10 BRIDGEWATER, NJ 08807	Drug Discovery & Development	Equity	0.11%	Common Stock	70,771	1,000	1,214
Melinta Therapeutics 300 TriState International, Suite 272	Drug Discovery & Development	Equity	0.67%	Preferred Series 4	1,914,448	2,000	2,598

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Lincolnshire, IL 60069

Paratek Pharmaceuticals, Inc. (p.k.a.	Drug Discovery & Development							
Transcept Pharmaceuticals, Inc.) <sup>(3)</sup>		Equity	0.28%	Common Stock	76,362	2,743	1,840	

75 Park Plaza, 4th Floor

Boston, MA 02116

**Subtotal: Drug Discovery & Development (1.05%)\*** 14,853 8,549

**Electronics & Computer Hardware**

Identiv, Inc. <sup>(3)</sup>	Electronics & Computer Hardware	Equity	0.05%	Common Stock	6,700	34	35	
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1900-B Carnegie Avenue, Building B

Santa Ana, CA 92705

**Subtotal: Electronics & Computer Hardware (0.00%)\*** 34 35

**Information Services**

DocuSign, Inc.	Information Services	Equity	0.24%	Common Stock	385,000	6,081	7,201	
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221 Main St., Suite 1000

San Francisco, CA 94105

**Subtotal: Information Services (0.88%)\*** 6,081 7,201

**Internet Consumer & Business Services**

Blurb, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Equity	0.38%	Preferred Series B	220,653	175	170	
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580 California St., Suite 300

San Francisco, CA 94104

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Brigade Group, Inc. (p.k.a. Philotic, Inc.) 548 4th street San Francisco, CA 94107	Internet Consumer & Business Services	Equity	0.05%	Common Stock	9,023	\$ 93	\$
Lightspeed POS, Inc. <sup>(4)(9)</sup> 700 St-Antoine Est, Suite 300 Montreal, Canada H2Y1A6	Internet Consumer & Business Services	Equity	0.09%	Preferred Series C	230,030	250	245
	Internet Consumer & Business Services	Equity	0.08%	Preferred Series D	198,677	250	241
<b>Total Lightspeed POS, Inc.</b>					<b>428,707</b>	<b>500</b>	<b>486</b>
OfferUp, Inc. 701 5th Avenue, Suite 5100 Seattle, WA 98104	Internet Consumer & Business Services	Equity	0.15%	Preferred Series A	286,080	1,663	1,917
	Internet Consumer & Business Services	Equity	0.06%	Preferred Series A-1	108,710	632	728
<b>Total OfferUp, Inc.</b>					<b>394,790</b>	<b>2,295</b>	<b>2,645</b>
Oportun (p.k.a. Progress Financial) 1600 Seaport Blvd., Suite 250 Redwood City, CA 94063	Internet Consumer & Business Services	Equity	0.09%	Preferred Series G	218,351	250	430
	Internet Consumer & Business Services	Equity	0.03%	Preferred Series H	87,802	250	254
<b>Total Oportun (p.k.a. Progress Financial)</b>					<b>306,153</b>	<b>500</b>	<b>684</b>
RazorGator Interactive Group, Inc. 4216 3/4 Glencoe Ave Marina Del Rey, CA 90292	Internet Consumer & Business Services	Equity	0.11%	Preferred Series AA	34,783	15	46
Tectura Corporation <sup>(6)</sup> 951 Old County Road, Suite 2-317 Belmont, CA 94002	Internet Consumer & Business Services	Equity	0.12%	Preferred Series BB	1,000,000		
<b>Subtotal: Internet Consumer &amp; Business Services (0.49%)*</b>						<b>3,578</b>	<b>4,031</b>
<b>Media/Content/Info</b>							
Pinterest, Inc. 777 South Figueroa Street, Suite 3200 Los Angeles, CA 90017-5855	Media/Content/Info	Equity	0.04%	Preferred Series Seed	620,000	4,085	4,452
<b>Subtotal: Media/Content/Info (0.54%)*</b>						<b>4,085</b>	<b>4,452</b>
<b>Medical Devices &amp; Equipment</b>							
AtriCure, Inc. <sup>(3)(15)</sup>		Equity	0.02%	Common Stock	7,536	266	168

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7555 Innovation Way Mason, Ohio 45040	Medical Devices & Equipment							
Flowonix Medical Incorporated 500 International Drive, Suite 200 Mount Olive, NJ 07828	Medical Devices & Equipment	Equity	1.08%	Preferred Series AA	221,893	1,500		
Gelesis, Inc. <sup>(15)</sup> 500 Boylston Street, Suite 1600 Boston, MA 02116	Medical Devices & Equipment	Equity	1.25%	Common Stock	198,202		888	
	Medical Devices & Equipment	Equity	1.20%	Preferred Series A-1	191,210	425	954	
	Medical Devices & Equipment	Equity	1.20%	Preferred Series A-2	191,626	500	905	
Total Gelesis, Inc.					581,038	925	2,747	
HercGamma, Inc. <sup>(6)</sup> 400 Hamilton Ave., Suite 310 Palo Alto, CA 94301	Medical Devices & Equipment	Equity	100.00%	Common Stock	100	1,169	1,169	



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Medrobotics Corporation <sup>(15)</sup>	Medical Devices & Equipment	Equity	0.12%	Preferred Series E	136,798	\$ 250	\$ 236
475 Paramount Drive	Medical Devices & Equipment	Equity	0.07%	Preferred Series F	73,971	155	185
Raynham, MA 02767	Medical Devices & Equipment	Equity	0.15%	Preferred Series G	163,934	500	486
Total Medrobotics Corporation					374,703	905	907
Optiscan Biomedical, Corp. <sup>(5)(15)</sup>	Medical Devices & Equipment	Equity	0.44%	Preferred Series B	6,185,567	3,000	383
24590 Clawiter Road	Medical Devices & Equipment	Equity	0.14%	Preferred Series C	1,927,309	655	110
Hayward, CA 94545	Medical Devices & Equipment	Equity	3.92%	Preferred Series D	55,103,923	5,257	3,826
	Medical Devices & Equipment	Equity	1.11%	Preferred Series E	15,638,888	1,308	1,492
Total Optiscan Biomedical, Corp.					78,855,687	10,220	5,811
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	0.19%	Preferred Series B	232,061	527	566
1830 Bering Drive							
San Jose, CA 95112							
Quanterix Corporation	Medical Devices & Equipment	Equity	0.45%	Preferred Series D	272,479	1,000	1,111
113 Hartwell Avenue							
Lexington, MA 02421							
<b>Subtotal: Medical Devices &amp; Equipment (1.53%)*</b>						16,512	12,479
<b>Software</b>							
CapLinked, Inc.	Software	Equity	0.33%	Preferred Series A-3	53,614	51	96
2015 Manhattan Beach Blvd, #108							
Redondo Beach, CA 90278							
Druva, Inc.	Software	Equity	0.38%	Preferred Series 2	458,841	1,000	1,584
150 Mathilda Place, Suite 450							
Sunnyvale, CA 94041							
ForeScout Technologies, Inc.	Software	Equity	0.39%	Preferred Series D	319,099	398	1,937
	Software	Equity	0.10%	Preferred Series E	80,587	131	493
900 E. Hamilton Avenue, Suite 300							
Campbell, CA 95008							
Total ForeScout Technologies, Inc.					399,686	529	2,430
HighRoads, Inc.	Software	Equity	0.00%	Common Stock	190	307	

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3 Burlington Woods Dr								
Burlington, MA 01803								
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Equity	0.31%	Preferred Series E	669,173	963	1,343	
Viabes Business Park, Jays Close								
Basingstoke, UK RG22 4BS								
Palantir Technologies	Software	Equity	0.04%	Preferred Series E	727,696	5,431	5,774	
100 Hamilton Avenue								
Palo Alto, CA 94301								
Sprinklr, Inc.	Software	Equity	0.35%	Common Stock	700,000	3,749	3,749	
29 West 35th Street, 7th Floor								
New York, NY 10001								
WildTangent, Inc. <sup>(15)</sup>	Software	Equity	0.17%	Preferred Series 3	100,000	402	175	
18578 NE 67th Court, Building 5								
Redmond, WA 98052								
<b>Subtotal: Software (1.85%)*</b>						12,432	15,151	

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Percentage Ownership	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Surgical Devices</b>							
Gynesonics, Inc. <sup>(15)</sup>	Surgical Devices	Equity	0.04%	Preferred Series B	219,298	\$ 250	\$ 41
301 Galveston Drive	Surgical Devices	Equity	0.13%	Preferred Series C	656,538	282	57
Redwood City, CA 94063	Surgical Devices	Equity	0.38%	Preferred Series D	1,991,157	712	772
	Surgical Devices	Equity	0.53%	Preferred Series E	2,786,367	429	507
<b>Total Gynesonics, Inc.</b>					<b>5,653,360</b>	<b>1,673</b>	<b>1,377</b>
Transmedics, Inc.	Surgical Devices	Equity	0.16%	Preferred Series B	88,961	1,100	507
200 Minuteman Road, Suite 302	Surgical Devices	Equity	0.22%	Preferred Series C	119,999	300	388
Andover, MA 01810	Surgical Devices	Equity	0.47%	Preferred Series D	260,000	650	1,243
	Surgical Devices	Equity	0.18%	Preferred Series F	100,200	500	600
<b>Total Transmedics, Inc.</b>					<b>569,160</b>	<b>2,550</b>	<b>2,738</b>
<b>Subtotal: Surgical Devices (0.50%)*</b>						<b>4,223</b>	<b>4,115</b>
<b>Sustainable and Renewable Technology</b>							
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Equity	0.00%	Common Stock	19,250	761	
4100 Alpha Road, Suite 900							
Dallas, TX 75244							
Glori Energy, Inc. <sup>(3)</sup>	Sustainable and Renewable Technology	Equity	0.06%	Common Stock	18,208	165	
4315 South Drive							
Houston, TX 77053							
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	0.83%	Preferred Series C	3,107,520	500	551
Northlake R&D Center, 1443 N. Northlake Way							
Seattle, WA 98103							
Proterra, Inc.	Sustainable and Renewable Technology	Equity	0.10%	Preferred Series 5	99,280	500	516
1 Whitlee Ct.							
Greenville, SC 29607							
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) <sup>(6)</sup>	Sustainable and Renewable Technology	Equity	33.30%	Common Stock	333	61,502	8,288
66 Franklin Street, Suite 310							
Oakland, CA 94607							

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**Subtotal: Sustainable and Renewable Technology (1.14%)\*** 63,428 9,355

**Total: Equity Investments (9.21%)\*** 135,080 75,316

**Warrant Investments**

**Biotechnology Tools**

Exicure, Inc. Biotechnology Tools Warrant 0.20% Preferred Series C 104,348 107 202  
8045 Lamon Avenue, Suite 410

Skokie, IL 60077

Labcyte, Inc.<sup>(15)</sup> Biotechnology Tools Warrant 0.85% Preferred Series C 1,127,624 323 397

1190 Borregas Avenue

Sunnyvale, CA 94089

**Subtotal: Biotechnology Tools (0.07%)\*** 430 599

**Communications & Networking**

PeerApp, Inc. Communications & Networking Warrant 0.39% Preferred Series B 298,779 61 27  
29 Crafts Street, Suite 260

Newton, MA 02458

Peerless Network Holdings, Inc. Communications & Networking Warrant 0.03% Preferred Series A 135,000 95 345

222 South Riverside Plaza, Suite 2730

Chicago, IL 60606

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Percentage Ownership</b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Spring Mobile Solutions, Inc. 11710 Plaza America Drive, Suite 2000 Reston, VA 20190	Communications & Networking	Warrant	0.62%	Common Stock	2,834,375	\$ 418	\$
<b>Subtotal: Communications &amp; Networking (0.05%)*</b>						574	372
<b>Consumer &amp; Business Products</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(15)</sup> 709N 400 W #3 North Salt Lake, UT 84054	Consumer & Business Products	Warrant	0.51%	Common Stock	1,662,441	228	
Intelligent Beauty, Inc. <sup>(15)</sup> 2301 Rosecrans Ave, Suite 4100 El Segundo, CA 90245	Consumer & Business Products	Warrant	0.35%	Preferred Series B	190,234	230	288
The Neat Company <sup>(15)</sup> 601 Market St., Suite 3500 Philadelphia, PA 19103	Consumer & Business Products	Warrant	0.01%	Preferred Series C-1	540,540	365	
<b>Subtotal: Consumer &amp; Business Products (0.04%)*</b>						823	288
<b>Drug Delivery</b>							
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)(15)</sup> 351 Galveston Drive Redwood City, CA 94063	Drug Delivery	Warrant	0.39%	Common Stock	176,730	785	36
Agile Therapeutics, Inc. <sup>(3)</sup> 101 Poor Farm Road Princeton, NJ 08540	Drug Delivery	Warrant	0.63%	Common Stock	180,274	730	136
Aprecia Pharmaceuticals Company 2010 Cabot Blvd., West Suite F Langhorne, PA 19047	Drug Delivery	Warrant	0.43%	Preferred Series A-1	735,981	366	31
BIND Therapeutics, Inc. <sup>(15)</sup> 325 Vassar St. Cambridge, MA 02139	Drug Delivery	Warrant	0.73%	Common Stock	152,586	488	
BioQ Pharma Incorporated	Drug Delivery	Warrant	1.55%	Common Stock	459,183	1	379

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185 Berry St., Ste 160							
San Francisco, CA 94107							
Celsion Corporation <sup>(3)</sup>	Drug Delivery	Warrant	0.34%	Common Stock	13,927	428	
997 Lenox Drive, Suite 100							
Lawrenceville, NJ 08648							
Dance Biopharm, Inc. <sup>(15)</sup>	Drug Delivery	Warrant	0.40%	Common Stock	110,882	74	
150 North Hill Drive, Suite 24							
Brisbane, CA 94005							
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	0.25%	Common Stock	78,595	390	266
300 Connell Dr., Suite 4000							
Berkeley Heights, NJ 07922							
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	0.47%	Preferred Series B	82,500	594	306
111 Virginia St., Ste 300							
Richmond, VA 23219							
Neos Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Warrant	0.26%	Common Stock	70,833	285	25
2940 N. Highway 360, Suite 400							
Grand Prairie, TX 75050							
Pulmatrix Inc. <sup>(3)</sup>	Drug Delivery	Warrant	0.12%	Common Stock	25,150	116	14
99 Hayden Avenue, Suite 390							
Lexington, MA 02421							

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Percentage Ownership	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(3)</sup> 34790 Ardentech Court Fremont, CA 94555	Drug Delivery	Warrant	0.18%	Common Stock	72,379	\$ 266	\$ 5
<b>Subtotal: Drug Delivery (0.15%)*</b>						4,523	1,198
<b>Drug Discovery &amp; Development</b>							
ADMA Biologics, Inc. <sup>(3)</sup> 465 Route 17 South Ramsey, NJ 07446	Drug Discovery & Development	Warrant	0.35%	Common Stock	89,750	295	15
Anthera Pharmaceuticals, Inc. <sup>(3)(15)</sup> 25801 Industrial Blvd., Suite B Hayward, CA 94545	Drug Discovery & Development	Warrant	0.05%	Common Stock	5,022	984	
Audentes Therapeutics, Inc. <sup>(3)(9)(15)</sup> 600 California Street, 17th Floor San Francisco, CA 94108	Drug Discovery & Development	Warrant	0.04%	Common Stock	9,914	62	82
Auris Medical Holding, AG <sup>(3)(4)(9)</sup> Dornacherstrasse 210 CH-4053, Basel Switzerland	Drug Discovery & Development	Warrant	0.35%	Common Stock	156,726	249	21
Aveo Pharmaceuticals, Inc. <sup>(3)(9)</sup> One Broadway, 9th Floor Cambridge, MA 02142	Drug Discovery & Development	Warrant	1.77%	Common Stock	2,069,880	396	2,089
Axovant Sciences Ltd. <sup>(3)(4)(9)</sup> 2 Church Street Hamilton, Bermuda HM11	Drug Discovery & Development	Warrant	0.26%	Common Stock	274,086	1,269	3,237
Brickell Biotech, Inc. 5777 Central Ave, Suite 102 Boulder, CO 80301	Drug Discovery & Development	Warrant	0.42%	Preferred Series C	26,086	119	124
Cerecor, Inc. <sup>(3)</sup> 400 East Pratt Street, Suite 606 Baltimore, MD 21202	Drug Discovery & Development	Warrant	0.16%	Common Stock	22,328	70	

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Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	0.59%	Common Stock	171,901	369	17
35 Gatehouse Drive							
Waltham, MA 02451							
Chroma Therapeutics, Ltd. <sup>(4)(9)</sup>	Drug Discovery & Development	Warrant	0.61%	Preferred Series D	325,261	490	
93 Innovation Drive, Milton Park							
Abingdon Oxon, UK OX14 4RZ							
Cleveland BioLabs, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	0.07%	Common Stock	7,813	105	1
73 High Street							
Buffalo, NY 14203							
Concert Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	0.58%	Common Stock	132,069	545	369
99 Hayden Avenue, Suite 500							
Lexington, MA 02421-7966							
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	0.07%	Common Stock	29,239	165	4
3101 Western Avenue, Suite 600							
Seattle, WA 98121							
CytRx Corporation <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	0.41%	Common Stock	634,146	416	150
11726 San Vicente Blvd., Suite 650							
Los Angeles, CA 90049							
Dicerna Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	0.00%	Common Stock	200	28	
87 Cambridge Park Dr							
Cambridge, MA 02140							



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Epirus Biopharmaceuticals, Inc. 99 High Street Boston, MA 02110-2320	Drug Discovery & Development	Warrant	0.25%	Common Stock	64,194	\$ 276	\$
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) <sup>(3)</sup> 2 Gansevoort Street, 9th Floor New York, NY 10014	Drug Discovery & Development	Warrant	0.14%	Common Stock	73,009	142	54
Genocea Biosciences, Inc. <sup>(3)</sup> 100 Acorn Park Drive, 5th Floor Cambridge, MA 02140	Drug Discovery & Development	Warrant	0.26%	Common Stock	73,725	266	86
Immune Pharmaceuticals <sup>(3)</sup> 430 East 29th St., Suite 940 New York, NY 10016	Drug Discovery & Development	Warrant	0.11%	Common Stock	10,742	164	
Melinta Therapeutics 300 TriState International, Suite 272 Lincolnshire, IL 60069	Drug Discovery & Development	Warrant	0.48%	Preferred Series 3	1,382,323	626	564
Nanotherapeutics, Inc. <sup>(15)</sup> 13200 NW Nano Court Alachua, FL 32615	Drug Discovery & Development	Warrant	2.67%	Common Stock	171,389	838	245
Neothetics, Inc. (p.k.a. Lithera, Inc.) <sup>(3)(15)</sup> 9171 Towne Centre Drive, Suite 270 San Diego, CA 92122	Drug Discovery & Development	Warrant	0.34%	Common Stock	46,838	266	11
Neuralstem, Inc. <sup>(3)(15)</sup> 20271 Goldenrod Lane, 2nd floor Germantown, MD 20876	Drug Discovery & Development	Warrant	0.05%	Common Stock	5,783	77	2
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)(15)</sup> 75 Park Plaza, 4th Floor Boston, MA 02116	Drug Discovery & Development	Warrant	0.27%	Common Stock	75,214	178	477
PhaseRx, Inc. <sup>(3)(15)</sup> 4 10 West Harrison Street, Suite 300	Drug Discovery & Development	Warrant	0.54%	Common Stock	63,000	125	4

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Seattle, WA 98119

Savara Inc. (p.k.a. Mast Therapeutics, Inc.)	Drug Discovery & Development	Warrant	0.13%	Common Stock	32,467	203	50
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900 S. Capital of Texas Highway, Suite 150

Austin, TX 78746

Sorrento Therapeutics, Inc.	Drug Discovery & Development	Warrant	0.40%	Common Stock	306,748	890	180
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9380 Judicial Dr

San Diego, CA 92121

Stealth Bio Therapeutics Corp.	Drug Discovery & Development	Warrant	0.09%	Preferred Series A	487,500	116	116
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275 Grove Street, Suite 3-107

Newton, MA 02466

uniQure B.V.	Drug Discovery & Development	Warrant	0.15%	Common Stock	37,174	218	10
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Tafelbergweg 51

Amsterdam, The Netherlands 1105 BD

XOMA Corporation	Drug Discovery & Development	Warrant	0.12%	Common Stock	9,063	279	10
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2910 Seventh Street

Berkeley, CA 94710

<b>Subtotal: Drug Discovery &amp; Development (0.97%)*</b>						10,226	7,918
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**Electronics & Computer Hardware**

908 DEVICES INC. <sup>(15)</sup>	Electronics & Computer Hardware	Warrant	0.26%	Preferred Series D	79,856	100	114
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27 Drydock Avenue, 7th Floor

Boston, MA 02210

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Percentage Ownership	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Clustrix, Inc. 201 Mission Street, Suite 800 San Francisco, CA 94105	Electronics & Computer Hardware	Warrant	0.23%	Common Stock	50,000	\$ 12	\$
<b>Subtotal: Electronics &amp; Computer Hardware (0.01%)*</b>						112	114
<b>Healthcare Services, Other</b>							
Chromadex Corporation <sup>(3)(15)</sup> 10005 Muirlands Boulevard, Suite G, First Floor Irvine, CA 92618	Healthcare Services, Other	Warrant	0.30%	Common Stock	139,673	157	155
<b>Subtotal: Healthcare Services, Other (0.02%)*</b>						157	155
<b>Information Services</b>							
INMOBI Inc. <sup>(4)(9)</sup> 475 Brannan St., Suite 420 San Francisco, CA 94107	Information Services	Warrant	0.11%	Common Stock	46,874	82	
InXpo, Inc. <sup>(15)</sup> 770 N Halsted Street, Suite 6s Chicago, IL 60642	Information Services	Warrant	0.61%	Preferred Series C	648,400	98	15
	Information Services	Warrant	1.09%	Preferred Series C-1	1,165,183	74	27
<b>Total InXpo, Inc.</b>					1,813,583	172	42
MDX Medical, Inc. <sup>(15)</sup> 160 Chubb Avenue, Suite 301 Lyndhurst, NJ 07071	Information Services	Warrant	0.70%	Common Stock	2,250,000	246	215
RichRelevance, Inc. 633 Folsom Street, 4th Floor San Francisco, CA 94107	Information Services	Warrant	0.13%	Preferred Series E	112,612	98	
<b>Subtotal: Information Services (0.03%)*</b>						598	257
<b>Internet Consumer &amp; Business Services</b>							
Aria Systems, Inc. 575 Market Street, 32nd Floor San Francisco, CA 94105	Internet Consumer & Business Services	Warrant	0.11%	Preferred Series E	239,692	73	

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Blurb, Inc. <sup>(15)</sup> 580 California St., Suite 300 San Francisco, CA 94104	Internet Consumer & Business Services	Warrant	0.40%	Preferred Series C	234,280	636	61
CashStar, Inc. <sup>(15)</sup> 25 Pearl Street Portland, ME 04101	Internet Consumer & Business Services	Warrant	0.43%	Preferred Series C-2	727,272	130	30
ClearObject, Inc. (p.k.a. CloudOne, Inc.) 8626 E 116th Street, Suite 300 Fishers, IN 46038	Internet Consumer & Business Services	Warrant	0.59%	Preferred Series E	968,992	19	112
Intent Media, Inc. <sup>(15)</sup> 315 Hudson St., 9th Floor New York, NY 10013	Internet Consumer & Business Services	Warrant	0.48%	Common Stock	140,077	168	148
Just Fabulous, Inc. 2301 Rosecrans Avenue, Suite 5000 El Segundo, CA 90245	Internet Consumer & Business Services	Warrant	0.39%	Preferred Series B	206,184	1,102	1,850
Lightspeed POS, Inc. <sup>(4)(9)</sup> 700 St-Antoine Est, Suite 300 Montreal, Canada H2Y1A6	Internet Consumer & Business Services	Warrant	0.10%	Preferred Series C	245,610	20	25
LogicSource <sup>(15)</sup> 20 Marshall Street South Norwalk, CT 06854	Internet Consumer & Business Services	Warrant	0.41%	Preferred Series C	79,625	30	32

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Oportun (p.k.a. Progress Financial) 1600 Seaport Blvd., Suite 250 Redwood City, CA 94063	Internet Consumer & Business Services	Warrant	0.07%	Preferred Series G	174,562	\$ 78	\$ 175
ShareThis, Inc. <sup>(15)</sup> 4005 Miranda Avenue, Suite 100 Palo Alto, CA 94304	Internet Consumer & Business Services	Warrant	0.91%	Preferred Series C	493,502	547	
Snagajob.com, Inc. 1919 N Lynn Street, 7th Floor Arlington, VA 22209	Internet Consumer & Business Services	Warrant	0.79%	Preferred Series A	1,575,000	640	782
Tapjoy, Inc. 111 Sutter Street, 12th Floor San Francisco, CA 94104	Internet Consumer & Business Services	Warrant	0.41%	Preferred Series D	748,670	316	1
<b>Subtotal: Internet Consumer &amp; Business Services (0.39%)*</b>						3,759	3,216
<b>Media/Content/Info</b>							
FanDuel, Inc. 300 Park Avenue South, 14th Floor New York, NY 10005	Media/Content/Info	Warrant	0.09%	Preferred Series E-1	4,648	730	851
Machine Zone, Inc. <sup>(16)</sup> 1050 Page Mill Road Palo Alto, CA 94304	Media/Content/Info	Warrant	0.12%	Common Stock	1,552,710	1,958	4,484
Rhapsody International, Inc. <sup>(15)</sup> 701 5th Ave., Suite 3100 Seattle, WA 98104	Media/Content/Info	Warrant	0.50%	Common Stock	715,755	385	17
WP Technology, Inc. (Wattpad, Inc.) <sup>(4)(9)</sup> 4950 Yonge Street, Suite 208 Toronto, ON M2M 3V5	Media/Content/Info	Warrant	0.11%	Common Stock	255,818	4	8
Zoom Media Group, Inc. 345 7th Avenue, Suite 1501 New York, NY 10001	Media/Content/Info	Warrant	0.44%	Preferred Series A	1,204	348	21

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Subtotal: Media/Content/Info (0.66%)\*

3,425 5,381

**Medical Devices & Equipment**

Amedica Corporation <sup>(3)(15)</sup> 1885 West 2100 South Salt Lake City, UT 84119	Medical Devices & Equipment	Warrant	0.28%	Common Stock	103,225	459	5
Aspire Bariatrics, Inc. <sup>(15)</sup> 3200 Horizon Drive, Suite 100 King of Prussia, PA 19406	Medical Devices & Equipment	Warrant	1.03%	Preferred Series B-1	112,858	455	303
Avedro, Inc. <sup>(15)</sup> 201 Jones Rd., 5th Floor Waltham MA 02451	Medical Devices & Equipment	Warrant	0.59%	Preferred Series AA	300,000	401	316
Flowonix Medical Incorporated 500 International Drive, Suite 200 Mount Olive, NJ 07828	Medical Devices & Equipment	Warrant	0.76%	Preferred Series AA	155,325	362	
Gelesis, Inc. <sup>(15)</sup> 500 Boylston Street, Suite 1600 Boston, MA 02116	Medical Devices & Equipment	Warrant	0.47%	Preferred Series A-1	74,784	78	215
InspireMD, Inc. <sup>(3)(4)(9)</sup> 4 Menorat Hamaor Street, 3rd Floor Tel Aviv, Israel 67448	Medical Devices & Equipment	Warrant	0.53%	Common Stock	39,364	242	1
IntegenX, Inc. <sup>(15)</sup> 5720 Stoneridge Drive, Suite 300 Pleasanton, CA 94588	Medical Devices & Equipment	Warrant	0.74%	Preferred Series C	547,752	15	33

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Medrobotics Corporation <sup>(15)</sup> 475 Paramount Drive Raynham, MA 02767	Medical Devices & Equipment	Warrant	0.40%	Preferred Series E	455,539	\$ 370	\$ 360
Micell Technologies, Inc. 801 Capitola Drive, Suite 1 Durham, NC 27713	Medical Devices & Equipment	Warrant	0.40%	Preferred Series D-2	84,955	262	277
NetBio, Inc. 266 Second Avenue Waltham, MA 02451	Medical Devices & Equipment	Warrant	0.90%	Preferred Series A	7,841	408	123
NinePoint Medical, Inc. <sup>(15)</sup> 2 Oak Park Dr. Bedford, MA 01730	Medical Devices & Equipment	Warrant	0.30%	Preferred Series A-1	587,840	170	73
Optiscan Biomedical, Corp. <sup>(5)(15)</sup> 24590 Clawiter Road Hayward, CA 94545	Medical Devices & Equipment	Warrant	0.75%	Preferred Series D	10,535,275	1,252	180
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) 1830 Bering Drive San Jose, CA 95112	Medical Devices & Equipment	Warrant	0.41%	Preferred Series A	500,000	402	410
Quanterix Corporation 113 Hartwell Avenue Lexington, MA 02421	Medical Devices & Equipment	Warrant	0.29%	Preferred Series C	173,428	180	82
	Medical Devices & Equipment	Warrant	0.06%	Preferred Series D	38,828	25	16
Total Quanterix Corporation Sebacia <sup>(15)</sup> 2905 Premiere Parkway, Suite 150 Duluth, GA 30097	Medical Devices & Equipment	Warrant	0.59%	Preferred Series D	778,301	133	133
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) 10130 Perimeter Parkway, Suite 250 Charlotte, NC 28216	Medical Devices & Equipment	Warrant	0.02%	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) <sup>(3)</sup>	Medical Devices & Equipment	Warrant	0.57%	Common Stock	13,864	402	

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100 Lakeside Drive, Suite 100								
Horsham, PA 19044								
Tela Bio, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Warrant	0.17%	Preferred Series B	129,310	20	12	
One Great Valley Pkwy, Suite 24								
Malvern, PA 19355								
ViewRay, Inc. <sup>(3)(15)</sup>	Medical Devices & Equipment	Warrant	0.22%	Common Stock	128,231	333	130	
2 Thermo Fisher Way Oakwood								
Village, OH 44146								
<b>Subtotal: Medical Devices &amp; Equipment (0.33%)*</b>						6,157	2,669	
<b>Semiconductors</b>								
Achronix Semiconductor Corporation <sup>(15)</sup>	Semiconductors	Warrant	0.11%	Preferred Series C	360,000	160	15	
	Semiconductors	Warrant	0.24%	Preferred Series D-2	750,000	99	307	
2953 Bunker Hill Lane, Suite 101								
Santa Clara, CA 95054								
Total Achronix Semiconductor Corporation					1,110,000	259	322	
Aquantia Corp.	Semiconductors	Warrant	0.07%	Preferred Series G	196,831	4	168	
105 E. Tasman Drive								
San Jose, CA 95134								



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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Percentage Ownership	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Avnera Corporation	Semiconductors	Warrant	0.28%	Preferred Series E	141,567	\$ 46	\$ 114
1600 NW Compton Drive, Ste 300.							
Beaverton, OR 97006							
<b>Subtotal: Semiconductors (0.07%)*</b>						309	604
<b>Software</b>							
Actifio, Inc.	Software	Warrant	0.08%	Common Stock	73,584	249	79
333 Wyman Street, Waltham							
Waltham, MA 02451							
Total Actifio, Inc.					105,257	592	139
Braxton Technologies, LLC	Software	Warrant	0.63%	Preferred Series A	168,750	188	
6 North Tejon Street, Suite 220							
Colorado Springs, CO 80903							
CareCloud Corporation <sup>(15)</sup>	Software	Warrant	0.62%	Preferred Series B	413,433	258	634
5200 Blue Lagoon Drive, Suite 900							
Miami, FL 33126							
Clickfox, Inc. <sup>(15)</sup>	Software	Warrant	1.43%	Preferred Series B	1,038,563	330	152
3445 Peachtree Road, Suite 450							
Atlanta, GA 30326							
Total Clickfox, Inc.					3,848,796	1,290	4,008
Cloud Technology Partners, Inc.	Software	Warrant	0.39%	Preferred Series C	113,960	34	4
321 Summer Street, 5th Floor							
Boston, MA 02210							
Evernote Corporation <sup>(15)</sup>	Software	Warrant	0.06%	Common Stock	62,500	106	131
305 Walnut Street							
Redwood City, CA 94063							
Fuze, Inc. <sup>(15)</sup>	Software	Warrant	0.18%	Preferred Series F	256,158	89	89
2 Copley Place, Floor 7							
Boston, MA 02116							
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(15)</sup>	Software	Warrant	0.46%	Preferred Series E	614,333	16	

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21250 Hawthorne Boulevard, Suite 380								
Torrance, CA 90503								
Mattersight Corporation <sup>(3)</sup>	Software	Warrant	1.09%	Common Stock	357,143	538	173	
200 W. Madison, Suite 3100								
Chicago, IL 60606								
Message Systems, Inc. <sup>(15)</sup>	Software	Warrant	1.06%	Preferred Series C	503,718	334	306	
9130 Guilford Road								
Columbia, MD 21046								
Mobile Posse, Inc. <sup>(15)</sup>	Software	Warrant	1.06%	Preferred Series C	396,430	130	130	
1010 N. Glebe Road, Suite 200								
Arlington, VA 22201								
Neos, Inc. <sup>(15)</sup>	Software	Warrant	0.10%	Common Stock	221,150	22	18	
6210 Stoneridge Mall, Suite 450								
Pleasanton, CA 94588								
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Warrant	0.10%	Preferred Series E	225,586	33	125	
Viables Business Park, Jays Close								
Basingstoke, UK RG22 4BS								
OneLogin, Inc. <sup>(15)</sup>	Software	Warrant	0.41%	Common Stock	228,972	150	348	
150 Spear Street, Suite 1400								
San Francisco, CA 94105								

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Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Percentage Ownership	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Poplicus, Inc. <sup>(15)</sup> 19 South Park St. San Francisco, CA 94107	Software	Warrant	0.55%	Preferred Series C	2,595,230	\$	\$ 5
Quid, Inc. <sup>(15)</sup> 600 Harrison Street, Suite 400 San Francisco, CA 94107	Software	Warrant	0.07%	Preferred Series D	71,576	1	5
RedSeal Inc. <sup>(15)</sup> 940 Stewart Drive, Suite 101 Sunnyvale, CA 94085	Software	Warrant	0.14%	Preferred Series C-Prime	640,603	66	81
Signpost, Inc. <sup>(15)</sup> 127 W 26th St., Floor 2 New York, NY 10001	Software	Warrant	0.82%	Preferred Series C	324,005	314	130
Sonian, Inc. <sup>(15)</sup> 3 Allied Drive, Suite 155 Dedham, MA 02026	Software	Warrant	0.51%	Preferred Series C	185,949	106	109
Wrike, Inc. 10 Almaden Blvd, Suite 1000 San Jose, CA 95113	Software	Warrant	0.98%	Common Stock	139,751	462	691
<b>Subtotal: Software (0.87%)*</b>						4,729	7,126
<b>Specialty Pharmaceuticals</b>							
Alimera Sciences, Inc. <sup>(3)</sup> 6120 Windward Parkway, Suite 290 Alpharetta, GA 30005	Specialty Pharmaceuticals	Warrant	2.65%	Common Stock	1,717,709	861	584
<b>Subtotal: Specialty Pharmaceuticals (0.07%)*</b>						861	584
<b>Surgical Devices</b>							
Gynesonics, Inc. <sup>(15)</sup> 301 Galveston Drive Redwood City, CA 94063	Surgical Devices	Warrant	0.03%	Preferred Series C	180,480	75	14
	Surgical Devices	Warrant	0.30%	Preferred Series D	1,575,965	320	278

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Total Gynesonics, Inc.					1,756,445	395	292
Transmedics, Inc.	Surgical Devices	Warrant	0.07%	Preferred Series B	40,436	225	12
	Surgical Devices	Warrant	0.32%	Preferred Series D	175,000	100	543
200 Minuteman Road, Suite 302	Surgical Devices	Warrant	0.09%	Preferred Series F	50,544	38	66
Andover, MA 01810							
Total Transmedics, Inc.					265,980	363	621
<b>Subtotal: Surgical Devices (0.11%)*</b>						758	913
<b>Sustainable and Renewable Technology</b>							
Agrivida, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	0.44%	Preferred Series D	471,327	120	110
200 Boston Avenue							
Medford, MA 02155							
Alphabet Energy, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	0.05%	Preferred Series 1B	13,667	82	
26225 Eden Landing Road, Suite D							
Hayward, CA 94545							
American Superconductor Corporation <sup>(3)</sup>	Sustainable and Renewable Technology	Warrant	0.31%	Common Stock	58,823	39	29
64 Jackson Rd.							
Devens, MA 01434							
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	0.22%	Preferred Series 1	116,666	104	
1999 Harrison Street, Suite 2150							
Oakland, CA 94612							

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Percentage Ownership</b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Calera, Inc. <sup>(15)</sup> 485 Alberto Way, #210 Los Gatos, CA 95032	Sustainable and Renewable Technology	Warrant	0.17%	Preferred Series C	44,529	\$ 513	\$
EcoMotors, Inc. <sup>(15)</sup> 17000 Federal Dr., Suite 200 Allen Park, MI 48101	Sustainable and Renewable Technology	Warrant	0.68%	Preferred Series B	437,500	308	51
Fluidic, Inc. 8455 North 90th Street, Suite 4 Scottsdale, AZ 85258	Sustainable and Renewable Technology	Warrant	0.11%	Preferred Series D	61,804	102	4
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) 4100 Alpha Road, Suite 900 Dallas, TX 75244	Sustainable and Renewable Technology	Warrant	0.05%	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	0.00%	Preferred Series 2-A	6,229	50	
Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)					537,040	231	
Fulcrum Bioenergy, Inc. 4900 Hopyard Road, Suite 220 Pleasanton, CA 94588	Sustainable and Renewable Technology	Warrant	0.24%	Preferred Series C-1	280,897	275	292
GreatPoint Energy, Inc. <sup>(15)</sup> 2215 W. Harrison St. Chicago, IL 60612	Sustainable and Renewable Technology	Warrant	0.12%	Preferred Series D-1	393,212	548	
Polyera Corporation <sup>(15)</sup> 8045 Lamon Avenue, #140 Skokie, IL 60077	Sustainable and Renewable Technology	Warrant	0.97%	Preferred Series C	311,609	338	
Proterra, Inc. 1 Whitlee Ct. Greenville, SC 29607	Sustainable and Renewable Technology	Warrant	0.46%	Preferred Series 4	477,517	41	548
Rive Technology, Inc. <sup>(15)</sup> 1 Deer Park Drive, Suite A Monmouth Junction, NJ 08852	Sustainable and Renewable Technology	Warrant	0.37%	Preferred Series E	234,477	12	4

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Stion Corporation <sup>(5)</sup> 6321 San Ignacio Avenue San Jose, CA 95119	Sustainable and Renewable Technology	Warrant	7.89%	Preferred Series Seed	2,154	1,378	
TAS Energy, Inc. 6110 Cullen Blvd. Houston, TX 77021	Sustainable and Renewable Technology	Warrant	0.10%	Preferred Series AA	428,571	299	
Tendril Networks 2580 55th Street, Suite 100 Boulder, CO 80301	Sustainable and Renewable Technology	Warrant	0.47%	Preferred Series 3-A	1,019,793	189	98
<b>Subtotal: Sustainable and Renewable Technology (0.14%)*</b>						4,579	1,136
<b>Total: Warrant Investments (3.98%)*</b>						42,020	32,530
<b>Total Investments (170.71%)*</b>						\$ 1,501,139	\$ 1,395,469

\* Value as a percentage of net assets

\*\* Percentage is based on the latest available information. Our portfolio companies are constantly experiencing changes to their capital structure, which the portfolio companies have no obligation to disclose and may impact our percentage of ownership.

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for U.S. federal income tax purposes totaled \$22.2 million, \$135.8 million and \$113.6 million respectively. The tax cost of investments is \$1.5 billion.
- (3) Except for warrants in 39 publicly traded companies and common stock in 17 publicly traded companies, all investments are restricted at June 30, 2017 and were valued at fair value as determined in good faith by the Company's board of directors (the Board of Directors). No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

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- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the 1940 Act ) in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
- (7) Debt is on non-accrual status at June 30, 2017, and is therefore considered non-income producing. Note that at June 30, 2017, only the \$11.0 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (8) Denotes that all or a portion of the debt investment is convertible debt.
- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (14) Denotes that all or a portion of the debt investment includes an exit fee receivable.
  - A. This fee ranges from 1.0% to 5.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
  - B. This fee ranges from 5.0% to 10.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
  - C. This fee ranges from 10.0% to 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment companies, or SBIC, subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at June 30, 2017.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at June 30, 2017. Refer to Note 10.
- (18) Repayment of debt investment is delinquent of the contractual maturity date as of June 30, 2017.
- (19) The stated PIK interest rate may be reduced to 1.45% subject to achievement of a milestone by the portfolio company.

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Information about our senior securities is shown in the following table for the periods as of December 31, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007. The information as of December 31, 2016, 2015, 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2016 is attached as an exhibit to the registration statement of which this prospectus is a part. The N/A indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities<sup>(1)</sup></b>	<b>Asset Coverage per Unit<sup>(2)</sup></b>	<b>Average Market Value per Unit<sup>(3)</sup></b>
<b>Securitized Credit Facility with Wells Fargo Capital Finance</b>			
December 31, 2007	\$ 79,200,000	\$ 6,755	N/A
December 31, 2008	\$ 89,582,000	\$ 6,689	N/A
December 31, 2009(6)			N/A
December 31, 2010(6)			N/A
December 31, 2011	\$ 10,186,830	\$ 73,369	N/A
December 31, 2012(6)			N/A
December 31, 2013(6)			N/A
December 31, 2014(6)			N/A
December 31, 2015	\$ 50,000,000	\$ 26,352	N/A
December 31, 2016	\$ 5,015,620	\$ 290,234	N/A
December 31, 2017 (as of June 30, 2017, unaudited)(6)			N/A
<b>Securitized Credit Facility with Union Bank, NA</b>			
December 31, 2009(6)			N/A
December 31, 2010(6)			N/A
December 31, 2011(6)			N/A
December 31, 2012(6)			N/A
December 31, 2013(6)			N/A
December 31, 2014(6)			N/A
December 31, 2015(6)			N/A
December 31, 2016(6)			N/A
December 31, 2017 (as of June 30, 2017, unaudited)(6)			N/A
<b>Small Business Administration Debentures (HT II)(4)</b>			
December 31, 2007	\$ 55,050,000	\$ 9,718	N/A
December 31, 2008	\$ 127,200,000	\$ 4,711	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 150,000,000	\$ 3,942	N/A
December 31, 2011	\$ 125,000,000	\$ 5,979	N/A
December 31, 2012	\$ 76,000,000	\$ 14,786	N/A
December 31, 2013	\$ 76,000,000	\$ 16,075	N/A
December 31, 2014	\$ 41,200,000	\$ 31,535	N/A
December 31, 2015	\$ 41,200,000	\$ 31,981	N/A
December 31, 2016	\$ 41,200,000	\$ 35,333	N/A
December 31, 2017 (as of June 30, 2017, unaudited)	\$ 41,200,000	\$ 38,443	N/A
<b>Small Business Administration Debentures (HT III)(5)</b>			
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A
December 31, 2011	\$ 100,000,000	\$ 7,474	N/A
December 31, 2012	\$ 149,000,000	\$ 7,542	N/A
December 31, 2013	\$ 149,000,000	\$ 8,199	N/A
December 31, 2014	\$ 149,000,000	\$ 8,720	N/A
December 31, 2015	\$ 149,000,000	\$ 8,843	N/A
December 31, 2016	\$ 149,000,000	\$ 9,770	N/A
December 31, 2017 (as of June 30, 2017, unaudited)	\$ 149,000,000	\$ 10,630	N/A





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<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities<sup>(1)</sup></b>	<b>Asset Coverage per Unit<sup>(2)</sup></b>	<b>Average Market Value per Unit<sup>(3)</sup></b>
<b>2016 Convertible Notes</b>			
December 31, 2011	\$ 75,000,000	\$ 10,623	\$ 885
December 31, 2012	\$ 75,000,000	\$ 15,731	\$ 1,038
December 31, 2013	\$ 75,000,000	\$ 16,847	\$ 1,403
December 31, 2014	\$ 17,674,000	\$ 74,905	\$ 1,290
December 31, 2015	\$ 17,604,000	\$ 74,847	\$ 1,110
December 31, 2016			
<b>April 2019 Notes</b>			
December 31, 2012	\$ 84,489,500	\$ 13,300	\$ 986
December 31, 2013	\$ 84,489,500	\$ 14,460	\$ 1,021
December 31, 2014	\$ 84,489,500	\$ 15,377	\$ 1,023
December 31, 2015	\$ 64,489,500	\$ 20,431	\$ 1,017
December 31, 2016	\$ 64,489,500	\$ 22,573	\$ 1,022
December 31, 2017 (as of June 30, 2017, unaudited)			
<b>September 2019 Notes</b>			
December 31, 2012	\$ 85,875,000	\$ 13,086	\$ 1,003
December 31, 2013	\$ 85,875,000	\$ 14,227	\$ 1,016
December 31, 2014	\$ 85,875,000	\$ 15,129	\$ 1,026
December 31, 2015	\$ 45,875,000	\$ 28,722	\$ 1,009
December 31, 2016	\$ 45,875,000	\$ 31,732	\$ 1,023
December 31, 2017 (as of June 30, 2017, unaudited)			
<b>2024 Notes</b>			
December 31, 2014	\$ 103,000,000	\$ 12,614	\$ 1,010
December 31, 2015	\$ 103,000,000	\$ 12,792	\$ 1,014
December 31, 2016	\$ 252,873,175	\$ 5,757	\$ 1,016
December 31, 2017 (as of June 30, 2017, unaudited)	\$ 258,509,600	\$ 6,127	\$ 1,019
<b>2017 Asset-Backed Notes</b>			
December 31, 2012	\$ 129,300,000	\$ 8,691	\$ 1,000
December 31, 2013	\$ 89,556,972	\$ 13,642	\$ 1,004
December 31, 2014	\$ 16,049,144	\$ 80,953	\$ 1,375
December 31, 2015			
<b>2021 Asset-Backed Notes</b>			
December 31, 2014	\$ 129,300,000	\$ 10,048	\$ 1,000
December 31, 2015	\$ 129,300,000	\$ 10,190	\$ 996
December 31, 2016	\$ 109,205,263	\$ 13,330	\$ 1,002
December 31, 2017 (as of June 30, 2017, unaudited)	\$ 87,677,604	\$ 18,064	\$ 1,002
<b>2022 Convertible Notes</b>			
December 31, 2017 (as of June 30, 2017, unaudited)	\$ 230,000,000	\$ 6,886	\$ 1,028
<b>Total Senior Securities<sup>(7)</sup></b>			
December 31, 2007	\$ 134,250,000	\$ 3,985	N/A
December 31, 2008	\$ 216,782,000	\$ 2,764	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 170,000,000	\$ 3,478	N/A
December 31, 2011	\$ 310,186,830	\$ 2,409	N/A
December 31, 2012	\$ 599,664,500	\$ 1,874	N/A
December 31, 2013	\$ 559,921,472	\$ 2,182	N/A
December 31, 2014	\$ 626,587,644	\$ 2,073	N/A
December 31, 2015	\$ 600,468,500	\$ 2,194	N/A
December 31, 2016	\$ 667,658,558	\$ 2,180	N/A
December 31, 2017 (as of June 30, 2017, unaudited)	\$ 766,387,204	\$ 2,067	N/A

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

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- (2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, including senior securities not subject to asset coverage requirements under the 1940 Act due to exemptive relief from the SEC, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage per Unit.
- (3) Not applicable because senior securities are not registered for public trading.
- (4) Issued by HT II, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (5) Issued by HT III, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (6) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
- (7) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 Act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of June 30, 2017 our asset coverage ratio under our regulatory requirements as a business development company was 241.9% excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.

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Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors elects our officers who serve at the discretion of the Board of Directors. Our Board of Directors currently consists of seven members, one who is an interested person of the Company as defined in Section 2(a)(19) of the 1940 Act and six who are not interested persons and who we refer to as our independent directors.

**Directors, Executive Officers and Key Employees**

Our executive officers, directors and key employees and their positions are set forth below. Information regarding our current Board of Directors is set forth below as of June 30, 2017. The address for each executive officer, director and key employee is c/o Hercules Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

<b>Name</b>	<b>Age</b>	<b>Positions</b>
<b><i>Interested Director:</i></b>		
Manuel A. Henriquez <sup>(1)</sup>	53	Chairman of the Board of Directors, President and Chief Executive Officer
<b><i>Independent Directors:</i></b>		
Robert P. Badavas	64	Director
Allyn C. Woodward, Jr.	76	Director
Thomas J. Fallon	56	Director
Susanne D. Lyons	60	Director
Joseph F. Hoffman	68	Director
Doreen Woo Ho	70	Director
<b><i>Executive Officers:</i></b>		
Mark Harris	47	Chief Financial Officer and Chief Accounting Officer
Melanie Grace	48	General Counsel and Chief Compliance Officer
Scott Bluestein	39	Chief Investment Officer
Andrew Olson	34	Vice President of Finance and Senior Controller <sup>(2)</sup>

(1) Mr. Henriquez is an interested person, as defined in section 2(a)(19) of the 1940 Act, of the Company due to his position as an executive officer of the Company.

(2) Mr. Olson announced his resignation, effective July 21, 2017, from his position as Vice President of Finance and Senior Controller. Gerard R. Waldt, Jr., the Company's current Assistant Controller, will assume the position of Controller.

Set forth below is information regarding our current directors, including each director's (i) name and age; (ii) a brief description of their recent business experience, including present occupations and employment during at least the past five years; (iii) directorships, if any, that each director holds and has held during the past five years; and (iv) the year in which each person became a director of the Company. As the information that follows indicates, the nominee and each continuing director brings strong and unique experience, qualifications, attributes, and skills to the Board of Directors. This provides the Board of Directors, collectively, with competence, experience, and perspective in a variety of areas, including: (i) corporate governance and Board service; (ii) executive management, finance, and accounting; (iii) venture capital financing with a technology-related focus; (iv) business acumen; and (v) an ability to exercise sound judgment.

Moreover, the nominating and corporate governance committee believes that it is important to seek a broad diversity of experience, professions, skills, geographic representation and backgrounds. The nominating and corporate governance committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities. Our Board of Directors does not have

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a specific diversity policy, but considers diversity of race, religion, national origin, gender, sexual orientation, disability, cultural background and professional experiences in evaluating candidates for Board membership.

For each director, we have highlighted certain key areas of experience that qualify him or her to serve on the Board of Directors in each of their respective biographies below.

<b>Name, Address, and Age Independent Directors</b>	<b>Position(s) held with Company</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Other Directorships Held by Director or Nominee for Director During the past 5 years<sup>(2)</sup></b>
Susanne D. Lyons (60)	Director	Class I Director since 2015	Retired. Chief Marketing Officer, VISA from 2005-2007.	None.
Robert P. Badavas (64)	Director	Class I Director since 2006	Retired. Chairman and Chief Executive Officer of PlumChoice, provider of remote technical services and support, from 2011-2016.	Constant Contract, Inc., an online marketing company, from 2007-2016.
Thomas J. Fallon (56)	Director	Class II Director since 2014	Chief Executive Officer of Infinera Corporation, manufacturer of high capacity optical transmission equipment, since 2010.	Infinera Corporation since 2014.
Allyn C. Woodward, Jr. (76)	Director	Class II Director since 2004	Retired. Vice Chairman and Director of Adams Harkness Financial Group, an institutional investment bank, from 2001-2006.	None.
Joseph F. Hoffman (68)	Director	Class III Director since 2015	Retired. SEC Reviewing Partner and Silicon Valley Professional for KPMG from 1998-2009.	None.
Doreen Woo Ho (70)	Director	Class III Director since 2016	Commissioner of the San Francisco Port Commission since May, 2011 and served as President from 2012 to 2014.	U.S. Bank since 2012.
<b>Interested Director</b> Manuel A. Henriquez (53) <sup>(3)</sup>	Director, Chief Executive Officer and Chairman of the Board of Directors	Class III since 2004	Hercules Capital, Inc. since 2004.	None.

(1) The address for each officer and director is c/o Hercules Capital, Inc., 400 Hamilton Avenue., Suite 310, Palo Alto, California 94301.

(2) No director otherwise serves as a director of an investment company subject to the 1940 Act.

(3) Mr. Henriquez is an interested director due to his position as an officer of the Company.

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**Interested Director**

**Manuel A. Henriquez**

**Board Committee:**  
N/A

**Independent:**  
No

Mr. Henriquez, age 53, is a co-founder of Hercules and has been our Chairman and Chief Executive Officer since 2004 and our President (since 2005) and his term expires in 2019.

**Prior Business** Partner, VantagePoint Venture Partners, a \$2.5 billion multi-stage technology venture fund (2000-2003)

**Experience:** President and Chief Investment Officer, Comdisco Ventures, a division of Comdisco, Inc., a leading technology and financial services company (1999-2000)

Managing Director, Comdisco Ventures (1997-1999)

Senior Member, Investment Team, Comdisco Ventures (1997-2000)

**Private** Northeastern University, a global, experiential research university

**Directorships/ Memberships:** Vice Chairman of the board of directors of Lucile Packard Foundation for Children's Health, the sole fundraising entity for Lucile Packard Children's Hospital and the child health programs at Stanford University School of Medicine, and Chairman of the Compensation Committee, Member of the Investment Committee, and Member of the Executive Committee of the board of directors

Children's Health Council, a diagnostic and treatment center for children and adolescents facing developmental and behavioral challenges, Chairman of the Finance Committee and Chairman of the Investment Committee, and Corporate Treasurer and Member of the Executive Committee of the board of directors

**Education:** Bachelor's degree in Business Administration from Northeastern University

**Skills/** In particular, Mr. Henriquez's key areas of skills/qualifications include, but are not limited to:

**Qualifications:**

**Client Industries** vast array of knowledge in venture capital financing, including software, life sciences and clean tech

**Banking/Financial Services** extensive experience with equity and debt financings as well SEC rules and regulations and business development companies

**Leadership/Strategy** current role as chairman and CEO as well as officer and director experience in several private and public companies and knowledge of financial risk assessment

**Finance/IT and Other Business Processes** extensive experience in IT and supervising IT internal control and procedures

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**Independent Directors**

**Joseph F. Hoffman**

**Board Committee:**  
Nominating, *Chair*

**Independent:**  
Yes

Audit

Mr. Hoffman, age 68, is retired from KPMG LLP after 26 years as a partner and senior executive with that firm. He has served as a director on our Board of Directors since April 2015 and his term expires in 2019.

**Prior Business Experience:** SEC Reviewing Partner and Silicon Valley Professional Practice Partner, KPMG LLP (1998-2009)

Audit Partner and Business Unit Partner in Charge, KPMG LLP (1983-1998)

**Private Directorships:**

LiveOps, Inc., a cloud based contact center (since 2013)

KPMG LLP, an audit, tax, and advisory professional services firm. (2005-2009)

**Audit Committees:**

LiveOps, Inc. (since 2013)

KPMG LLP (2005-2009)

Willamette University (since 2014)

**Non-Profit Leadership:**

Board of Trustees, Willamette University (since 2011)

**Memberships:**

California Society of Certified Public Accountants

National Association of Corporate Directors

American College of Corporate Directors

Association of Governing Boards of Universities and Colleges

**Education:**

Bachelor's degree in Mathematics and Economics, Willamette University

Master's degree in Business Administration, Stanford Graduate School of Business

Certified public accountant, State of California

**Skills/Qualifications:**

In particular, Mr. Hoffman's key areas of skill/qualifications include, but are not limited to:

**Client Industries** extensive experience in the technology, manufacturing, and financial services industries

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**Finance and Enterprise Risk Management** extensive experience as an advisor to senior management and audit committees on complex accounting, financial reporting, internal controls, and enterprise risk management

**Leadership/Strategy** significant experience as a business executive and director

**Governance** experience as the chairman of the governance committee with corporate governance issues, particularly in a publicly-traded company

**Banking/Financial Services** experience with banking, mutual funds, or other financial services industries, including regulatory experience and specific knowledge of the Securities Act of 1933, as amended



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**Allyn C. Woodward, Jr.**

**Board Committee:**

**Independent:**

Audit

Yes Lead Director

Compensation

Mr. Woodward, age 76, has extensive experience and qualifications in banking and financial services. He has served as a director on our Board of Directors since February 2004 and his term expires in 2018.

**Business**

Vice Chairman and Director, Adams Harkness Financial Group (formerly Adams, Harkness & Hill), an independent institutional research, brokerage and investment banking firm (2001-2006)

**Experience:**

President and Director, Adams Harkness Financial Group (1995-2001)

Silicon Valley Bank

Vice President, Founder, Wellesley, Massachusetts office

Senior Vice President (1990-1992)

Chief Operating Officer (California) (1992-1995)

Senior Vice President and Group Manager of Technology Group, Bank of New England (1963-1990)

**Private**

Union Specialties, manufacturer of water-based polyurethane dispersions and specialty products (1990-present)

**Directorships:**

**Current**

Fletcher Spaght Venture Capital (2005-present)

**Advisory Board**

Boston Millennia Partners (2000-present)

**Directorships:**

Ampersand Venture Capital (2013-present)

**Prior**

AH&H Venture Capital

**Directorships:**

Square 1 Bank

Lecroy Corporation, Chairman

Viewlogic Systems

Cayenne Software, Inc.

**Non-Profit**

Member of Finance Committee and Board of Overseers, Newton Wellesley Hospital (2000-present)

**Leadership:**

Babson College, Member of:

Investment Committee

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Finance Committee

Private Equity Committee (co-founder) (2000-present)

### Education:

Bachelor's degree in Finance and Accounting from Babson College

Banking degree, Stonier Graduate School of Banking at Rutgers University

### Memberships

National Association of Corporate Directors

Board Leaders Group

### Certifications:

Executive Masters Professional Director Certification, American College of Corporate Directors

### Skills/

In particular, Mr. Woodward's key areas of skill/qualifications include, but are not limited to:

### Qualifications:

**Client Industries and Banking/Financial Services** extensive leadership, management and director experience in financial services, banking and technology-related companies

**Leadership/Strategy** significant executive and board experience for both private and public companies in business, finance and investments with a special emphasis on best policies regarding compensation and governance and service as Lead Independent Director

**Finance, IT and Other Business Processes** extensive experience related to finance, accounting, IT, treasury, human resources or other key business processes

**Governance** as lead director extensive experience with corporate governance issues, particularly in a publicly-traded company

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**Robert P. Badavas**

**Board Committee:**

**Independent:**

Audit, *Chair*

Yes

Mr. Badavas, aged 64, retired in August 2016 as Chairman and Chief Executive Officer of PlumChoice, a venture-backed technology, software and services company (since December 2011). He has served as a director on our Board of Directors since March 2006 and his term expires in 2017.

**Business** President, Petros Ventures, Inc., a management and advisory services firm (2009-2011 and 2016-present)

**Experience:** President and Chief Executive Officer of TAC Worldwide, a multi-national technical workforce management and business services company (2005-2009)

Executive Vice President and Chief Financial Officer, TAC Worldwide (2003-2005)

Senior Partner and Chief Operating Officer, Atlas Venture, an international venture capital firm (2001-2003)

Chief Executive Officer at Cerulean Technology, Inc., a venture capital backed wireless application software company (1995-2001)

Certified Public Accountant, PwC (1974-1983)

**Public** Constant Contact, Inc., including chairman of the audit committee, a provider of email and other engagement marketing products and services for small and medium sized organizations, acquired by Endurance International Group Holdings, Inc., (2007-2016)

**Directorships:**

**Prior** PlumChoice

**Directorships:** Arivana, Inc.; a telecommunications infrastructure company publicly traded until its acquisition by SAC Capital

RSA Security; an IT security company publicly traded until its acquisition by EMC

On Technology; an IT software infrastructure company publicly traded until its acquisition by Symantec

Renaissance Worldwide; an IT services and solutions company publicly traded until its acquisition by Aquent

**Other** Vice-Chairman, Board of Trustees. Bentley University (since 2005)

**Experience:** Board of Trustees Executive Committee and Corporate Treasurer, Hellenic College/Holy Cross Orthodox School of Theology, including positions on the executive committee and corporate treasurer (since 2002)

Chairman Emeritus, The Learning Center for the Deaf (1995-2005)

Master Professional Director Certification, American College of Corporate Directors

National Association of Corporate Directors

Annunciation Greek Orthodox Cathedral of New England, Parish Council President (since 2016)

**Education:** Bachelor's degree in Accounting and Finance from Bentley University

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### Skills/

In particular, Mr. Badavas' key areas of skill/qualifications include, but are not limited to:

### Qualifications:

**Client Industries** extensive experience in software, business and technology enabled services and venture capital

**Leadership/Strategy** significant experience as a senior corporate executive in private and public companies, including tenure as chief executive officer, chief financial officer and chief operating officer

**Finance, IT and Other Business Strategy and Enterprise Risk Management** prior experience as a CEO directing business strategy and as a CFO directing IT, financing and accounting, strategic alliances and human resources and evaluation of enterprise risk in such areas

**Governance** extensive experience as an executive and director of private and public companies with governance matters

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**Thomas J. Fallon**

**Board Committee:**

**Independent:**

Nominating

Yes

Mr. Fallon, aged 56, currently serves as Chief Executive Officer of Infinera Corporation (since 2010) and a member of Infinera's board of directors (since 2009). He has served as a director on our Board of Directors since July 2014 and his term expires in 2018.

**Infinera** President and Chief Executive Officer, Infinera Corporation (2010-Current)

**Corporation** Chief Operating Officer, Infinera Corporation (2006-2009)

**Experience:** Vice President of Engineering and Operations, Infinera Corporation (2004-2006)

**Other Business** Vice President, Corporate Quality and Development Operations of Cisco Systems, Inc. (2003-2004)

**Experience** General Manager of Cisco Systems' Optical Transport Business Unit, VP Operations, VP Supply, various executive positions (1991-2003)

**Prior** Piccaro, a leading provider of solutions to measure greenhouse gas concentrations, trace gases and stable isotopes (2010-2016)

**Directorships:**

**Other** Member, Engineering Advisory Board of the University of Texas at Austin

**Experience:** Member, President's Development Board University of Texas

**Education:** Bachelor's degree in Mechanical Engineering from the University of Texas at Austin  
Master's degree in Business Administration from the University of Texas at Austin

**Skills/** In particular, Mr. Fallon's key areas of skill/qualifications include, but are not limited to:

**Qualifications:**

**Client Industries** significant experience in venture capital and technology

**Leadership/Strategy** extensive experience as a director and executive in both public and private companies

**Finance, IT and Other Business Processes** extensive experience as a manager and CEO related to finance, accounting, IT, treasury, human resources, or other key business processes.

**Enterprise Risk Management** experience in managing enterprise risk

**Governance** experienced in both corporate governance and executive compensation for both public and private companies

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**Susanne D. Lyons**

**Board Committee:**  
Compensation, *Chair*  
Nominating

**Independent:**  
Yes

Ms. Lyons, aged 60, is a retired senior executive who has held top marketing and general management roles at some of the largest financial services companies in America. She has served as a director on our Board of Directors since March 2015 and her term expires in 2017.

**Prior Business** Chief Marketing Officer, VISA (USA) (2004-2007)

**Experience:** Various marketing and general management positions, including enterprise president of retail client service, Charles Schwab & Co., Inc. (1992-2001)

Chief Marketing Officer, Charles Schwab & Co., Inc. (2000-2001)

Senior positions in marketing, product development and business strategy, Fidelity Investments (1982-1992)

**Private** U.S. Olympic Committee (since December 2010)

**Directorships:** Wildcare, a non-for-profit organization (since 2008)

**Prior** CNET Networks until its acquisition by CBS Corp. (2007-2008)

**Directorships:** Gain Capital Holdings, Inc. (2008-2013)

**Other** Advisory Board, Marketo, Inc., a marketing automation software company (2008-2011)

**Experience:**

**Education:** Bachelor's degree in French from Vassar College

Master's degree in Business Administration from Boston University

**Skills/** In particular, Ms. Lyons' key areas of skill/qualifications include, but are not limited to:

**Qualifications:**

**Banking/Financial Services** held a variety of key executive and management positions at large global financial institutions, including 1940-Act regulated companies

**Leadership/Strategy** extensive experience as a director and executive with broad operational experience in investments, finance, human resources, and marketing

**Finance, IT and Other Business Processes** expertise in Human Resources, including extensive experience in public company compensation governance

**Governance** experienced executive and director for public companies, including extensive experience in public company compensation and governance

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**Doreen Woo Ho**

**Board Committee:**  
Compensation

**Independent:**  
Yes

Ms. Woo Ho, aged 70, is a retired senior executive who has held top management roles at some of the largest commercial banks in America, including Wells Fargo Bank, Citibank and United Commercial Bank. She has served as a director on our Board of Directors since October 2016 and her term expires in 2019.

**Business** President and Chief Executive Officer of United Commercial Bank (2009)

**Experience:** Executive Vice President, Student Loans and Corporate Trust, Wells Fargo & Company (2008)

President of the Consumer Credit Group, Wells Fargo Bank (1998-2007)

Senior Vice President of National Business Banking, US Consumer Bank, Citibank (1974-1998)

**Public** U.S. Bank (since 2012)

**Directorships:**

**Prior** United Commercial Bank (2009)

**Directorships:**

**Private** San Francisco Opera (since 1992)

**Directorships:**

**Other** Commissioner of the Port of San Francisco (since 2011)

**Experience:** Wells Fargo Management Committee member (1999-2008)

**Education:** Bachelor's in History from Smith College

Masters in East Asian Studies from the School of International and Public Affairs at Columbia University

**Skills/** In particular, Ms. Woo Ho's key areas of skill/qualifications include, but are not limited to:

**Qualifications:**

**Banking/Financial Services** held a variety of key executive and management positions at large global financial institutions

**Leadership/Strategy** extensive experience as a director and executive with broad operational experience in investments and finance

**Finance, IT and other Business Processes** extensive experience in commercial lending, sales marketing as well as other key business processes

**Enterprise Risk Management** extensive experience in risk management and regulatory compliance in banking services

**Governance** gained extensive experience as CEO of a banking institution in corporate governance and executive management



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**Executives**

Our executive officers perform policy-making functions for us within the meaning of applicable SEC rules. They may also serve as officers of our other subsidiaries. There are no family relationships among our directors or executive officers.

The following information, as of June 30, 2017 outlines the name and age of our executive officers (as of the date of this prospectus) and his or her principal occupation with the Company, followed by the biographical information of each of such executive officer:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>
Manuel A. Henriquez	53	Chairman and Chief Executive Officer
Mark R. Harris	47	Chief Financial Officer and Chief Accounting Officer
Scott Bluestein	39	Chief Investment Officer
Melanie Grace	48	General Counsel, Chief Compliance Officer and Secretary
Andrew Olson	34	Vice President of Finance and Senior Controller*

\* Mr. Olson announced his resignation, effective July 21, 2017, from his position as Vice President of Finance and Senior Controller. Gerard R. Waldt, Jr., the Company's current Assistant Controller, will assume the position of Controller.

**Executive Biographies**

**Manuel A. Henriquez** biography can be found under Interested Director above.

**Mark Harris** joined us in 2015 as Chief Financial Officer and Chief Accounting Officer. Mr. Harris has over 20 years of experience working with public companies, as well as the mezzanine and direct lending space. Mr. Harris oversees the financial and accounting functions of the Company.

**Other Prior Experience** Chief Financial Officer, Asia Strategy and Senior Managing Director/Head of Asia, Avenue Capital, where he lead the Asia strategy (2006-2015)

Corporate Financial Controller, Hutchinson Telecommunication International Limited (a NYSE and Stock Exchange of Hong Kong company) (2004-2006)

Vice President of Finance, Vsource (a NASDAQ listed company) (2001-2004)

Manager, Global Capital Markets Group, PricewaterhouseCoopers (1995-2001)

**Education/Other:** Master's of Business Administration from the University of Chicago, Booth School of Business

Bachelor's in Business Administration with an emphasis in Accounting from California Polytechnic State University, San Luis Obispo

Active Certified Public Accountant in California

Member, Foundation Board of California Polytechnic State University, San Luis Obispo

**Scott Bluestein** joined us in 2010 as Chief Credit Officer. He was promoted to Chief Investment Officer in 2014. Mr. Bluestein is responsible for managing the investment teams and investments made by the Company.

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### **Other Prior Experience**

Founder and Partner, Century Tree Capital Management (2009-2010)

Managing Director, Laurus-Valens Capital Management, an investment firm specializing in financing small and microcap growth-oriented businesses through debt and equity securities (2003-2010)

Member of Financial Institutions Coverage Group focused on Financial Technology, UBS Investment Bank (2000-2009)

### **Education/Other:**

Bachelor's in Business Administration from Emory University

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**Melanie Grace** joined us in 2015 as General Counsel, Chief Compliance Officer and Secretary. She has over 17 years of experience representing public and private companies in securities, compliance and transactional matters. Ms. Grace oversees the legal and compliance function for the Company and serves as secretary for the Company and select subsidiaries.

**Other Prior Experience** Chief Legal Officer and Corporate Secretary, WHV Investments, Inc. where she also served as interim Chief Compliance Officer (2011-2015)

**Experience** Member, Management, Operations and Proxy Committees, WHV Investments, Inc. (2013-2015)  
 Chair, Ethics Committee, WHV Investments, Inc. (2013-2015)  
 Chief Counsel, Corporate, NYSE Euronext (2005-2008)  
 Associate, Fenwick & West LLP (2000-2005)

**Education/Other:** Bachelor's and Master's in History from the University of California, Riverside  
 Juris Doctor from Boston University School of Law  
 Member, State Bar of California  
 Registered In-House Counsel, New York

Designated Investment Adviser Certified Compliance Professional®

**Andrew Olson** joined us in 2014 as Corporate Controller. He served as our Interim Chief Financial Officer (June 9, 2015 to August 1, 2015). Mr. Olson was our Vice President of Finance and Senior Controller and is responsible for financial and regulatory reporting, financial planning and analysis, and financial systems design and implementation. Mr. Olson announced his resignation, effective July 21, 2017, from his position as Vice President of Finance and Senior Controller. Gerard R. Waldt, Jr., our current Assistant Controller, will assume the position of Controller.

**Other Prior Experience** Senior Manager in Financial Services practice of PricewaterhouseCoopers, LLP San Francisco and Hong Kong where he developed extensive experience providing audit and consulting services to both regional and international institutions (2006-2014)

**Education/Other:** Bachelor's in Business Economics from the University of California, Santa Barbara

Active Certified Public Accountant in California

**Board of Directors**

The number of directors is currently fixed at seven directors.

Our Board of Directors is divided into three classes. Class I directors hold office for a term expiring at the annual meeting of stockholders to be held in 2017, Class II directors hold office for a term expiring at the annual meeting of stockholders to be held in 2018 and Class III directors hold office for a term expiring at the annual meeting of stockholders to be held in 2019. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Messrs. Woodward and Fallon's terms expire in 2018, Messrs. Henriquez and Hoffman and Ms. Woo Ho's terms expire in 2019 and Mr. Badavas and Ms. Lyons' terms expire in 2017. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify.



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**CORPORATE GOVERNANCE**

Our business, property and affairs are managed under the direction of our Board of Directors. Members of our Board of Directors are kept informed of our business through discussions with our chairman and chief executive officer, our chief financial officer, our chief investment officer, our secretary, and our other officers and employees, and by reviewing materials provided to them and participating in meetings of our Board of Directors and its committees.

Because our Board of Directors is committed to strong and effective corporate governance, it regularly monitors our corporate governance policies and practices to ensure we meet or exceed the requirements of applicable laws, regulations and rules, and the NYSE's listing standards. The Board of Directors has approved corporate governance guidelines that provide a framework for the operation of the Board of Directors and address key governance practices. The Board of Directors has adopted a number of policies to support our values and good corporate governance, including corporate governance guidelines, Board of Directors' committee charters, insider trading policy, code of ethics, code of business conduct and ethics, and related person transaction approval policy.

During 2016, as part of its on-going review of our corporate governance policies, our Board of Directors undertook the following relating to our corporate governance practices:

reviewed our compliance manual and made changes, where required, with the approval of our Board of Directors; and

as a result of the ongoing plan to integrate our comprehensive compliance program, conducted training sessions in 2016 to remind employees of their obligations as employees and officers of a business development company and the specific policies and procedures that have been designed by us to reasonably ensure that our employees are in compliance with federal securities laws and other laws.

Our Board of Directors will continue to review and update the corporate governance guidelines, corporate governance practices, and our corporate governance framework, including the potential expansion of the size of our Board of Directors.

**Board Leadership Structure**

***Chairman and Chief Executive Officer***

Our Board of Directors currently combines the role of chairman of the Board of Directors with the role of chief executive officer, coupled with a lead independent director position to further strengthen our governance structure. Our Board of Directors believes this provides an efficient and effective leadership model for our company. Combining the chairman and chief executive officer roles fosters clear accountability, effective decision-making, and alignment on corporate strategy. Since 2004, Mr. Henriquez has served as both chairman of the Board of Directors and as our chief executive officer. Mr. Henriquez is an interested director.

No single leadership model is right for all companies at all times. Our Board of Directors recognizes that depending on the circumstances, other leadership models, such as a separate independent chairman of the Board of Directors, might be appropriate. Accordingly, our Board of Directors periodically reviews its leadership structure.

Moreover, our Board of Directors believes that its governance practices provide adequate safeguards against any potential risks that might be associated with having a combined chairman and chief executive officer. Specifically:

six of our seven current directors are independent directors;

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all of the members of our Audit Committee, Compensation Committee, and NCG Committee are independent directors;

our Board of Directors and its committees regularly conduct scheduled meetings in executive session, out of the presence of Mr. Henriquez and other members of management;

our Board of Directors and its committees regularly conduct meetings which specifically include Mr. Henriquez;

our Board of Directors and its committees remain in close contact with, and receive reports on various aspects of Hercules's management and enterprise risk directly from our senior management and independent auditors.

### ***Lead Independent Director***

Our Board of Directors has instituted the lead independent director position to provide an additional measure of balance, ensure our Board of Directors' independence, and enhance its ability to fulfill its management oversight responsibilities. Allyn C. Woodward, Jr. currently serves as our lead independent director. The lead independent director:

presides over all meetings of the independent directors at which our chairman is not present, including executive sessions of the independent directors;

has the authority to call meetings of the independent directors;

frequently consults with our chairman and chief executive officer about strategic policies;

provides our chairman and chief executive officer with input regarding Board of Directors meetings;

serves as a liaison between the chairman and chief executive officer and the independent directors; and

otherwise assumes such responsibilities as may be assigned to him by the independent directors.

Having a combined chairman and chief executive officer, coupled with a substantial majority of independent, experienced directors, including a lead independent director with specified responsibilities on behalf of the independent directors, provides the right leadership structure for our company and is best for us and our stockholders at this time.

### **Board Oversight of Risk**

While risk management is primarily the responsibility of our management team, our Board of Directors is responsible for oversight of the material risks faced by us at both the full board level and at the committee level.

Our Audit Committee has oversight responsibility not only for financial reporting with respect to our major financial exposures and the steps management has taken to monitor and control such exposures, but also for the effectiveness of management's enterprise risk management process that monitors and manages key business risks facing our company. In addition to our Audit Committee, the other committees of our Board of Directors consider the risks within their areas of responsibility. For example, our Compensation Committee considers the risks that may be posed by our executive compensation program.

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Management provides regular updates throughout the year to our Board of Directors regarding the management of the risks they oversee at each regular meeting of our Board of Directors. Also, our Board of Directors receives presentations throughout the year from various department and business group heads that include discussion of significant risks as necessary. Additionally, our full Board of Directors reviews our short and long-term strategies, including consideration of significant risks facing our business and their potential impact.

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During 2016, in addition to unanimous written consents, the Board of Directors held the following meetings:

<b>Type of Meeting</b>	<b>Number</b>
<i>Regular Meetings to address regular, quarterly business matters</i>	4
<i>Other Meetings to address business matters that arise between quarters</i>	9

Each director makes a diligent effort to attend all Board of Directors and committee meetings, as well as our annual meeting of stockholders. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of the respective committees on which they served. Each of our then-serving directors attended our 2016 annual meeting of stockholders in person.

**Board Committees**

Our Board of Directors has established an Audit Committee, a Compensation Committee, and a NCG Committee. A brief description of each committee is included in this prospectus and the charters of the Audit, Compensation, and NCG Committees are available on the Investor Relations section of our website at <http://investor.htgc.com/corporate-governance.cfm>.

As of the date of this prospectus, the members of each of our Board of Directors committees are as follows (the names of the respective committee chairperson are bolded):

<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Governance</b>
<b>Robert Badavas</b>	<b>Susanne Lyons</b>	<b>Joseph Hoffman</b>
Joseph Hoffman	Allyn Woodward, Jr.	Susanne Lyons
Allyn Woodward, Jr.	Doreen Woo Ho	Thomas Fallon

Each of our directors who sits on a committee satisfies the independence requirements for purposes of the rules promulgated by the NYSE and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Messrs. Badavas and Hoffman, Chairman and member of the Audit Committee, respectively, are each an audit committee financial expert as defined by applicable SEC rules.

**Committee Governance**

Each committee is governed by a charter that is approved by the Board of Directors, which sets forth each committee's purpose and responsibilities. The Board of Directors reviews the committees' charters, and each committee reviews its own charter, on at least an annual basis, to assess the charters' content and sufficiency, with final approval of any proposed changes required by the full Board of Directors.

**Committee Responsibilities and Meetings**

The key oversight responsibilities of the Board of Directors committees, and the number of meetings held by each committee during 2016, are as follows:

<i>Audit Committee</i>	<i>Number of meetings held in 2016: 4</i>
------------------------	---

Appointing, overseeing and replacing, if necessary, our independent auditor.



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Overseeing the accounting and financial reporting processes and the integrity of the financial statements.

Establishing procedures for complaints relating to accounting, internal accounting controls or auditing matters.

Examining the independence qualifications of our auditors.

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Assisting our Board of Directors oversight of our compliance with legal and regulatory requirements and enterprise risk management.

Assisting our Board of Directors in fulfilling its oversight responsibilities related to the systems of internal controls and disclosure controls which management has established regarding finance, accounting, and regulatory compliance.

Reviewing and recommending to the Board of Directors the valuation of the Company's portfolio.

*Compensation Committee*

*Number of meetings held in 2016: 5*

Oversees our overall compensation strategies, plans, policies and programs.

The approval of director and executive compensation.

The assessment of compensation-related risks.

*Nominating and Corporate Governance Committee*

*Number of meetings held in 2016: 6*

Our general corporate governance practices, including review of our Corporate Governance Guidelines.

The annual performance evaluation of our Board of Directors and its committees.

The identification and nomination of director candidates.

Succession planning for management.

Criteria considered by the NCG Committee in evaluating qualifications of individuals for election as members of the Board of Directors consist of the independence and other applicable NYSE corporate governance requirements; the 1940 Act and all other applicable laws, rules, regulations and listing standards; and the criteria, policies and principles set forth in the NCG Committee charter.

Considers nominees properly recommended by a stockholder. Nominations for directors may be made by stockholders if notice is timely given and if the notice contains the information required in our Bylaws. Proposals must comply with the other requirements contained in our Bylaws, including supporting documentation and other information.

**Director Independence**

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The NYSE's listing standards and Section 2(a)(19) of the 1940 Act require that a majority of our Board of Directors and every member of our Audit, Compensation, and NCG Committees are independent. Under the NYSE's listing standards and our corporate governance guidelines, no director will be considered to be independent unless and until our Board of Directors affirmatively determines that such director has no direct or indirect material relationship with our company or our management. Our Board of Directors reviews the independence of its members annually.

In determining that Ms. Lyons and Ho and Messrs. Badavas, Woodward, Fallon and Hoffman are independent, our Board of Directors, through the NCG Committee, considered the financial services, commercial, family and other relationships between each director and his or her immediate family members or affiliated entities, on the one hand, and Hercules and its subsidiaries, on the other hand.

### **Communication with the Board**

We believe that communications between our Board of Directors, our stockholders and other interested parties are an important part of our corporate governance process. Stockholders with questions about Hercules

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are encouraged to contact our Investor Relations department at (650) 289-3060. However, if stockholders believe that their questions have not been addressed, they may communicate with our Board of Directors by sending their communications to Hercules Capital, Inc., c/o Melanie Grace, Secretary, 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301. All stockholder communications received in this manner will be delivered to one or more members of our Board of Directors.

Mr. Woodward currently serves as the lead independent director, and he presides over executive sessions of the independent directors. Parties may communicate directly with Mr. Woodward by sending their communications to Hercules Capital, Inc., c/o Melanie Grace, Secretary at the above address. All communications received in this manner will be delivered to Mr. Woodward.

All communications involving accounting, internal accounting controls and auditing matters, possible violations of, or non-compliance with, applicable legal and regulatory requirements or our code of ethics, or retaliatory acts against anyone who makes such a complaint or assists in the investigation of such a complaint, will be referred to Melanie Grace, Secretary. The communication will be forwarded to the chair of our Audit Committee if our secretary determines that the matter has been submitted in conformity with our whistleblower procedures or otherwise determines that the communication should be so directed.

The acceptance and forwarding of a communication to any director does not imply that the director owes or assumes any fiduciary duty to the person submitting the communication, all such duties being only as prescribed by applicable law.

### **Code of Business Conduct and Ethics**

Our code of business conduct and ethics requires that our directors and executive officers avoid any conflict, or the appearance of a conflict, between an individual's personal interests and the interests of Hercules. Pursuant to our code of business conduct and ethics, which is available on our website at <http://investor.htgc.com/corporate-governance.cfm>, each director and executive officer must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to our Audit Committee. Certain actions or relationships that might give rise to a conflict of interest are reviewed and approved by our Board of Directors.

### **Availability of Corporate Governance Documents**

To learn more about our corporate governance and to view our corporate governance guidelines, code of business conduct and ethics, and the charters of our Audit Committee, Compensation Committee, and NCG Committee, please visit the Investor Relations page of our website at <http://investor.htgc.com/corporate-governance.cfm>, under Corporate Governance. Copies of these documents are also available in print free of charge by writing to Hercules Capital, Inc., c/o Melanie Grace, secretary, 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

### **Compensation Committee Interlocks and Insider Participation**

All members of our Compensation Committee are independent directors and none of the members are present or past employees of the Company. No member of our Compensation Committee: (i) has had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act; or (ii) is an executive officer of another entity, at which one of our executive officers serves on our Board of Directors.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The Compensation Discussion and Analysis discusses our 2016 executive compensation program, as it relates to the following executive officers:

Manuel A. Henriquez	Chairman of the Board of Directors and Chief Executive Officer
Mark R. Harris	Chief Financial Officer and Chief Accounting Officer
Scott Bluestein	Chief Investment Officer
Melanie Grace	General Counsel, Chief Compliance Officer and Secretary
Andrew Olson	Vice President of Finance and Senior Controller*

\* Mr. Olson announced his resignation, effective July 21, 2017, from his position as Vice President of Finance and Senior Controller. Gerard R. Waldt, Jr., the Company's current Assistant Controller, will assume the position of Controller.

We refer to Messrs. Henriquez, Harris, Bluestein and Olson and Ms. Grace as our named executive officers, or NEOs.

**Executive Summary**

Under the oversight of our Compensation Committee, the Company's executive compensation program is designed to attract, incent and retain talented individuals who are critical to our continued success and our corporate growth and who will deliver sustained strong performance over the longer term. Our executive compensation program is designed to motivate the Company's executive officers to maintain the financial strength of the Company while avoiding any inappropriate focus on short-term profits that would impede the Company's long-term growth and encourage excessive risk-taking.

In 2016, the Company continued to review and enhance our compensation practices in accordance with our executive compensation philosophy. The review considered both compensation levels and company performance over a one-, three-, and five-year period from 2012 to 2016 (the Performance Periods). (See *Compensation Philosophy and Objectives* below). The Company believes that compensation paid to our NEOs for 2016 was commensurate with the Company's overall absolute performance as well as our performance relative to peers during the relevant Performance Periods. The 2016 compensation decisions made by the Compensation Committee considered the fact that our performance relative to a peer group of companies was above the median, and in most cases above the 75<sup>th</sup> percentile, measured using Return on Average Assets (ROAA), Return on Equity (ROE), Return on Investment Capital (ROIC), and Total Shareholder Return (TSR) during the trailing one-, three-, and five-years.

The Company's incentive compensation practices are significantly limited by the requirements imposed on us as an internally managed business development company pursuant to the 1940 Act. (See *Limitations Imposed by the 1940 Act Relating to Implementation of Non-Equity Incentive Plans* below). These are regulatory limitations related to our corporate structure that are relatively unique and do not apply to most other publicly-traded companies. As discussed further below, our NEOs were compensated to reflect the Company's performance during the relevant Performance Periods (See *Performance Highlights and Assessment of Company Performance* below) as well as individual performance.

In addition to key factors involved in the 2016 decisions made by the Compensation Committee, we continue to maintain the enhancements to our executive officer compensation program that we adopted in 2016, such as our clawback policy for all Section 16 officers and consideration of a mix of corporate and individual performance factors for our NEOs. In addition, the Compensation Committee did not grant restricted stock awards in 2017. Rather, the Compensation Committee granted restricted stock units with an additional one-year deferral period following the last vesting date. We believe these restricted stock unit awards assist the Company in retaining NEOs.

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**Compensation Philosophy and Objectives**

As an internally managed business development company, the Company's compensation program is designed to encourage the NEOs to think and act like stockholders. The structure of the NEOs' compensation program is designed to encourage and reward the following factors, among other things:

sourcing and pursuing attractively priced investment opportunities to venture-backed companies;

achieving the Company's dividend objectives (which focus on stability and potential growth);

maintaining credit quality, monitoring financial performance and ultimately managing a successful exit of the Company's investment portfolio;

providing compensation and incentives necessary to attract, motivate and retain key executives critical to our continued success and growth;

focusing management behavior and decision-making on goals that are consistent with the overall strategy of the business;

ensuring a linkage between NEO compensation and individual contributions to our performance; and

risk management.

We believe that our continued success during 2016, despite strong competition for top-quality executive talent in the venture debt industry, was attributable to our ability to attract, motivate and retain the Company's outstanding executive team through the use of both short- and long-term incentive compensation programs.

The Company's compensation objectives are achieved through its executive compensation program, which for 2016 consisted of the following:

**Annual Base Salary:** Cash paid on a regular basis throughout the year. This provides a level of fixed income that is competitive to allow the Company to retain and attract executive talent.

**Annual Cash Bonus Awards:** Cash awards paid on an annual basis following year-end. This rewards NEOs who contribute to our financial performance and strategic success during the year, and rewards individual achievements.

**Long-Term Equity Incentive Awards:** Equity incentive awards vest 1/3 on a one-year cliff with remaining 2/3 vesting quarterly over two years based on continued employment with the Company. This rewards NEOs who contribute to our success through the creation of shareholder value, provides meaningful retention incentives, and rewards individual achievements.

The compensation program is designed to reflect best practices in executive compensation:

No employment agreements for NEOs.

No guaranteed retirement benefits.

No cash severance payments.

No change in control benefits.

No tax gross ups for NEOs.

No pension.

No executive perquisite allowances beyond the benefit programs offered to all employees.

No repricing of stock options without stockholder approval, as required under applicable NYSE rules (and subject to other requirements under the 1940 Act).

Routine engagement of an independent compensation consultant to review NEO compensation.

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Maintenance of stock ownership guidelines for NEOs to own at least two times his or her salary.

Clawback policy for all Section 16 officers.

**Executive Compensation Governance**

The Company's executive compensation program is supported by strong corporate governance and Board-level oversight. The Compensation Committee provides primary oversight of our compensation programs, including the design and administration of executive compensation plans, assessment and setting of corporate performance goals, as well as individual performance metrics, and the approval of executive compensation. In addition, the Compensation Committee retains an independent compensation consultant, and where appropriate, discusses compensation-related matters with our CEO, as it relates to the other NEOs. The Compensation Committee developed our 2016 compensation program, and the compensation paid to our NEOs during and in respect of 2016 was approved by the Compensation Committee as well as all of our independent directors.

***Role of Compensation Committee:*** The Compensation Committee is comprised entirely of independent directors who are also non-employee directors as defined in Rule 16b-3 under the Exchange Act, independent directors as defined by the NYSE rules, and are not interested persons of the Company, as defined by Section 2(a)(19) of the 1940 Act. Ms. Lyons, Ms. Woo Ho and Mr. Woodward comprise the Compensation Committee. Ms. Lyons chairs the Compensation Committee.

The Compensation Committee operates pursuant to a charter that sets forth its mission, specific goals and responsibilities. A key component of the Compensation Committee's goals and responsibilities is to evaluate, approve and/or make recommendations to our Board of Directors regarding the compensation of our NEOs, and to review their performance relative to their compensation to assure that they are compensated in a manner consistent with the compensation philosophy discussed above. In addition, the Compensation Committee evaluates and makes recommendations to our Board of Directors regarding the compensation of the directors for their services. Annually, the Compensation Committee:

evaluates our CEO's performance,

reviews our CEO's evaluation of the other NEOs' performance,

determines and approves the compensation paid to our CEO, and

with input from our CEO, reviews and approves the compensation of the other NEOs.

The Compensation Committee periodically reviews our compensation programs and equity incentive plans to ensure that such programs and plans are consistent with our corporate objectives and appropriately align our NEOs' interests with those of our stockholders. The Compensation Committee also administers our stock incentive program. The Compensation Committee may not delegate its responsibilities discussed above.

***Role of Compensation Consultant:*** The Compensation Committee has engaged Frederic W. Cook & Co., Inc., or F.W. Cook, as an independent outside compensation consultant to assist the Compensation Committee and provide advice on a variety of compensation matters relating to CEO compensation, compensation paid to our other NEOs, peer group selection, compensation program design, market and industry compensation trends, director compensation levels and regulatory developments. F.W. Cook was hired by and reports directly to the Compensation Committee. Our compensation consultant does not provide any other services to the Company. The Compensation Committee has assessed the independence of F.W. Cook pursuant to the NYSE rules, and it has been concluded that the consultant's work for the Compensation Committee does not raise any conflict of interest.



***Role of Chief Executive Officer:*** From time to time and at the Compensation Committee's request, our CEO will attend the Compensation Committee's meetings to discuss the Company's performance and compensation-related matters. Our CEO does not attend executive sessions of the Compensation

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Committee, unless invited by the Compensation Committee. While our CEO does not participate in any deliberations relating to his own compensation, our CEO reviews on at least an annual basis the performance of each of the other NEOs and other executive officers. Based on these performance reviews and the Company's overall absolute and relative performance, our CEO makes recommendations to the Compensation Committee on any changes to base salaries, annual bonuses and equity awards. The Compensation Committee considers the recommendations submitted by our CEO, as well as data and analysis provided by management and F.W. Cook, but retains full discretion to approve and/or recommend for the Board of Directors approval all executive and director compensation.

**Competitive Benchmarking Against Peers**

To determine the competitiveness of executive compensation levels, the Compensation Committee analyzes a group of internally managed business development companies, financial services companies and real estate investment trusts ( REITs ) as set forth below (the Peer Group ). The Peer Group is viewed as reflecting the labor market for our officer and employee talent, has a similar investor base, and, like the Company, the business development companies and REITs in the Peer Group are pass-through entities with the majority of earnings required to be distributed to shareholders as a dividend. The Compensation Committee does not specifically benchmark the compensation of our NEOs against that paid by other companies. During 2016, the Compensation Committee, based on the advice of F.W. Cook, reviewed the peer group used in connection with prior compensation decisions. Based on this review, and the advice of F.W. Cook, the Compensation Committee updated our Peer Group to better align it to our business. Our Peer Group was used as a factor in determining the annual cash bonus awards made with respect to 2016 (but paid in 2017), along with the various performance metrics outlined below under *Performance Highlights and Assessment of Company Performance*, as well as the further considerations further described below under *Annual Cash Bonus Awards*.

Our current Peer Group includes:

***Internally Managed Business Development Companies:*** American Capital, KCAP Financial, Main Street Capital and Triangle Capital

***Financial Services:*** Alliance Bernstein, BGC Partners, Cowen Group, Evercore Partners, Fortress Investment Group, Greenhill & Co., Houlihan Lokey, LPL Financial Holdings, On Deck Capital and WisdomTree Investments

***Real Estate Investment Trusts:*** Capstead Mortgage, CYS Investments, Hannon Armstrong, iStar Inc., Ladder Capital, MFA Financial, Redwood Trust, Sabra Health Care and Seritage Growth.

As of October 31 2016, which is the period the Compensation Committee reviewed our Peer Group, the Company outperformed most of its Peer Group over the one-, three- and five-years as follows\*:

Performance Period	Return on Average Assets (excl. cash)		Return on Equity		Return on Invested Capital		Total Shareholder Returns	
	HTGC	% Rank of Peer Group	HTGC	% Rank of Peer Group	HTGC	% Rank of Peer Group	HTGC	% Rank of Peer Group
1-year	6.1%	100%	10.5%	93%	6.2%	93%	36.2%	100%
3-year	6.2%	99%	10.2%	89%	6.3%	89%	5.3%	64%
5-year	6.3%	96%	10.3%	86%	6.4%	87%	17.2%	88%

\* The data are from S&P Capital IQ. Data reflects most recent four quarters and TSR available as of 10/31/16.

The Company believes that compensation paid to our NEOs for 2016 was commensurate with the Company's overall absolute performance as well as our performance relative to the Peer Group during the

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relevant Performance Periods. The 2016 compensation decisions made by the Compensation Committee considered the fact that our performance relative to the Peer Group was above the median, and in most cases above the 75th percentile, measured using ROAA, ROE, ROIC and TSR during the trailing one-, three-, and five-years as indicated in the chart above.

### **Limitations Imposed by the 1940 Act Relating to Implementation of Non-Equity Incentive Plans**

We are an internally-managed, non-diversified, closed-end investment company that has elected to be regulated as a business development company under the 1940 Act. As a business development company, we are required to comply with certain regulatory requirements, including the 1940 Act, rules promulgated under the 1940 Act, and exemptive orders issued to us by the SEC. We refer to these requirements, rules, and exemptive orders as the 1940 Act Requirements. The 1940 Act Requirements provide that the Company may maintain either an equity incentive plan or a profit sharing plan. A profit sharing plan as defined under the 1940 Act is any written or oral plan, contract, authorization or arrangement, or any practice, understanding or undertaking whereby amounts payable under the compensation plan are dependent upon or related to the profits of the company. The SEC has stated that compensation plans possess profit-sharing characteristics if an investment company is obligated to make payments under such a plan based on the level of income, realized gains or loss on investments or unrealized appreciation or depreciation of assets of such investment company.

The Company believes that equity incentives strongly align the interests of our stockholders with our NEOs, and, accordingly, an equity incentive plan was adopted in 2004. Since the Company has adopted the 2004 Equity Incentive Plan (the Equity Plan), the 1940 Act Requirements prohibit us from also implementing a profit sharing plan.

Why is this important to the Company's executive compensation? The 1940 Act Requirements that restrict the Company to sponsoring either an equity incentive plan or a profit sharing plan limit the Company's use of formulas or non-discretionary objective performance goals or criteria in its incentive plans. This means that the Compensation Committee is not permitted to use a nondiscretionary formulaic application of any performance criteria for corporate and individual goals to determine compensation. Rather, the Compensation Committee must take into consideration all factors and use its discretion to determine the appropriate amount of compensation for our NEOs. The Compensation Committee's objective is to work within this regulatory framework to maintain and motivate pay-for-performance alignment, to establish appropriate compensation levels relative to our Peer Group and to implement compensation best practices.

### **2016 Advisory Vote on Executive Compensation**

At our 2016 annual meeting of stockholders, our advisory vote on say-on-pay received support from our stockholders (89.4% of votes cast). The Company believes that the continuing dialogue with our stockholders on company performance, compensation and other governance matters is important. In advance of our 2016 annual meeting of stockholders, management engaged in numerous direct dialogues with our largest institutional shareholders, as well as a number of other institutional shareholders, to gain broad-based and/or specific insights into the Company's overall performance, operating expenses, including executive compensation and corporate governance practices. In addition, we invited each of our institutional stockholders holding more than 1% of the Company's stock to speak directly with management specifically on executive compensation and corporate governance practices.

The Company anticipates continuing our stockholder engagement efforts following the 2017 annual meeting and in advance of our future annual meetings.

### **Performance Highlights and Assessment of Company Performance**

In determining the compensation for our NEOs, the Compensation Committee evaluates our performance relative to our Peer Group (See *Competitive Benchmarking Against Peers* above), as well as Company-specific

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absolute performance factors over the relevant Performance Periods. In 2016, relative and company-specific factors included:

**Key Performance Indicators**

Metric	Performance Period Outcomes				
	2016	2015	2014	2013	2012
Total of New Fundings (in \$ millions)	680.7	712.3	621.3	500.7	554.9
Total Investments at Cost (in \$ millions)	1,511.5	1,252.3	1,035.3	906.3	914.3
Net Interest Margin (in \$ million)	138.0	120.2	108.1	104.6	73.8

*Total New Fundings:* Debt and equity fundings grew from \$554.9 million in 2012 to \$680.7 million in 2016 or a CAGR of 5.2%, as we continue to expand our origination team, increase our market share and organically grow our business via a record funding year for Hercules.

*Total Investments:* Total investments at cost increased to \$1,511.5 billion in 2016 from \$914.3 million in 2012, a CAGR of 13.4% due to record new fundings, combined with the monetization of our warrants and equity positions.

*Net Interest Margin:* We continue to grow our net interest margin due to strong portfolio growth and effectively managing our weighted average cost of debt.

**Execution Across Performance Metrics**

Metric	Performance Period Outcomes				
	2016	2015	2014	2013	2012
Liquidity Levels (in \$ millions)	203.0	195.2	377.1	373.4	288.0
Available Unfunded Commitments (in \$ millions)	59.7	75.4	147.7	69.1	19.3
Cumulative Net Realized Losses (in \$ millions)	2.3	6.9	12.0	32.1	47.0
Distribution Yield (%)*	8.8	10.2	8.3	6.8	8.5

\* *Distribution Yield:* Distribution Yield is a financial ratio that indicates the amount of distributions paid by the Company relative to its share price and is calculated as annual distributions per share divided by price per share as of measurement date. Distribution yield does not reflect a return of capital to the Company's stockholders nor does it reflect the total return on a stockholder's investment in the Company.

*Liquidity Levels:* The use of our credit facilities has been an integral component of our treasury management as we minimize our cash drag on our assets via the use of our warehouse facilities. These facilities have a low interest cost and allow us to build up our asset base for future offerings at competitive rates.

*Available Unfunded Commitments:* We have done an outstanding job on managing our Available Unfunded Commitments. Our Available Unfunded Commitments was 4.5% of our loan portfolio at the end of 2016, where as in 2015, it was 6.8%.

*Cumulative Net Realized Losses:* We continue to demonstrate strong credit management and nothing shows this more than our cumulative net losses, where we finished in 2016 at \$2.3 million on commitments of \$6.5 billion. In 2012, our cumulative net

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realized losses were \$47 million since inception, demonstrating our ability to manage our portfolio effectively over the last 5 years.

*Distribution Yield:* We saw our Distribution Yield decline to 8.8% at the end of 2016. We believe that our continued strong performance will be recognized and our Distribution Yields will reduce further to the range we believe is representative of our stock price.

### **Assessment of Company Performance**

In determining annual compensation for our NEOs, the Compensation Committee analyzes and evaluates the individual achievements and performance of our NEOs as well as the overall relative and absolute operating

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performance and achievements of the Company. We believe that the alignment of (i) our business plan, (ii) stockholder expectations and (iii) our employee compensation is essential to long-term business success and the interests of our stockholders and employees and to our ability to attract and retain executive talent, especially in a competitive environment for top-quality executive talent in the venture debt industry.

Our business plan involves taking on credit risk over an extended period of time, and a premium is placed on our ability to maintain stability and growth of net asset values as well as continuity of earnings growth to pass through to stockholders in the form of recurring dividends over the long term. Our strategy is to generate income and capital gains from our investments in the debt with warrant securities, and to a lesser extent direct equity, of our portfolio companies. This income supports the anticipated payment of dividends to our stockholders. Therefore, a key element of our return to stockholders is current income through the payment of dividends. This recurring payout requires a methodical asset acquisition analyses as well as highly active monitoring and management of our investment portfolio over time. To accomplish these functions, our business requires implementation and oversight by management and key employees with highly specialized skills and experience in the venture debt industry. A substantial part of our employee base is dedicated to the generation of new investment opportunities to allow us to sustain dividends and to the maintenance of asset values in our portfolio. In addition to the performance factors above, the Company considered the following Company-specific performance factors over the relevant Performance Periods: overall credit performance, performance against annual gross funding goals, overall yields, efficiency ratios, total and net investment income and realized and unrealized gains and losses.

**Elements of Executive Compensation and 2016 Compensation Determinations*****Base Salary***

We believe that base salaries are a fundamental element of our compensation program. The Compensation Committee establishes base salaries for each NEO to reflect (i) the scope of the NEO's industry experience, knowledge and qualifications, (ii) the NEO's position and responsibilities and contributions to our business growth and (iii) salary levels and pay practices of those companies with whom we compete for executive talent.

The Compensation Committee considers base salary levels at least annually as part of its review of the performance of NEOs and from time to time upon a promotion or other change in job responsibilities. During its review of base salaries for our executives, the Compensation Committee primarily considers: individual performance of the executive, including leadership and execution of strategic initiatives and the accomplishment of business results for our company; market data provided by our compensation consultant; our NEOs total compensation, both individually and relative to our other NEOs; and for NEOs other than the CEO, the base salary recommendations of our CEO.

NEO	2016 Base Salary
Manuel Henriquez	\$ 803,154
Mark Harris	\$ 412,000
Scott Bluestein	\$ 432,600
Melanie Grace	\$ 283,250
Andrew Olson	\$ 211,150

***Annual Cash Bonus Awards***

The Compensation Committee, together with input from our CEO, developed a specific bonus pool for the 2016 operating year to be available for our annual cash bonus program. The amount determined to be available for our annual cash program was dependent upon many factors, including those outlined previously under *Performance Highlights and Assessment of Company Performance*.

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The Compensation Committee designs our annual cash bonuses to motivate our NEOs to achieve financial and non-financial objectives consistent with our operating plan. The Compensation Committee generally targets cash bonuses to 50% to 100% of an NEO's base salary; however, such bonus amounts may exceed these targets in the event of exceptional company and individual performance.

Bonuses are not formulaic to comply with the 1940 Act regulations that govern our business. As a result, the Compensation Committee considers overall business performance factors and individual factors, including CEO feedback, when determining the size of individual NEO bonuses. Accordingly, should actual company and NEO performance exceed expectations, the Compensation Committee may adjust individual cash bonuses to take such superior performance into account. Conversely, if company and NEO performance is below expectations, the Compensation Committee will consider such performance in determining the NEO's actual cash bonus.

In evaluating the performance of our NEOs to arrive at their 2016 cash bonus awards, the Compensation Committee considered the performance factor achievements discussed above under *Performance Highlights and Assessment of Company Performance*, and the Compensation Committee specifically compared our performance and the returns of our stockholders against the performance and shareholder returns of other business development companies. In particular, the Committee considered our high relative total shareholder return and return on invested capital relative to peer group benchmarks, which was above the 75<sup>th</sup> percentile over the last year, as this shows the success for shareholders and of the core business mission of allocating equity and debt capital efficiently for a high risk-adjusted return.

When sizing our cash bonus pool and allocating bonus awards, the total compensation paid to our NEOs and other employees is evaluated against the expense ratios of other business development companies. With respect to 2016, company-wide compensation expense as a percentage of average assets among the peers in the Peer Group was considered. For the fiscal year ended December 31, 2016, the ratio of our compensation expense divided by total revenue was below the median of the Peer Group.

Based on the foregoing considerations and analysis, and after due deliberation, the Compensation Committee awarded our current NEOs the following annual cash bonuses with respect to 2016.

NEO	2016 Cash Bonus Award
Manuel Henriquez	\$ 1,200,000
Mark Harris	\$ 400,000
Scott Bluestein	\$ 650,000
Melanie Grace	\$ 145,000
Andrew Olson	\$ 150,000

***Long-Term Equity Incentive Compensation*****2004 Equity Incentive Plan**

Our long-term equity incentive compensation is designed to develop a strong linkage between pay and our strategic goals and performance, as well as to align the interests of our NEOs, and other executives and key employees, with those of our stockholders by awarding long-term equity incentives in the form of stock options, restricted stock and/or restricted stock units. These awards are made pursuant to our Equity Plan, which permits options, restricted stock and restricted stock unit awards.

We believe that annual equity grants, in the form of restricted stock awards or restricted stock units, to our NEOs are a critical part of our compensation program as they allow us to:

align our business plan, stockholder interests and employee concerns,

manage dilution associated with equity-based compensation,





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match the return expectations of the business more closely with our equity-based compensation plan, and

retain key management talent.

We believe that these annual equity grants motivate performance that is more consistent with the type of return expectations that we have established for our stockholders. Accordingly, the Company awards restricted stock award grants to our NEOs. These grants typically vest over three years.

**Grant Practices for Executive Officers**

Annual equity compensation grants to executive officers have typically been granted in the first quarter of the year. The Company does not grant stock options to executive officers. As a result, there were no option grants to our NEOs in 2016.

**Restricted Stock Units**

In 2017, the Compensation Committee did not grant restricted stock awards to NEOs. Rather, in January 2017, the Compensation Committee granted restricted stock units to the NEOs. With respect to the restricted stock units, the Compensation Committee assessed each current NEO's individual performance for 2016, our overall company performance in 2016 (including the performance factors detailed above under *Performance Highlights and Assessment of Company Performance* and *Annual Cash Bonus Awards*) and the levels of equity compensation paid by other companies with whom we compete for executive talent. Based on this assessment, the Compensation Committee determined that the following restricted stock units be granted to our current NEOs with respect to 2016, in the amounts and on the dates set forth below to reward them for services performed in 2016. These restricted stock units vest as to one-third of the shares underlying the awards on the first anniversary of the grant date, and they vest as to the remaining shares in equal quarterly installments over the next two years. Settlement of the restricted stock units is deferred following vesting and the restricted stock units will not be settled until the earliest to occur of (1) January 24, 2021, (2) the death or disability of the NEO, (3) the separation from service of the NEO, or (4) a change in control of the Company. Each restricted stock unit will entitle the holder to dividend equivalents in the form of the Company's common stock, which dividend equivalent payments will be settled on the date the related restricted stock unit is settled. We believe these restricted stock unit awards assist the Company in retaining NEOs.

NEO	Grant Date	Restricted Stock Units	Fair Value of Restricted Stock Awards <sup>(1)</sup>
Manuel Henriquez	1/24/2017	351,865	\$ 5,000,000
Scott Bluestein	1/24/2017	123,153	\$ 1,750,000
Mark Harris	1/24/2017	35,187	\$ 500,000
Melanie Grace	1/24/2017	21,112	\$ 300,000
Andrew Olson	1/24/2017	17,593	\$ 250,000

(1) Based on the closing price per share of our common stock of \$14.21 on January 24, 2017.

**Other Elements of Compensation**

**Severance:** No NEO or employee of the Company has a written severance agreement or other arrangement providing for payments or benefits upon a termination of employment.

**Benefits and Perquisites:** Our NEOs receive the same benefits and perquisites as other full-time employees. Our benefits program is designed to provide competitive benefits and is not based on performance. Our NEOs and other full-time employees receive health and welfare benefits, which consist of life, long-term and short-term disability, health, dental, vision insurance benefits and the



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opportunity to participate in our defined contribution 401(k) plan. During 2016, our 401(k) plan provided for a match of contributions by the company for up to \$18,000 per full-time employee. Other than the benefits set forth immediately above, our NEOs are not entitled to any other benefits or perquisites.

*Potential Payments Upon Termination or Change of Control:* No NEO or employee of the Company has a written employment agreement, or other agreement, providing for payments or other benefits in connection with a change of control of the Company. Further, no NEO or any other employee is entitled to any tax gross-up payments.

**Corporate Goals**

For 2016, the Compensation Committee developed corporate goals that were required to be achieved for executive officers to receive up to 50% of their incentive compensation. These goals included operational performance as well as performance relative to the Peer Group. While the criteria may not be weighted, the Compensation Committee took into consideration each of these factors to determine whether the executive officers are eligible for up to 50% of the proposed incentive compensation. The Compensation Committee believes that the corporate goals applicable to all executive officers create an alignment not only with shareholders but also to the Company's business strategy and performance goals.

**Defined Individual Goals**

For 2016, the Compensation Committee developed individual goals for the CEO. In addition, the CEO and each NEO developed individual goals for the NEOs and such goals were approved by the Compensation Committee. Each set of individual goals are unique to the executive officer's responsibilities and position within the Company. While each of the factors may not be weighted, the Compensation Committee took into consideration each of these factors to determine whether the executive officers are eligible for up to 50% of the executive officer's incentive compensation.

**Pay-for-Performance Alignment**

The Company believes that there exists an alignment between the compensation of our NEOs and our performance over the relevant Performance Periods. As noted above, a broad range of individual performance factors and company performance factors are analyzed each year, including total shareholder return relative to our Peer Group, and, in 2016, analysis of relative ROAA, ROE, and ROIC versus the compensation peers over one-, three-, and five-years to measure short-, medium-, and long-term performance. The objective in analyzing these key performance factors is to align NEO compensation to our performance relative to our Peer Group and our absolute corporate performance.

The Company's annual bonus and equity awards constitute an effective mix of short- and long-term compensation components and reflect key measures of our performance and the returns enjoyed by our stockholders. Consistent with our pay-for-performance philosophy, the Compensation Committee will make future compensation decisions taking into account our absolute and relative performance, and, if our future performance were to fall significantly below our peers, the Compensation Committee would consider adjusting NEO compensation prospectively.

**Total Compensation Expense Relative to other Internally Managed Business Development Companies**

In determining annual bonus awards, the total compensation paid to our NEOs and other employees against the expense ratios of other internally managed business development companies was considered.

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#### **Internal Pay Equity Analysis**

Our compensation program is designed with the goal of providing compensation to our NEOs that is fair, reasonable, and competitive. To achieve this goal, the Company believes it is important to compare compensation paid to each NEO not only with compensation in our comparative group companies, as discussed above, but also with compensation paid to each of our other NEOs. Such an internal comparison is important to ensure that compensation is equitable among our NEOs.

As part of the Compensation Committee's review, we made a comparison of our CEO's total compensation paid for the period ending October 31, 2016 against that paid to our other NEOs during the same year. Upon review, the Compensation Committee determined that our CEO's compensation relative to that of our other NEOs was appropriate because of his level and scope of responsibilities, expertise and performance history, and other factors deemed relevant by the Compensation Committee. The Compensation Committee also reviewed the mix of the individual elements of compensation paid to our NEOs for this period, the individual performance of each NEO and any changes in responsibilities of the NEO.

#### **Stock Ownership Guidelines**

The Company maintains stock ownership guidelines, which are outlined in our corporate governance guidelines, because we believe that material stock ownership by our executives plays a role in effectively aligning the interests of these employees with those of our stockholders and strongly motivates our executives to build long-term shareholder value. Pursuant to our stock ownership guidelines, each member of senior management is required to beneficially own at least two times the individual's annual salary in Company common stock, based on market value, within three years of joining the Company. Our Board of Directors may make exceptions to this requirement based on particular circumstances; however, no exceptions have been made for our current NEOs. Messrs. Henriquez, Bluestein and Harris have met their minimum guidelines.

The Compensation Committee's review of the CEO's stock ownership in the fourth quarter of 2016 showed that he owns shares worth more than 20x his annual base salary.

#### **Tax and Accounting Matters**

*Stock-Based Compensation.* We account for stock-based compensation, including options and shares of restricted stock granted pursuant to our Equity Plan and 2006 Non-Employee Director Plan in accordance with the requirements of (ASC) Topic 718, Compensation - Stock Compensation. Under the ASC Topic 718, we estimate the fair value of our option awards at the date of grant using the Black-Scholes-Merton option-pricing model, which requires the use of certain subjective assumptions. The most significant of these assumptions are our estimates on the expected term, volatility and forfeiture rates of the awards. Forfeitures are not estimated due to our limited history but are reversed in the period in which forfeiture occurs. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, are likely to change our valuation assumptions used to value stock-based awards granted in future periods. We estimate the fair value of our restricted stock awards based on the grant date market closing price.

*Deductibility of Executive Compensation.* When analyzing both total compensation and individual elements of compensation paid to our NEOs, the Company considers the income tax consequences to the Company of its compensation policies and procedures. In particular, the Company considers Section 162(m) of the Code, which limits the deductibility of non-performance-based compensation paid to certain of the NEOs to \$1,000,000 per affected NEO. The Compensation Committee intends to balance its objective of providing compensation to our NEOs that is fair, reasonable, and competitive with the Company's ability to claim compensation expense deductions. Our Board of Directors believes that the best interests of the Company and our stockholders are served by executive compensation programs that encourage and promote our principal compensation philosophy,

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enhancement of shareholder value, and permit the Compensation Committee to exercise discretion in the design and implementation of compensation packages. Accordingly, we may from time to time pay compensation to our NEOs that may not be fully tax deductible, including certain bonuses and restricted stock. Stock options granted under our stock plan are intended to qualify as performance-based compensation under Section 162(m) of the Code. The Company will continue to review its executive compensation plans periodically to determine what changes, if any, should be made as a result of any deduction limitations.

**Clawback Policy for Section 16 Officers**

In 2016, the Board of Directors adopted a clawback policy for all Section 16 officers. This was an enhancement to the Company's then-existing clawback policy for the CEO and CFO pursuant to Section 304 of the Sarbanes-Oxley Act. With respect to the Company's clawback policy, the Company has

broadened its clawback policy to apply to all Section 16 officers; and

broadened the scope of its clawback policy beyond financial restatements.

Pursuant to our clawback policy, for payments that are predicated on financial results augmented by fraud, embezzlement, gross negligence or deliberate disregard of applicable rules resulting in significant monetary loss, damage or injury to the Company ( Excess Compensation ), the Compensation Committee has the authority to seek repayment of any Excess Compensation, including (1) cancellation of unvested, unexercised or unreleased equity incentive awards; and (2) repayment of any compensation earned on previously exercised or released equity incentive awards whether or not such activity resulted in a financial restatement.

The Compensation Committee will have sole discretion under this policy, consistent with any applicable statutory requirements, to seek reimbursement of any Excess Compensation paid or received by the Section 16 officer for up to a 12-month period prior to the date of the Compensation Committee action to require reimbursement of the Excess Compensation. Any clawback of Excess Compensation must be based upon fraud adjudicated by a court of competent jurisdiction or a financial restatement. Further, following a restatement of our financial statements, we will recover any compensation received by the CEO and CFO that is required to be recovered by Section 304 of the Sarbanes-Oxley Act.

For purposes of this policy, Excess Compensation will be measured as the positive difference, if any, between the compensation earned by a Section 16 officer and the compensation that would have been earned by the Section 16 officer had the fraud, embezzlement, gross negligence or deliberate disregard of applicable rules resulting from significant monetary loss, damage or injury to the Company not occurred.

**Risk Assessment of the Compensation Programs**

Our Board of Directors believes that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. The Company has designed our compensation programs, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. We use common variable compensation designs, with a significant focus on individual contributions to our performance and the achievement of absolute and relative corporate objectives, as generally described in this Compensation Discussion and Analysis.

The Compensation Committee and the Board of Directors reviewed our compensation programs to assess whether any aspect of the programs would encourage any of our employees to take any unnecessary or inappropriate risks that could threaten the value of the Company. The Company has designed our compensation programs to reward our employees for achieving annual profitability and long-term increase shareholder value.

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Our Board of Directors recognizes that the pursuit of corporate objectives possibly leads to behaviors that could weaken the link between pay and performance, and, therefore, the correlation between the compensation delivered to employees and the long-term return realized by stockholders. Accordingly, our executive compensation program is designed to mitigate these possibilities and to ensure that our compensation practices are consistent with our risk profile. These features include the following:

bonus payouts and equity incentive awards that are not based solely on corporate performance objectives, but are also based on individual performance levels,

the financial opportunity in our long-term equity incentive program that is best realized through long-term appreciation of our stock price, which mitigates excessive short-term risk-taking,

annual cash bonuses that are paid after the end of the fiscal year to which the bonus payout relates,

the engagement and use of a compensation consultant,

the institution of stock ownership guidelines applicable to our executive officers, and

final decision making by our Compensation Committee and our Board of Directors on all awards.

Additionally, the Company performed an assessment of compensation-related risks for all of our employees. Based on this assessment, we concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company. In making this evaluation, the Company reviewed the key design elements of our compensation programs in relation to industry best practices, as well as the means by which any potential risks may be mitigated. In addition, management completed an inventory of incentive programs below the executive level and reviewed the design of these incentives and concluded that such incentive programs do not encourage excessive risk-taking.

**Compensation Committee Report**

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussions with management, we recommend to the Board of Directors that the Compensation Discussion and Analysis be included in the Annual Report on Form 10-K/A for the year ended December 31, 2016.

**COMPENSATION COMMITTEE MEMBERS**

Susanne D. Lyons, Chair

Allyn C. Woodward, Jr.

Doreen Woo Ho

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Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Manuel Henriquez <i>Chairman &amp; Chief Executive Officer</i>	2016	\$ 803,154	\$ 1,200,000	\$ 4,005,335		\$ 771,425	\$ 6,779,914
	2015	\$ 779,762	\$ 1,000,000	\$ 4,472,142		\$ 1,635,353	\$ 7,887,257
	2014	\$ 779,762	\$ 692,500	\$ 5,992,250		\$ 804,675	\$ 8,269,187
Mark R. Harris <i>Chief Financial Officer</i>	2016	\$ 412,000	\$ 400,000	\$ 396,330		\$ 95,624	\$ 1,303,954
	2015	\$ 166,667	\$ 200,000	\$ 400,001		\$ 26,404	\$ 793,072
Scott Bluestein <i>Chief Investment Officer</i>	2016	\$ 432,600	\$ 650,000	\$ 1,249,040		\$ 200,555	\$ 2,532,195
	2015	\$ 420,000	\$ 525,000	\$ 670,212		\$ 193,370	\$ 1,808,582
	2014	\$ 420,000	\$ 233,750	\$ 967,100		\$ 144,396	\$ 1,765,246
Melanie Grace <i>General Counsel, Chief Compliance Officer and Secretary</i>	2016	\$ 283,250	\$ 145,000	\$ 112,894		\$ 40,726	\$ 581,870
	2015	\$ 79,167	\$ 50,000	\$ 112,500		\$ 36,466	\$ 278,133
Andrew Olson <i>Vice President of Finance and Senior Controller</i>	2016	\$ 211,150	\$ 150,000	\$ 72,060		\$ 28,684	\$ 461,894
	2015	\$ 186,250	\$ 195,000	\$ 53,332		\$ 22,717	\$ 457,299
Jessica Baron. <i>Former Chief Financial Officer</i>	2016						
	2015	\$ 130,096		\$ 267,838		\$ 63,168	\$ 461,102
	2014	\$ 293,550	\$ 123,750	\$ 517,825		\$ 109,841	\$ 1,044,966

- (1) Salary column amounts represent base salary compensation received by each named executive officer ( NEO ) for the listed fiscal year.
- (2) Bonus column amounts represent the annual cash bonus earned during the fiscal year and awarded and paid out during the first quarter of the following fiscal year.
- (3) The amounts reflect the aggregate grant date fair value of restricted stock and stock option awards made to our NEOs and former NEOs during the applicable year computed in accordance with ASC Topic 718. The grant date fair value of each restricted stock award is measured based on the closing price of our common stock on the date of grant.
- (4) All Other Compensation column includes the following:
- We made matching contributions under our 401(k) plan of (a) \$18,000 in 2016 to Messrs. Henriquez, Bluestein, Harris and Olson and \$17,703 to Ms. Grace (b) \$18,000 in 2015 to Messrs. Henriquez, Bluestein and Olson and Ms. Baron; and (c) \$17,000 in 2014 to Messrs. Henriquez and Bluestein and Ms. Baron.
- Distributions to Messrs. Henriquez, Harris, Bluestein and Olson and Ms. Grace in the amount of \$753,425, \$77,624, \$182,555, \$10,684 and \$23,023, respectively, were paid on unvested restricted stock awards during 2016.
- Distributions to Messrs. Henriquez, Harris, Bluestein and Olson and Ms. Grace in the amount of \$845,550, \$22,587, \$134,985, \$4,717 and \$3,100, respectively, were paid on unvested restricted stock awards during 2015.
- Distributions to Messrs. Henriquez and Bluestein and Ms. Baron in the amount of \$787,675, \$127,396, and \$92,841, respectively, were paid on unvested restricted stock awards during 2014.
- Due to a change in the vacation policy of NEOs, Messrs. Henriquez, Harris, Bluestein and Ms. Grace were each paid out of all of their accrued vacation through August 30, 2015 in the amount of \$771,803, \$3,817, \$40,385 and \$1,007, respectively. NEOs no longer accrue vacation effective September 1, 2015.
- Ms. Grace began as a contractor on August 3, 2015 until she was approved by the Board of Directors as an executive officer on September 17, 2015. During this period, Ms. Grace earned \$32,359 in compensation.

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## Grants of Plan Based Awards in 2016

NEO	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units <sup>(1)</sup>	All Other Option Awards: Number of Securities Underlying Options <sup>(1)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup>
Manuel Henriquez	01/10/2016	333,500		\$ 4,005,335
Mark Harris	01/10/2016	33,000		\$ 396,330
Scott Bluestein	01/10/2016	104,000		\$ 1,249,040
Andrew Olson	01/10/2016	6,000		\$ 72,060
Melanie Grace	01/10/2016	9,400		\$ 112,894

- (1) Restricted stock awards vest as to one-third of the award on the one year anniversary of the date of the grant and quarterly over the succeeding 24 months. When payable, distributions are paid on a current basis on the unvested shares.
- (2) The amounts reflect the aggregate grant date fair value of computed in accordance with ASC Topic 718.

## Outstanding Equity Awards at Fiscal Year End, December 31, 2016

Name and Principal Position	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup>
Manuel Henriquez					12,284 <sup>(2)</sup> 132,917 <sup>(3)</sup> 333,500 <sup>(6)</sup>	\$ 173,327 \$ 1,875,459 \$ 4,705,685
Mark Harris					21,252 <sup>(4)</sup> 33,000 <sup>(6)</sup>	\$ 299,866 \$ 465,630
Scott Bluestein					2,457 <sup>(2)</sup> 19,920 <sup>(3)</sup> 104,000 <sup>(6)</sup>	\$ 34,668 \$ 281,071 \$ 1,467,440
Melanie Grace					5,834 <sup>(5)</sup> 9,400 <sup>(6)</sup>	\$ 82,318 \$ 132,634
Andrew Olson	13,332 <sup>(7)</sup>	6,668	\$ 15.12	12/03/2021	1,586 <sup>(3)</sup> 6,000 <sup>(6)</sup>	\$ 22,378 \$ 84,660

- (1) Market value is computed by multiplying the closing market price of the Company's stock at December 31, 2016 by the number of shares.
- (2) Restricted stock granted on 3/4/13 that vests as to one-fourth of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 36 months
- (3) Restricted stock granted on 3/10/15 that vests as to one-third of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 24 months.



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- (4) Restricted stock granted on 8/6/15 that vests as to one-third of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 24 months
- (5) Restricted stock granted on 9/17/15 that vests as to one-third of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 24 months
- (6) Restricted stock granted on 1/10/2016 that vests as to one-third of the total award on the one-year anniversary of the date of the grant and quarterly over the succeeding 24 months
- (7) Options granted on 12/03/2014 that vest as to one-third of the total underlying shares on the one-year anniversary of the date of the grant and on a monthly basis over the succeeding 24 months

Table of ContentsIndex to Financial Statements**Options Exercised and Stock Vested in 2016**

Name and Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Manuel Henriquez			359,264	\$ 4,347,348
Mark Harris			15,178	\$ 205,146
Scott Bluestein			57,399	\$ 692,290
Melanie Grace			4,166	\$ 55,499
Andrew Olson			2,218	\$ 26,908

**COMPENSATION OF DIRECTORS**

Our Compensation Committee has the authority from our Board of Directors for the appointment, compensation and oversight of our outside compensation consultant. Our Compensation Committee generally engages a compensation consultant every other year to assist it with its responsibilities related to our director compensation program.

The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of our current directors during the fiscal year ended December 31, 2016. We provide further information relating to equity awards made to our non-employee directors below under *2006 Non-Employee Director Plan*.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Robert P. Badavas	\$ 175,000			\$ 3,099	\$ 178,099
Thomas J. Fallon	\$ 150,000	\$	\$	\$ 6,199	\$ 156,199
Joseph F. Hoffman	\$ 165,000	\$ 62,350	\$ 8,499	\$ 5,683	\$ 241,532
Susanne D. Lyons	\$ 175,000	\$	\$	\$ 2,066	\$ 177,066
Allyn C. Woodward, Jr.	\$ 175,000	\$	\$	\$ 5,166	\$ 180,166
Doreen Woo Ho	\$	\$ 45,362	\$ 6,415	\$ 1,033	\$ 52,810
Manuel A. Henriquez <sup>(5)</sup>					

- (1) Messrs. Badavas, Fallon, Hoffman, Woodward and Ms. Lyons earned \$125,000, \$100,000, \$115,000, \$125,000 and \$125,000, respectively, and each elected to receive an additional retainer fee of 3,720 shares of our common stock in lieu of cash. The total value of the shares issued to each of Messrs. Badavas, Fallon, Hoffman and Woodward and Ms. Lyons services in fiscal 2016 was \$50,000. Ms. Woo Ho did not receive any cash compensation during 2016.
- (2) During 2016, in connection his re-election to our Board of Directors, we granted Mr. Hoffman a restricted stock award for 5,000 shares of common stock, and we granted Ms. Woo Ho a restricted stock award for 3,333 shares of common stock upon her appointment to our Board of Directors. The amounts presented reflect the aggregate grant date fair value of the stock awards, as computed in accordance with ASC Topic 718. The grant date fair value of each restricted stock award is measured based on the closing price of our common stock on the date of grant.
- (3) During 2016, in connection with his re-election to our Board of Directors, we granted Mr. Hoffman a stock option award with respect to 15,000 shares of our common stock, and, in connection with her appointment to our Board of Directors, we granted Ms. Woo Ho a stock option award with respect to 10,000 shares of our common stock. The amounts presented reflect the aggregate grant date fair value of option awards computed in accordance with ASC Topic 718. The fair value of each stock option grant is estimated based on the fair market value of the option on the date of grant using the Black-Scholes-Merton option pricing model. For a further discussion on the valuation model and the assumptions used to calculate the fair value of our stock options, please see Note 7 to the consolidated financial statements included in our annual report on Form 10-K for the 2016 fiscal year.
- (4) Represents distributions paid during 2016 on unvested common stock under restricted stock awards.
- (5) As an employee director, Mr. Henriquez does not receive any compensation for his service as a director. The compensation Mr. Henriquez receives as our chief executive officer is disclosed in the Summary Compensation Table and elsewhere under *EXECUTIVE COMPENSATION*.



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As of December 31, 2016, Messrs. Badavas, Fallon, Hoffman and Woodward and Ms. Lyons and Ms. Woo Ho had outstanding options in the amount of 20,000, 25,000, 25,000, 25,000, 10,000 and 10,000, respectively. As of December 31, 2016, Messrs. Badavas, Fallon, Hoffman and Woodward and Ms. Lyons and Ms. Woo Ho held unvested shares of restricted stock in the amount of 1,666, 3,333, 6,666, 3,333, 1,666 and 3,333, respectively.

Upon her appointment to our Board of Directors in October 2016, Ms. Woo Ho received a restricted stock award with respect to 3,333 shares of our common stock and a stock option to purchase 10,000 shares of our common stock.

During 2016, the compensation for serving on our Board of Directors as an independent director included the following:

Annual Director Retainer Fee	\$100,000
Annual Chairperson Fee	\$25,000, Audit Committee
	\$25,000, Compensation Committee
	\$15,000, NCG Committee
Annual Lead Director Fee	\$25,000

In 2016, we granted each independent director an additional retainer of \$50,000, which was distributed as shares of common stock in lieu of cash. In addition, upon re-election to the Board of Directors, each independent director is granted an option to purchase 15,000 shares and an additional award of 5,000 shares of restricted stock. Employee directors do not receive compensation for serving on our Board of Directors. In addition, we reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board of Directors meetings.

Under current SEC rules and regulations applicable to business development companies, a business development company may not grant options or restricted stock to non-employee directors unless it receives exemptive relief from the SEC. We filed an exemptive relief request with the SEC to allow options and restricted stock to be issued to our non-employee directors, which was approved on October 10, 2007. On June 22, 2010, we received approval from the SEC regarding our exemptive relief request permitting its employees to exercise their stock options and restricted stock and pay any related income taxes using a cashless exercise program.

On June 21, 2007, our stockholders approved amendments to the Equity Plan and the 2006 Non-Employee Director Plan allowing for the grant of restricted stock. The Equity Plan and 2006 Non-Employee Director Plan limit the combined maximum amount of restricted stock that may be issued under both of the Equity Plan and 2006 Non-Employee Director Plan to 10% of the outstanding shares of our common stock on the effective date of the Equity Plan and 2006 Non-Employee Director Plan plus 10% of the number of shares of common stock issued or delivered by us during the terms of the Equity Plan and 2006 Non-Employee Director Plan.

Table of ContentsIndex to Financial Statements**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information as of December 31, 2016, with respect to compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, restricted stock and warrants	(b) Weighted-average exercise price of outstanding options, restricted stock and warrants	(c) Number of securities remaining under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders:			
2004 Equity Incentive Plan	553,171	\$ 13.85	3,772,736
2006 Non-Employee Director Plan	115,000	\$ 13.18	713,333
Equity compensation plans not approved by stockholders:			
Total	668,171	\$ 13.52	4,486,069

**2004 Equity Incentive Plan**

Our board and our stockholders have approved our Equity Plan to align our employees' interest with the performance of our Company and to attract and retain the services of executive officers and other key employees. Under our Equity Plan our Compensation Committee may award incentive stock options, referred to as ISOs, within the meaning of Section 422 of the Code, and non-qualified stock options to employees and employee directors. The following is a summary of the material features of our Equity Plan.

Under our Equity Plan, we had 3,200,605 shares of common stock available for issuance as of August 30, 2017. Participants in our Equity Plan may receive awards of options to purchase our common stock and/or restricted shares, as determined by our Compensation Committee. Options granted under our Equity Plan generally may be exercised for a period of no more than ten years from the date of grant unless the option agreement provides for an earlier expiration. Unless sooner terminated by our Board of Directors, our Equity Plan will terminate on the tenth anniversary of the date it was last approved by our stockholders. Such approval was last given by our stockholders on July 7, 2015. Our Equity Plan provides that all awards granted under the plan are subject to modification as required to ensure that such awards do not conflict with the requirements of the 1940 Act applicable to us.

Options granted under our Equity Plan will entitle the optionee, upon exercise, to purchase shares of common stock from us at a specified exercise price per share. ISOs must have a per share exercise price of no less than the fair market value of a share of stock on the date of the grant or, if the optionee owns or is treated as owning (under Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of our stock, 110% of the fair market value of a share of stock on the date of the grant. Nonstatutory stock options granted under our Equity Plan must have a per share exercise price of no less than the fair market value of a share of stock on the date of the grant. Options will not be transferable other than by laws of descent and distribution, or in the case of nonstatutory stock options, by gift, and will generally be exercisable during an optionee's lifetime only by the optionee.

Under our Equity Plan, we are permitted to issue shares of restricted stock to all key employees of the Company and its affiliates consistent with such terms and conditions as the Board of Directors shall deem appropriate. Our Board of Directors determines the time or times at which such shares of restricted stock will become exercisable and the terms on which such shares will remain exercisable. Any shares of restricted stock for which forfeiture restrictions have not vested at the point at which the participant terminates his employment will terminate immediately and such shares will be returned to Hercules and will be available for future awards under this plan.

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Our Board of Directors administers our Equity Plan and has the authority, subject to the provisions of the Equity Plan, to determine who will receive awards under the Equity Plan and the terms of such awards. Our Board of Directors has the authority to adjust the number of shares available for awards, the number of shares subject to outstanding awards and the exercise price for awards following the occurrence of events such as stock splits, dividends, distributions and recapitalizations. The exercise price of an option may be paid in the form of shares of stock that are already owned by such option holder.

Upon specified covered transactions (as defined in the Equity Plan), all outstanding awards under our Equity Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar awards, the awards held by the participants will be accelerated in full and then terminated to the extent not exercised prior to the covered transaction.

**2006 Non-Employee Director Plan**

Our Board of Directors and our stockholders approved our 2006 Non-Employee Director Plan. Under current SEC rules and regulations applicable to business development companies, absent exemptive relief, a business development company may not grant options or shares of restricted stock to non-employee directors. On February 15, 2007, we received exemptive relief from the SEC to permit us to grant options to non-employee directors as a portion of their compensation for service on our Board of Directors. On May 23, 2007, we received exemptive relief from the SEC to permit us to grant shares of restricted stock to non-employee directors as a portion of their compensation for service on our Board of Directors. Our 2006 Non-Employee Director Plan terminated in accordance with its terms on June 21, 2017 and no additional awards may be made under our 2006 Non-Employee Director Plan. The following is a summary of the material features of the 2006 Non-Employee Director Plan.

We instituted our 2006 Non-Employee Director Plan for the purpose of advancing our interests by providing for the grant of awards under our 2006 Non-Employee Director Plan to eligible non-employee directors. Under our 2006 Non-Employee Director Plan, we authorized for issuance up to 1,000,000 shares of common stock.

Our 2006 Non-Employee Director Plan authorized the issuance to non-employee directors of non-statutory stock options, referred to as NSOs, to purchase shares of our common stock at a specified exercise price per share and/or restricted stock. NSOs granted under our 2006 Non-Employee Director Plan had a per share exercise price of no less than the current market value of a share of stock as determined in good faith by our Board of Directors on the date of the grant. The amount of the options that may be granted were limited by the terms of our 2006 Non-Employee Director Plan, which prohibited any grant that would cause us to be in violation of Section 61(a)(3) of the 1940 Act.

Under our 2006 Non-Employee Director Plan, non-employee directors each received an initial grant of an option to purchase 10,000 shares of stock upon initial election to such position. The options granted vest over two years, in equal installments on each of the first two anniversaries of the date of grant, provided that the non-employee director remains in service on such dates. In addition, each non-employee director was automatically granted an option to purchase 15,000 shares of stock on the date of such non-employee director's re-election to our Board of Directors and such grant vests over three years, in equal installments on each of the first three anniversaries of the date of grant, provided that the non-employee director remains in service on such dates. Our Compensation Committee had, subject to SEC approval, the authority to determine from time to time which of the persons eligible under our 2006 Non-Employee Director Plan was granted awards; when and how each award was granted, including the time or times when a person was permitted to exercise an award; and the number of shares of stock with respect to which an award was granted to such person. The exercise price of options granted under our 2006 Non-Employee Director Plan was set at the closing price of our common stock on the NYSE as of the date of grant and was not be adjusted unless we received an exemptive order from the SEC or written confirmation from the staff of the SEC that we may do so (except for adjustments resulting from changes in our capital structure, such as stock dividends, stock splits and reverse stock splits).

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Our 2006 Non-Employee Director Plan provided that all awards granted under our 2006 Non-Employee Director Plan were subject to modification as required to ensure that such awards did not conflict with the requirements of the 1940 Act. Our Compensation Committee determined the period during which any options granted under our 2006 Non-Employee Director Plan remained exercisable, provided that no option will be exercisable after the expiration of ten years from the date on which it was granted. Options granted under our 2006 Non-Employee Director Plan were not transferable other than by will or the laws of descent and distribution, or by gift, and were generally exercisable during a non-employee director's lifetime only by such non-employee director. In general, any portion of any options that were not then exercisable terminated upon the termination of the non-employee director's services to Hercules. Generally, any portion of any options that were exercisable at the time of the termination of the non-employee director's services to Hercules remained exercisable for the lesser of (i) a period of three months (or one year if the non-employee director's services to Hercules terminated by reason of the non-employee director's death) or (ii) the period ending on the latest date on which such options could have been exercised had the non-employee director's services to Hercules not terminated. In addition, if our Board of Directors determines that a non-employee director's service to Hercules terminated for reasons that cast such discredit on the non-employee director as to justify immediate termination of the non-employee director's options, then all options then held by the non-employee director immediately terminate.

Under our 2006 Non-Employee Director Plan, we also were permitted to issue shares of restricted stock to our non-employee directors. Upon initial election to such position, non-employee directors were automatically granted 3,333 shares of restricted stock. The forfeiture restrictions for such initial shares of restricted stock vest as to one-half of such shares on the first anniversary of the date of grant and as to an additional one-half of the restricted stock on the second anniversary of the date of grant. In addition, each non-employee director was automatically granted 5,000 shares of restricted stock on the date of such non-employee director's re-election to our Board of Directors and the forfeiture restrictions on such shares vest as to one-third of such shares on the anniversary of such grant over three years, provided that the non-employee director remains in service on such dates.

Our Compensation Committee administered our 2006 Non-Employee Director Plan. If there was a change in our capital structure by reason of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure, our Board of Directors would make appropriate adjustments to the number and class of shares of stock subject to our 2006 Non-Employee Director Plan and each option outstanding under it. In the event of a consolidation, merger, stock sale, a sale of all or substantially all of our assets, our dissolution or liquidation or other similar events, referred to as a Covered Transaction, our Board of Directors would provide for the assumption of some or all outstanding options or for the grant of new substitute options by the acquirer or survivor. If no such assumption or substitution occurs, all outstanding options become exercisable prior to the Covered Transaction and terminate upon consummation of the Covered Transaction.

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The following table sets forth, as of August 30, 2017, the beneficial ownership of each current director, each nominee for director, our NEOs, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of August 30, 2017 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of ownership is based on 82,864,802 shares of common stock outstanding as of August 30, 2017.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, except to the extent authority is shared by their spouses under applicable law. Unless otherwise indicated, the address of all executive officers and directors is c/o Hercules Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

Our directors are divided into two groups interested directors and independent directors. Interested directors are interested persons as defined in Section 2(a)(19) of the 1940 Act, and independent directors are all other directors.

Name and Address of Beneficial Owner	Type of Ownership	Number of Shares Owned Beneficially <sup>(1)</sup>	Percentage of Class
<b><i>Interested Director</i></b>			
Manuel A. Henriquez <sup>(2)</sup>	Record/Beneficial	1,896,569	2.3%
<b><i>Independent Directors</i></b>			
Robert B. Badavas <sup>(3)</sup>	Beneficial	148,565	*
Allyn C. Woodward, Jr. <sup>(4)</sup>	Record/Beneficial	277,105	*
Thomas J. Fallon <sup>(5)</sup>	Record/Beneficial	51,836	*
Susanne D. Lyons <sup>(6)</sup>	Beneficial	21,575	*
Joseph F. Hoffman <sup>(7)</sup>	Record/Beneficial	35,478	*
Doreen Woo Ho <sup>(8)</sup>	Record/Beneficial	12,236	*
<b><i>Other Named Executive Officers</i></b>			
Mark R. Harris <sup>(9)</sup>	Record/Beneficial	53,605	*
Scott Bluestein <sup>(10)</sup>	Record/Beneficial	213,458	*
Melanie Grace <sup>(11)</sup>	Record/Beneficial	15,247	*
<b><i>Executive officers and directors as a group (10 persons)</i></b> <sup>(12)</sup>			3.3%

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

(2) Includes 246,509 shares of restricted stock, 1,583,488 shares of common stock held by the Manuel A. Henriquez and Elizabeth H. Henriquez TTEE The Henriquez Family Trust U/A 5/11/99 of which 861,058 shares are pledged as a security; 27,174 shares of common stock held in the Isabelle Irrev Trust, EH Trustee; 27,174 shares of common stock held in the Natalie Irrev Trust, EH Trustee; and 12,224 shares of common stock held in the Manuel Henriquez-Roth IRA. Mr. Henriquez disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.

(3) Includes 20,000 shares of common stock that can be acquired upon the exercise of outstanding options. All shares are held of record by the Robert P. Badavas Trust of 2007, and Mr. Badavas disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.

(4) Includes 20,000 shares of common stock that can be acquired upon the exercise of outstanding options, 1,666 shares of restricted common stock, and 35,000 shares of common stock held by Mr. Woodward's spouse in her name. Mr. Woodward disclaims any beneficial ownership interest of such shares held by his spouse except to the extent of his pecuniary interest therein.

(5) Includes 20,000 shares of common stock that can be acquired upon the exercise of outstanding options and 1,666 shares of restricted common stock. All shares are held of record by the Fallon Family Revocable Trust, and Mr. Fallon disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.



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- (6) Includes 10,000 shares of common stock that can be acquired upon the exercise of outstanding options. All shares are held of record by the Lyons Family Trust, and Ms. Lyons disclaims any beneficial ownership interest of such shares except to the extent of her pecuniary interest therein.
- (7) Includes 15,000 shares of common stock that can be acquired upon the exercise of outstanding options and 3,333 shares of restricted common stock. All shares are held of record by the Hoffman Trust, and Mr. Hoffman disclaims any beneficial ownership interest of such shares except to the extent of his pecuniary interest therein.
- (8) Includes 5,000 shares of common stock that can be acquired upon the exercise of outstanding options and includes 3,333 shares of restricted common stock.
- (9) Includes 28,645 shares of restricted common stock.
- (10) Includes 63,955 shares of restricted common stock.
- (11) Includes 8,868 shares of restricted common stock.
- (12) Includes 90,000 shares of common stock that can be acquired upon the exercise of outstanding options and 357,975 shares of restricted common stock.
- \* Less than 1%.

The following table sets forth as of August 30, 2017, the dollar range of our securities owned by our directors and executive officers.

Name	Dollar Range of Equity Securities Beneficially Owned
<b><i>Interested Director</i></b>	
Manuel A. Henriquez	Over \$100,000
<b><i>Independent Directors</i></b>	
Robert B. Badavas	Over \$100,000
Allyn C. Woodward, Jr.	Over \$100,000
Thomas J. Fallon	Over \$100,000
Susanne D. Lyons	Over \$100,000
Joseph F. Hoffman	Over \$100,000
Doreen Woo Ho	Over \$100,000
<b><i>Other Named Executive Officers</i></b>	
Mark R. Harris	Over \$100,000
Scott Bluestein	Over \$100,000
Melanie Grace	Over \$100,000

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We have established a written policy to govern the review, approval and monitoring of transactions involving the Company and certain persons related to Hercules. As a business development company, the 1940 Act restricts us from participating in transactions with any persons affiliated with Hercules, including our officers, directors, and employees and any person controlling or under common control with us.

In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with Hercules, our officers screen each of our transactions for any possible affiliations, close or remote, between the proposed portfolio investment, Hercules, companies controlled by us and our employees and directors.

We will not enter into any agreements unless and until we are satisfied that no affiliations prohibited by the 1940 Act exist or, if such affiliations exist, we have taken appropriate actions to seek Board of Directors review and approval or exemptive relief from the SEC for such transaction.

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

The following discussion is a general summary of certain material U.S. federal income tax considerations relating to our qualification and taxation as a RIC and the acquisition, ownership and disposition of our preferred stock or common stock, but does not purport to be a complete description of the income tax considerations relating thereto. Except as otherwise noted, this discussion assumes you are a taxable U.S. person (as defined for U.S. federal income tax purposes) and that you hold your shares of our stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion is based upon current provisions of the Code, the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the IRS, possibly with retroactive effect. No attempt is made to present a detailed explanation of all U.S. federal income tax concerns affecting the Company and its shareholders (including shareholders subject to special rules under U.S. federal income tax law).

**The discussions set forth herein do not constitute tax advice. We have not sought and will not seek any ruling from the IRS regarding any matters discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to those set forth below. This summary does not discuss any aspects of foreign, state or local tax. Prospective investors must consult their own tax advisers as to the U.S. federal income tax consequences (including the alternative minimum tax consequences) of acquiring, holding and disposing of shares of our stock, as well as the effects of state, local and non-U.S. tax laws.**

**Election to be Subject to Tax as a RIC**

Through December 31, 2005, we were subject to U.S. federal income tax as an ordinary corporation under Subchapter C of the Code. Effective beginning on January 1, 2006 we met the criteria specified below to qualify as a RIC, and elected to be treated as a RIC under Subchapter M of the Code with the filing of our U.S. federal income tax return for 2006. To qualify as a RIC we must, among other things, meet certain source of income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, in respect of each taxable year, dividends for U.S. federal income tax purposes of an amount generally at least equal to 90% of our investment company taxable income, which is generally equal to the sum of our net ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses, determined without regard to any deduction for distributions paid, or the Annual Distribution Requirement. Upon satisfying these requirements in respect of a taxable year, we generally will not be subject to corporate taxes on any income we distribute to our stockholders as dividends for U.S. federal income tax purposes, which will allow us to reduce or eliminate our liability for corporate-level income tax.

On December 31, 2005, immediately before the effective date of our RIC election, we held assets with built-in gains, which are assets whose fair market value as of the effective date of the election exceeded their tax basis as of such date. We elected to recognize all of our net built-in gains on such assets at the time of the conversion and paid tax on the built-in gain with the filing of our 2005 U.S. federal income tax return. In making this election, we marked our portfolio investments and other assets to market at the time of our RIC election and paid approximately \$294,000 in income tax on the resulting gains.

**Taxation as a Regulated Investment Company**

For any taxable year in which we:

qualify as a RIC; and

distribute dividends for U.S. federal income tax purposes to our shareholders of an amount at least equal to the Annual Distribution Requirement;

We generally will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (i.e., net realized long-term capital gains in excess of net realized short-term

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capital losses) we distribute (or are deemed to distribute) as dividends for U.S. federal income tax purposes to stockholders with respect to that taxable year.

As described above, we made the election to recognize built-in gains as of the effective date of our election to be treated as a RIC and therefore were not subject to built-in gains tax when we sold those assets. However, if we subsequently acquire built-in gain assets from a C corporation in a carryover basis transaction, then we may be subject to tax on the gains recognized by us on dispositions of such assets unless we make a special election to pay corporate-level tax on such built-in gain at the time the assets are acquired. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) as dividends for U.S. federal income tax purposes to our stockholders.

In order to qualify as a RIC for U.S. federal income tax purposes and obtain the tax benefits of RIC status, in addition to satisfying the Annual Distribution Requirement, we must, among other things:

have in effect at all times during each taxable year an election to be regulated as a business development company under the 1940 Act;

derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities and (b) net income derived from an interest in a qualified publicly traded partnership (the 90% Income Test );

diversify our holdings so that at the end of each quarter of the taxable year:

at the close of each quarter of each taxable year, at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and

at the close of each quarter of each taxable year, no more than 25% of the value of our assets is invested in (i) securities (other than U.S. government securities or securities of other RICs) of one issuer, (ii) securities of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) securities of one or more qualified publicly traded partnerships (the Diversification Tests ).

We may invest in partnerships which may result in our being subject to state, local or foreign income, franchise or other tax liabilities. In addition, some of the income and fees that we may recognize will not satisfy the 90% Income Test. In order to mitigate the risk that such income and fees would disqualify us as a RIC as a result of a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities classified as corporations for U.S. federal income tax purposes. Such corporations generally will be subject to corporate income taxes on their earnings, which ultimately will reduce our return on such income and fees.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year (subject to certain deferrals and elections), (2) 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding years (the Excise Tax Avoidance Requirement ). We are not subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's retained net capital gains).

Depending on the level of taxable income earned in a taxable year, we may choose to carry over taxable income in excess of current taxable year distributions treated as dividends for U.S. federal income tax purposes



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

Under applicable Treasury regulations and other administrative guidance issued by the IRS, we are permitted to treat certain distributions payable in our stock as taxable distributions that will satisfy the Annual Distribution Requirement as well as the Excise Tax Avoidance Requirement provided that shareholders have the opportunity to elect to receive the distribution in cash. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be subject to tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on distributions, then such sales may put downward pressure on the trading price of our stock. We may in the future determine to make taxable distributions that are payable in part in our common stock.

We may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having OID (such as debt instruments with PIK interest provisions or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each taxable year a portion of the OID that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any OID accrued is generally required to be included in our investment company taxable income for the taxable year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

We are authorized to borrow funds and to sell assets in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement (collectively, the Distribution Requirements). However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain asset coverage tests are met. See

Regulation Senior Securities; Coverage Ratio. We may be restricted from making distributions under the terms of our debt obligations themselves unless certain conditions are satisfied. Moreover, our ability to dispose of assets to meet the Distribution Requirements may be limited by (1) the illiquid nature of our portfolio, or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Distribution Requirements, we may make such dispositions at times that, from an investment standpoint, are not advantageous. If we are prohibited from making distributions or are unable to obtain cash from other sources to make the distributions, we may fail to be subject to tax as a RIC, which would result in us becoming subject to corporate-level income taxes.

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In addition, we will be partially dependent on our SBIC subsidiaries for cash distributions to enable us to meet the RIC Distribution Requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, as amended, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiaries to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such waiver. If our SBIC subsidiaries are unable to obtain a waiver, compliance with the SBA regulations may cause us to fail to be subject to tax as a RIC, which would result in us becoming subject to corporate-level income taxes.

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) convert distributions that would otherwise constitute qualified dividend income into ordinary income, (ii) treat distributions that would otherwise be eligible for deductions available to certain U.S. corporations under the Code as ineligible for such treatment, (iii) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (iv) convert long-term capital gains into short-term capital gains or ordinary income, (v) convert short-term capital losses into long-term capital losses, (vi) convert an ordinary loss or deduction into a capital loss (the deductibility of which is more limited), (vii) cause us to recognize income or gain without a corresponding receipt of cash, (viii) adversely alter the characterization of certain complex financial transactions, and (ix) produce gross income that will not constitute qualifying gross income for purposes of the 90% Income Test. These rules also could affect the amount, timing and character of distributions to stockholders.

A RIC is limited in its ability to deduct expenses in excess of its investment company taxable income. If our otherwise deductible expenses in a given taxable year exceed our ordinary taxable gross income (e.g., as the result of large amounts of equity-based compensation), we would incur a net operating loss for that taxable year. However, a RIC is not permitted to carry back or carry forward net operating losses, respectively, to prior and subsequent taxable years, and such net operating losses do not pass through to the RIC's stockholders. In addition, deductible expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such net capital losses, and generally use them to offset capital gains indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we may for tax purposes have aggregate taxable income for several taxable years that we are required to distribute and that is taxable to our stockholders even if such taxable income is greater than the aggregate net income we actually earned during those taxable years. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Investment income received from sources within foreign countries, or capital gains earned by investing in securities of foreign issuers, may be subject to foreign income taxes withheld at the source. In this regard, withholding tax rates in countries with which the United States does not have a tax treaty are often as high as 35% or more. The United States has entered into tax treaties with many foreign countries that may entitle us to a reduced rate of tax or exemption from tax on this related income and gains. The effective rate of foreign tax cannot be determined at this time since the amount of our assets to be invested within various countries is not now known. We do not anticipate being eligible for the special election that allows a RIC to treat foreign income taxes paid by such RIC as having been paid by its shareholders.

If we acquire the equity securities of certain foreign corporations that earn at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, royalties or capital gain) or hold at least 50% of their total assets in investments producing such passive income (passive foreign investment companies or PFICs), we could be subject to U.S. federal income tax and additional interest charges on excess distributions received from such companies or gain from the sale of stock in such companies, even if all income or gain actually received by us is timely distributed to our shareholders. We would not be able to pass through to

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our shareholders any credit or deduction for such a tax. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election could require us to recognize taxable income or gain without the concurrent receipt of cash. Furthermore, under recently proposed Treasury Regulations, certain income derived by us from PFICs with respect to which we have made certain U.S. tax elections would generally constitute qualifying income for purposes of the 90% Income Test only to the extent such PFICs make distributions of that income to us. As such, we intend to limit and/or manage our holdings in passive foreign investment companies to minimize our liability for any such taxes and related interest charges.

If we hold greater than 10% of the interests treated as equity for U.S. federal income tax purposes in a foreign corporation that is treated as a controlled foreign corporation ( CFC ), we may be treated as receiving a deemed distribution (taxable as ordinary income) each taxable year from such foreign corporation in an amount equal to our pro rata share of the corporation's income for such taxable year (including both ordinary earnings and capital gains), whether or not the corporation makes an actual distribution during such taxable year. We would be required to include the amount of a deemed distribution from a CFC when computing our investment company taxable income as well as in determining whether we satisfy the distribution requirements applicable to RICs, even to the extent the amount of our income deemed recognized from the CFC exceeds the amount of any actual distributions from the CFC and our proceeds from any sales or other dispositions of CFC stock during a taxable year. In general, a foreign corporation will be considered a CFC if greater than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (directly, indirectly or by attribution) by U.S. Shareholders. A U.S. Shareholder, for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power of all classes of shares of a foreign corporation. Furthermore, under recently proposed Treasury Regulations, certain income derived by us from a CFC would generally constitute qualifying income for purposes of determining our ability to be subject to tax as a RIC only to the extent the CFC makes distributions of that income to us. As such, we may limit and/or manage our holdings in issuers that could be treated as CFCs in order to limit our tax liability or maximize our after-tax return from these investments.

Our functional currency, for U.S. federal income tax purposes, is the U.S. dollar. Under the Code, foreign exchange gains and losses realized by us in connection with certain transactions involving foreign currencies, or payables or receivables denominated in a foreign currency, as well as certain non-U.S. dollar denominated debt securities, certain foreign currency futures contracts, foreign currency option contracts, foreign currency forward contracts, and similar financial instruments are subject to Code provisions that generally treat such gains and losses as ordinary income and losses and may affect the amount, timing and character of distributions to our stockholders. Any such transactions that are not directly related to our investment in securities (possibly including speculative currency positions or currency derivatives not used for hedging purposes) also could, under future Treasury regulations, produce income not among the types of qualifying income from which a RIC must derive at least 90% of its annual gross income.

**Taxation of U.S. Stockholders**

A U.S. stockholder generally is a beneficial owner of shares of our common stock who is for U.S. federal income tax purposes:

a citizen or individual resident of the United States including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence test under Section 7701(b) of the Code;

a corporation or other entity taxable as a corporation, for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;

a trust if (1) a court in the United States has primary supervision over its administration and one or more U.S. persons has the authority to control all substantial decisions of such trust or (2) if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes; or

an estate, the income of which is subject to U.S. federal income taxation regardless of its source.





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For U.S. federal income tax purposes, distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our investment company taxable income (which is, generally, our ordinary income plus net realized short-term capital gains in excess of net realized long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions are attributable to dividends from certain U.S. corporations and certain qualified foreign corporations, such distributions may be reported by us as qualified dividend income eligible to be taxed in the hands of U.S. non-corporate stockholders (including individuals) at the rates applicable to long-term capital gains, provided certain holding period and other requirements are met at both the stockholder and corporate levels. In this regard, it is anticipated that distributions paid by us generally will not be attributable to dividends and, therefore, generally will not be qualified dividend income. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly reported by us as capital gain dividends will be taxable to a U.S. stockholder as long-term capital gains (currently at a maximum rate of 20%, in the case of individuals, trusts or estates), regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Provided that certain holding period and other requirements are met, ordinary income dividends (if properly reported by us) may qualify (i) for the dividends received deduction available to certain corporations, but only to the extent that our income consists of certain qualifying dividend income from U.S. corporations and (ii) in the case of U.S. noncorporate stockholders, as qualified dividend income eligible to be taxed at long-term capital gain rates to the extent that we earn qualified dividend income (generally, dividend income from taxable U.S. resident corporations and certain qualified foreign corporations). There can be no assurance as to what portion of our distributions will be eligible for the corporate dividends received deduction or for the reduced rates applicable to qualified dividend income. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

We currently intend to retain some or all of our realized net long-term capital gains in excess of realized net short-term capital losses. In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a tax credit equal to his, her or its allocable share of the tax paid thereon by us. Since we expect to pay tax on any retained net capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by non-corporate stockholders on long-term capital gains, the amount of tax that non-corporate stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for U.S. federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. For U.S. federal income tax purposes, the tax basis of shares owned by a U.S. stockholder will be increased by an amount equal under current law to the difference between the amount of undistributed capital gains included in the U.S. stockholder's gross income and the tax deemed paid by the U.S. stockholder as described in this paragraph. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a deemed distribution.

Under applicable Treasury regulations and certain administrative guidance issued by the IRS, RICs are permitted to treat certain distributions payable in part in shares of their stock, as taxable dividends that will satisfy their Distribution Requirements provided that shareholders have the opportunity to elect to receive the distribution in cash. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly

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designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, then such sales may put downward pressure on the trading price of our stock. We previously determined to pay a portion of our first quarter 2009 dividend in shares of newly issued common stock, and we may in the future determine to distribute taxable dividends that are payable in part in our common stock.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any taxable year and (2) the amount of the deduction for ordinary income and capital gain dividends paid for that taxable year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following calendar year, will be treated as if it had been received by our U.S. stockholders on December 31 of the calendar year in which the dividend was declared.

If an investor acquires shares of our or common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss. Reporting of adjusted cost basis information is required for covered securities, which generally include shares of a RIC acquired after January 1, 2012, to the IRS and to taxpayers. Stockholders should contact their intermediaries with respect to reporting of cost basis and available elections for their accounts.

If a Stockholder recognizes losses with respect to Shares of \$2 million or more for an individual Stockholder or \$10 million or more for a corporate Stockholder, the Treasury Regulations require the Stockholder to file a disclosure statement with the IRS on IRS Form 8886. Direct Stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all RICs. The fact that a loss is reportable under these Treasury Regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

In general, individual U.S. stockholders currently are subject to a reduced maximum U.S. federal income tax rate of 20% on their net capital gain (i.e., the excess of realized net long-term capital gain over realized net short-

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term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, individuals with income in excess of certain threshold amounts and certain estates and trusts are subject to an additional 3.8% tax on their net investment income, which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate U.S. stockholders with net capital losses for a taxable year (i.e., capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each taxable year; any net capital losses of a non-corporate stockholder in excess of \$3,000 generally may be carried forward and used in subsequent taxable years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a taxable year, but may carry back such losses for three taxable years or carry forward such losses for five taxable years.

We or the applicable withholding agent will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice reporting the amounts includible in such U.S. stockholder's taxable income for such calendar year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each calendar year's distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the 20% qualified dividend income rate). Distributions may also be subject to additional state, local, and foreign taxes depending on a U.S. stockholder's particular situation. Dividends distributed by us generally will not be eligible for the corporate dividends-received deduction or the preferential rate applicable to qualified dividend income. The Code requires reporting of adjusted cost basis information for covered securities, which generally include shares of our stock, acquired after January 1, 2012, to the IRS and to taxpayers. U.S. stockholders should contact their financial intermediaries with respect to reporting of cost basis and available elections for their accounts.

In some taxable years, we may be subject to the alternative minimum tax (AMT). If we have tax items that are treated differently for AMT purposes than for regular tax purposes, we may apportion those items between us and our stockholders, and this may affect our stockholder's AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued by the IRS, we may apportion these items in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless we determine that a different method for a particular item is warranted under the circumstances. You should consult your own tax advisor to determine how an investment in our stock could affect your AMT liability.

We or the applicable withholding agent may be required to withhold U.S. federal income tax (backup withholding) from all distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the IRS notifies us or the applicable withholding agent that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's U.S. federal income tax liability, provided that proper information is timely provided to the IRS.

***Dividend Reinvestment Plan*** We have adopted a dividend reinvestment plan through which all distributions are paid to our common stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash in accordance with the terms of the plan. See Dividend Reinvestment Plan. Any distributions made to a U.S. stockholder that are reinvested under the plan will nevertheless remain generally taxable to the U.S. stockholder. The U.S. stockholder will have an adjusted tax basis in the additional shares of our common stock purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

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**Taxation of Non-U.S. Stockholders**

A Non-U.S. stockholder is a beneficial owner of shares of our common stock that is not a U.S. stockholder or a partnership (including an entity treated as a partnership) for U.S. federal income tax purposes.

Whether an investment in our shares is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisors before investing in our common stock.

Distributions (other than certain distributions derived from net long-term capital gains) paid by us to a Non-U.S. stockholder are generally subject to U.S. federal withholding tax at a rate of 30% (or lower applicable treaty rate) even if they are funded by income or gains (such as portfolio interest, short-term capital gains, or foreign-source dividend and interest income) that, if paid to a Non-U.S. stockholder directly, would not be subject to withholding. If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if an income tax treaty applies, attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States), we will not be required to withhold tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to U.S. federal income tax at the rates applicable to U.S. stockholders. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisors.)

However, no withholding is required with respect to certain distributions if (i) the distributions are properly reported to our stockholders as interest-related dividends or short-term capital gain dividends in written statements to our stockholders, (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain other requirements are satisfied. Currently, we do not anticipate that any significant amount of our distributions would be reported as eligible for this exemption from withholding. In the case of shares of our stock held through an intermediary, the intermediary may withhold even if we report all or a portion of any of our distributions as interest-related dividends or short-term capital gain dividends. Non-U.S. stockholders should contact their intermediaries with respect to the application of these rules to their accounts. No assurance can be provided as to whether any amount of our distributions will be eligible for this exemption from withholding or if eligible, will be reported as such by us.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to U.S. federal withholding tax and generally will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States), or in the case of an individual stockholder, the stockholder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale or capital gain dividend and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

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A Non-U.S. stockholder who is a non-resident alien individual, and who is not otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN or IRS Form W-8BEN-E, (or an acceptable substitute or successor form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

The Foreign Account Tax Compliance Act, or FATCA, provisions of the Code, generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends paid after December 31, 2018. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a Non-U.S. Holder and the status of the intermediaries through which they hold their shares, Non-U.S. Holders could be subject to this 30% withholding tax with respect to distributions on their shares and proceeds from the sale of their shares. Under certain circumstances, a Non-U.S. Holders might be eligible for refunds or credits of such taxes.

Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

**Failure to Qualify as a Regulated Investment Company**

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify as a RIC for such taxable year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level federal taxes or to dispose of certain assets).

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Such distributions would be taxable to our stockholders and provided certain holding period and other requirements were met, could qualify for treatment as qualified dividend income eligible for the 20% maximum U.S. federal income tax rate if earned by certain U.S. resident non-corporate stockholders to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions generally would be eligible for the dividends-received deduction with respect to distributions current and accumulated earnings and profits if earned by certain U.S. resident corporate stockholders. Distributions in excess of our current and accumulated earnings and profits would 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. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that taxable year and dispose of any earnings and profits from any taxable year in which we failed to qualify as a RIC. Subject to a limited exception applicable to a corporation that qualified as a RIC under Subchapter M of the Code for at least one taxable year prior to disqualification and that requalify as a RIC no later than the second taxable year following the nonqualifying taxable year, we also could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent five taxable years, unless we made a special election to incur a corporate-level income tax on such built-in gain at the time of our requalification as a RIC.

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**REGULATION**

The following discussion is a general summary of the material prohibitions and descriptions governing business development companies. It does not purport to be a complete description of all of the laws and regulations affecting business development companies.

A business development company primarily focuses on investing in or lending to private companies and making managerial assistance available to them, while providing its stockholders with the ability to retain the liquidity of a publicly-traded stock. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their directors and officers and principal underwriters and certain other related persons and requires that a majority of the directors be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities as defined in the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's shares present at a meeting if more than 50% of the outstanding shares of such company are present or represented by proxy, or (ii) more than 50% of the outstanding shares of such company.

**Qualifying Assets**

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
  - (a) is organized under the laws of, and has its principal place of business in, the United States;
  - (b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
  - (c) does not have any class of securities listed on a national securities exchange; or if it has securities listed on a national securities exchange such company has a market capitalization of less than \$250 million; is controlled by the business development company and has an affiliate of a business development company on its board of directors; or meets such other criteria as may be established by the SEC.
- (2) Securities of any portfolio company which we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- (4)

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Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

- (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.



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- (6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Control, as defined by the 1940 Act, is presumed to exist where a business development company beneficially owns more than 25% of the outstanding voting securities of the portfolio company.

We do not intend to acquire securities issued by any investment company, including other business development companies, that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any investment company (as defined in the 1940 Act), invest more than 5% of the value of our total assets in the securities of one such investment company or invest more than 10% of the value of our total assets in the securities of such other investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses.

**Significant Managerial Assistance**

Business development companies generally must offer to make available to the issuer of the securities significant managerial assistance, except in circumstances where either (i) the business development company controls such issuer of securities or (ii) the business development company purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company's officers or other organizational or financial guidance.

**Temporary Investments**

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. We may invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we generally would not meet the diversification tests imposed on us by the Code in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. We will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

**Warrants and Options**

Under the 1940 Act, a business development company is subject to restrictions on the amount of warrants, options, restricted stock or rights to purchase shares of capital stock that it may have outstanding at any time. In particular, the amount of capital stock that would result from the conversion or exercise of all outstanding warrants, options or other rights to purchase capital stock cannot exceed 25% of the business development company's total outstanding shares of capital stock. This amount is reduced to 20% of the business development company's total outstanding shares of capital stock if the amount of warrants, options or rights issued pursuant to

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an executive compensation plan would exceed 15% of the business development company's total outstanding shares of capital stock. We have received exemptive relief from the SEC permitting us to issue stock options and restricted stock to our employees and directors subject to the above conditions, among others. For a discussion regarding the conditions of this exemptive relief, see "Exemptive Relief" below and Note 7 to our consolidated financial statements.

### **Senior Securities; Coverage Ratio**

We will be permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, we may not be permitted to declare any cash dividend distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such distribution or purchase price. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes. For a discussion of the risks associated with the resulting leverage, see "Risk Factors - Risks Related to Our Business Structure." Because we have substantial indebtedness, there could be increased risk in investing in our company. On April 5, 2007, we received approval from the SEC on our request for exemptive relief that permits us to exclude the indebtedness of our wholly-owned subsidiaries that are small business investment companies from the 200% asset coverage requirement applicable to us.

### **Capital Structure**

We are not generally able to issue and sell our common stock at a price below NAV per share. We may, however, sell our common stock, at a price below the current NAV of the common stock, or sell warrants, options or other rights to acquire such common stock, at a price below the current NAV of the common stock if our Board of Directors determines that such sale is in the best interests of the Company and our stockholders have approved the practice of making such sales. In connection with the receipt of such stockholder approval, we will limit the number of shares that we issue at a price below NAV pursuant to this authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share.

### **Code of Ethics**

We have adopted and will maintain a code of ethics that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Our code of ethics will generally not permit investments by our employees in securities that may be purchased or held by us. We may be prohibited under the 1940 Act from conducting certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, the prior approval of the SEC.

Our current code of ethics is posted on our website at [www.htgc.com](http://www.htgc.com) and was filed with the SEC as an exhibit to a Form 8-K filing on July 13, 2015. You may read and copy the code of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, the code of ethics is available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. You may also obtain copies of the code of ethics, 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, 100 F Street, N.E., Washington, D.C. 20549.

### **Privacy Principles**

We are committed to maintaining the privacy of our stockholders and safeguarding their non-public personal information. The following information is provided to help you understand what personal information

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we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent).

We restrict access to non-public personal information about our stockholders to our employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

### **Proxy Voting Policies and Procedures**

We vote proxies relating to our portfolio securities in the best interest of our stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that may have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by our investment committee, which is responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

### **Exemptive Relief**

On June 21, 2005, we filed a request with the SEC for exemptive relief to allow us to take certain actions that would otherwise be prohibited by the 1940 Act, as applicable to business development companies. Specifically, we requested that the SEC permit us to issue stock options to our non-employee directors as contemplated by Section 61(a)(3)(B)(i)(II) of the 1940 Act. On February 15, 2007, we received approval from the SEC on this exemptive request. In addition, in June 2007, we filed an amendment to the February 2007 order to adjust the number of shares issued to the non-employee directors. On October 10, 2007, we received approval from the SEC on this amended exemptive request.

On April 5, 2007, we received approval from the SEC on our request for exemptive relief that permits us to exclude the indebtedness of our wholly-owned subsidiaries that are small business investment companies from the 200% asset coverage requirement applicable to us.

On May 23, 2007, we received approval from the SEC on our request for exemptive relief that permits us to issue restricted stock to our employees, officers and directors. On June 21, 2007, our shareholders approved amendments to the 2004 Equity Incentive Plan and 2006 Non-Employee Incentive Plan (collectively, the Plans ) permitting such restricted grants. The maximum amount of shares that may be issued under the Plans will be 10% of the outstanding shares of our common stock on the effective date of the Plans plus 10% of the outstanding number of shares of our common stock issued or delivered by us (other than pursuant to compensation plans) during the term of the Plans. The amount of voting securities that would result from the exercise of all of our outstanding warrants, options, and rights, if any, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of our outstanding voting securities, except that if such amount would exceed 15% of our outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights, if any, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of our outstanding voting securities.

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On June 22, 2010 we received approval from the SEC on our request for exemptive relief that permits our employees to exercise their stock options and restricted stock and pay any related income taxes using a cashless exercise program.

**Other**

We will be periodically examined by the SEC for compliance with the Exchange Act and the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation. Our Chief Compliance Officer is responsible for administering these policies and procedures.

**Small Business Administration Regulations**

We make investments in qualifying small businesses through our two wholly-owned SBIC subsidiaries, HT II and HT III. With our net investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At June 30, 2017, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

We intend to seek an additional SBIC license to ensure continued access to the maximum statutory limit of SBA guaranteed debentures under the SBIC program. We have formed Hercules Technology IV, L.P. for that purpose. There can be no assurance of when or if we will receive SBA approval for another SBIC license.

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

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

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HT II and HT III hold approximately \$104.8 million and \$271.5 million in assets, respectively, and accounted for approximately 5.8% and 14.9% of our total assets prior to consolidation at June 30, 2017.

The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a change of control or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, HT II and HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital and/or distributed earnings, in accordance with SBA regulations.

Our SBIC subsidiaries are subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiaries will receive SBA guaranteed debenture funding, which is dependent upon our SBIC subsidiaries continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to our SBIC subsidiaries' assets over our stockholders in the event we liquidate our SBIC subsidiaries or the SBA exercises its remedies under the SBA-guaranteed debentures issued by our SBIC subsidiaries upon an event of default.

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**DETERMINATION OF NET ASSET VALUE**

We determine the NAV per share of our common stock quarterly. The NAV per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding. As of the date of this prospectus, we do not have any preferred stock outstanding.

At June 30, 2017, approximately 87.8% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification Topic 946 Financial Services Investment Companies ( ASC 946 ) and measured in accordance with Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ( ASC 820 ). Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

We intend to continue to engage an independent valuation firm to provide management 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 services rendered by an independent valuation firm is at the discretion of the Board of Directors. Our Board of Directors is ultimately, and solely, responsible for determining the fair value of our investments in good faith.

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

- (1) our quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and business based assumptions are discussed with our investment committee;
- (3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio as provided by the investment committee, which incorporates the results of the independent valuation firm as appropriate; and

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

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

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

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

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

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

**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 industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. In addition, we may, from time to time, invest in public debt of companies that meet our investment objectives. These investments are considered Level 2 assets.

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

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

We then use senior secured, leveraged loan yields provided by third party providers to determine the change in market yields between inception of the debt security and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

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

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

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

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

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

**Equity-Related Securities and Warrants**

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

We estimate the fair value of warrants using a Black Scholes option 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.

**Escrow Receivables**

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



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**Determinations In Connection With Offerings**

In connection with each offering of shares of our common stock, the Board of Directors or a committee thereof is required to make the determination that we are not selling shares of our common stock at a price below our then current NAV at the time at which the sale is made, unless it is determined by the Board of Directors that such sale is in the best interests of our stockholders and such sale is otherwise approved by our stockholders. The Board of Directors considers the following factors, among others, in making such determination:

the NAV of our common stock disclosed in the most recent periodic report we filed with the SEC;

our management's assessment of whether any material change in the NAV has occurred (including through the realization of net gains on the sale of our portfolio investments) from the period beginning on the date of the most recently disclosed NAV to the period ending two days prior to the date of the sale of our common stock; and

the magnitude of the difference between (i) a value that our Board of Directors or an authorized committee thereof has determined reflects the current NAV of our common stock, which is generally based upon the NAV of our common stock disclosed in the most recent periodic report that we filed with the SEC, as adjusted to reflect our management's assessment of any material change in the NAV of our common stock since the date of the most recently disclosed NAV of our common stock, and (ii) the offering price of the shares of our common stock in the proposed offering.

Importantly, this determination does not require that we calculate NAV in connection with each offering of shares of our common stock, but instead it involves the determination by the Board of Directors or a committee thereof that we are not selling shares of our common stock at a price below the then current NAV at the time at which the sale is made.

Moreover, to the extent that there is a possibility that we may (i) issue shares of our common stock at a price below the then current NAV of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we will provide to the SEC in a registration statement to which a prospectus will be a part) to suspend the offering of shares of our common stock pursuant to a prospectus if the NAV fluctuates by certain amounts in certain circumstances until such prospectus is amended, the Board of Directors or a committee thereof will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such, events or to undertake to determine NAV within two days prior to any such sale to ensure that such sale will not be below our then current NAV, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine NAV to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records we are required to maintain under the 1940 Act.

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**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

We are not generally able to issue and sell our common stock at a price below NAV per share. We may, however, sell our common stock, at a price below the current NAV of the common stock, or sell warrants, options or other rights to acquire such common stock, at a price below the current NAV of the common stock if our Board of Directors determines that such sale is in our best interests and the best interests of our stockholders and our stockholders have approved the practice of making such sales. In connection with the receipt of such stockholder approval, we will agree to limit the number of shares that we issue at a price below NAV pursuant to this authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share.

In order to sell shares pursuant to this authorization:

a majority of our independent directors who have no financial interest in the sale must have approved the sale; and

a majority of such directors, who are not interested persons of the Company, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, must have determined in good faith, and as of a time immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of those shares, less any underwriting commission or discount; and

Any offering of common stock below NAV per share will be designed to raise capital for investment in accordance with our investment objectives and business strategies.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our Board of Directors would consider a variety of factors including:

The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;

The relationship of recent market prices of our common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;

Whether the proposed offering price would closely approximate the market value of our shares;

The potential market impact of being able to raise capital during the current financial market difficulties;

The nature of any new investors anticipated to acquire shares in the offering;

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The anticipated rate of return on and quality, type and availability of investments to be funded with the proceeds from the offering, if any; and

The leverage available to us, both before and after any offering, and the terms thereof.

Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different sets of investors:

existing stockholders who do not purchase any shares in the offering;

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existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

**Impact on Existing Stockholders not Participating in the Offering**

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. All stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold. Stockholders who do not participate in the offering will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than stockholders who do participate in the offering. All stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in different hypothetical offerings of different sizes and levels of discount from NAV per share. Actual sales prices and discounts may differ from the presentation below.

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The examples assume that Company XYZ has 3,000,000 common shares outstanding, \$40,000,000 in total assets and \$10,000,000 in total liabilities. The current NAV and NAV are thus \$30,000,000 and \$10.00, respectively. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 300,000 shares (10% of the outstanding shares) with proceeds to the Company XYZ at \$9.00 per share after offering expenses and commissions, and (2) an offering of 600,000 shares (20% of the outstanding shares) with proceeds to the Company at \$0.001 per share after offering expenses and commissions (a 100% discount from NAV).

	Prior to Sale Below NAV	Example 1 10% Offering at 10% Discount Following Sale	% Change	Example 2 20% Offering at 100% Discount Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public <sup>(1)</sup>		\$ 9.47		\$ 0.001	
Net Proceeds per Share to Issuer		\$ 9.00		\$ 0.001	
<b>Decrease to NAV</b>					
Total Shares Outstanding	3,000,000	3,300,000	10.00%	3,600,000	20.00%
NAV per Share	\$ 10.00	\$ 9.91	(0.90)%	\$ 8.33	(16.67)%
<b>Share Dilution to Stockholder</b>					
Shares Held by Stockholder A	30,000	30,000		30,000	
Percentage of Shares Held by Stockholder A	1.00%	0.91%	(9.09)%	0.83%	(16.67)%
<b>Total Asset Values</b>					
Total NAV Held by Stockholder A	\$ 300,000	\$ 297,273	(0.90)%	\$ 250,005	(16.67)%
Total Investment by Stockholder A (Assumed to Be \$10.00 per Share)	\$ 300,000	\$ 300,000		\$ 300,000	
Total Dilution to Stockholder A (Change in Total NAV Held By Stockholder)		\$ (2,727)		\$ (49,995)	
<b>Per Share Amounts</b>					
NAV per Share Held by Stockholder A		\$ 9.91		\$ 8.33	
Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)	\$ 10.00	\$ 10.00		\$ 10.00	
Dilution per Share Held by Stockholder A		\$ (0.09)		\$ (1.67)	
Percentage Dilution per Share Held by Stockholder A			(0.90)%		(16.67)%

(1) Assumes 5% in selling compensation and expenses paid by Company XYZ.

**Impact on Existing Stockholders who do Participate in the Offering**

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution on an aggregate basis will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than their proportionate percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares purchased by such stockholder increases. Even a stockholder who over-participates will, however, be subject to the risk that we

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may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and the level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart (Example 3) for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 3,000 shares, which is 0.5% of an offering of 600,000 shares rather than its 1.0% proportionate share) and (2) 150% of such percentage (i.e., 9,000 shares, which is 1.5% of an offering of 600,000 shares rather than its 1.0% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

	Prior to Sale Below NAV	50% Participation Following Sale	% Change	150% Participation Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public <sup>(1)</sup>		\$ 8.42		\$ 8.42	
Net Proceeds per Share to Issuer		\$ 8.00		\$ 8.00	
<b>Increase in Shares and Decrease to NAV</b>					
Total Shares Outstanding	3,000,000	3,600,000	20.00%	3,600,000	20.00%
NAV per Share	\$ 10.00	\$ 9.67	(3.33)%	\$ 9.67	(3.33)%
<b>Dilution/Accretion to Participating Stockholder A</b>					
<b>Share Dilution/Accretion</b>					
Shares Held by Stockholder A	30,000	33,000	10.00%	39,000	30.00%
Percentage Outstanding Held by Stockholder A	1.00%	0.92%	(8.33)%	1.08%	8.33%
<b>NAV Dilution/Accretion</b>					
Total NAV Held by Stockholder A	\$ 300,000	\$ 319,110	6.33%	\$ 377,130	25.67%
Total Investment by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)		\$ 325,260		\$ 375,780	
Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)		\$ (6,150)		\$ 1,350	
<b>NAV Dilution/Accretion per Share</b>					
NAV per Share Held by Stockholder A		\$ 9.67		\$ 9.67	
Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)	\$ 10.00	\$ 9.86	(1.44)%	\$ 9.64	(3.65)%
NAV Dilution/Accretion per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)		\$ (0.19)		\$ 0.03	
Percentage NAV Dilution/Accretion Experienced by Stockholder A (NAV Dilution/Accretion per Share Divided by Investment per Share)			(1.93)%		0.31%

(1) Assumes 5% in selling compensation and expenses paid by Company XYZ.

**Impact on New Investors**

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share (due to selling compensation and expenses paid by us) will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share



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compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares. All these investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical 10% and 100% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1.00%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

	Prior to Sale Below NAV	Example 1 10% Offering at 10% Discount Following Sale	% Change	Example 2 20% Offering at 100% Discount Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public <sup>(1)</sup>		\$ 9.47		\$ 0.001	
Net Proceeds per Share to Issuer		\$ 9.00		\$ 0.001	
<b>Increase in Shares and Decrease to NAV</b>					
Total Shares Outstanding	3,000,000	3,300,000	10.00%	3,600,000	20.00%
NAV per Share	\$ 10.00	\$ 9.91	(0.90)%	\$ 8.33	(16.67)%
<b>Dilution/Accretion to New Investor A</b>					
<b>Share Dilution</b>					
Shares Held by Investor A		3,000		6,000	
Percentage Outstanding Held by Investor A	0.00%	0.09%		0.17%	
<b>NAV Dilution</b>					
Total NAV Held by Investor A		\$ 29,730		\$ 50,001	
Total Investment by Investor A (At Price to Public)		\$ 28,410		\$ 6	
Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)		\$ 1,320		\$ 49,995	
<b>NAV Dilution per Share</b>					
NAV per Share Held by Investor A		\$ 9.91		\$ 8.33	
Investment per Share Held by Investor A		\$ 9.47		\$ 0.001	
NAV Dilution/Accretion per Share Experienced by Investor A (NAV per Share Less Investment per Share)		\$ 0.44		\$ 8.33	
Percentage NAV Dilution/Accretion Experienced by Investor A (NAV Dilution/Accretion per Share Divided by Investment per Share)			4.65%		99.99%

(1) Assumes 5% in selling compensation and expenses paid by Company XYZ.



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**DIVIDEND REINVESTMENT PLAN**

We have adopted a dividend reinvestment plan (the "DRP"), through which all distributions are paid to our stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash as provided below. In this way, a stockholder can maintain an undiluted investment in our common stock and still allow us to pay out the required distributable income.

No action is required on the part of a registered stockholder to receive a distribution in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer & Trust Company, the plan administrator and our transfer agent and registrar, so that such notice is received by the plan administrator no later than three days prior to the payment date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the DRP for each stockholder who has not elected to receive distributions in cash (each a "Participant") and hold such shares in non-certificated form. Upon request by a Participant, received not less than three days prior to the payment date, the plan administrator will, instead of crediting shares to the Participant's account, issue a certificate registered in the Participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

We expect to use primarily newly-issued shares to implement the DRP, whether our shares are trading at a premium or at a discount to NAV, although we have the option under the DRP to purchase shares in the market to fulfill DRP requirements. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the NYSE on the valuation date for such distribution. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There is no charge to our stockholders for receiving their distributions in the form of additional shares of our common stock. The plan administrator's fees for handling distributions in stock are paid by us. There are no brokerage charges with respect to shares we have issued directly as a result of distributions payable in stock. If a Participant elects by internet or by written or telephonic notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the Participant's account and remit the proceeds to the Participant, the plan administrator is authorized to deduct a \$15.00 transaction fee plus brokerage commissions from the proceeds.

Any shares issued in connection with a stock split or stock dividend will be added to a Participant's account with the Plan Administrator. The Plan Administrator may curtail or suspend transaction processing until the completion of such stock split or payment of such stock dividend.

Stockholders who receive distributions in the form of stock generally are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a distribution from us will be equal to the total dollar amount of the distribution payable to the stockholder.

The DRP may be terminated by us upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any distribution by us. All correspondence concerning the DRP, including requests for additional information, should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, Attn: Dividend Reinvestment Department, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by phone at 1-866-669-9888.

**Table of Contents****Index to Financial Statements****DESCRIPTION OF CAPITAL STOCK**

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.

Under the terms of our charter, our authorized capital stock consists of 200,000,000 shares of common stock, par value \$0.001 per share, of which 82,864,802 shares are outstanding as of August 30, 2017. Under our charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to cause the issuance of such shares, without obtaining stockholder approval. In addition, as permitted by the Maryland General Corporation Law, but subject to the 1940 Act, our charter provides that the Board of Directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

**Common Stock**

All shares of our common stock have equal rights as to earnings, assets, distributions and voting privileges, except as described below and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable.

Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of assets legally available therefor. Shares of our common stock have no conversion, exchange, preemptive or redemption rights. In the event of a liquidation, dissolution or winding up of Hercules each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

<b>Title of Class</b>	<b>Amount Authorized</b>	<b>Amount Held by Company for its Account</b>	<b>Amount Outstanding</b>
Common Stock, \$0.001 par value per share	200,000,000		82,864,802

**Preferred Stock**

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before

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any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

**Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses**

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our charter also provides that, to the maximum extent permitted by Maryland law, with the approval of our Board of Directors and provided that certain conditions described in our charter are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our charter. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our bylaws also provide that, to the maximum extent permitted by Maryland law, with the approval of our Board of Directors and provided that certain conditions described in our bylaws are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments,

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penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We currently have in effect a directors' and officers' insurance policy covering our directors and officers and us for any acts and omissions committed, attempted or allegedly committed by any director or officer during the policy period. The policy is subject to customary exclusions.

**Provisions of the Maryland General Corporation Law and Our Charter and Bylaws**

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

**Classified Board of Directors**

Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The terms of the first, second and third classes will expire in 2017, 2015 and 2016, respectively. Upon expiration of their current terms, directors of each class are eligible to serve for three-year terms or until their successors are duly elected and qualify. Each year one class of directors will be elected by the stockholders. A classified board may render a change in control or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

**Election of Directors**

Our charter provides that, except as otherwise provided in the bylaws, the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect each director. Our bylaws currently provide that directors are elected by a plurality of the votes cast in the election of directors. Pursuant to our charter and bylaws, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

**Number of Directors; Vacancies; Removal**

Our charter provides that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless the bylaws are amended, the number of directors may never

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be less than one nor more than 12. We have elected to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law, as amended (the Maryland General Corporation Law ), regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in the charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

**Action by Stockholders**

Under the Maryland General Corporation Law, stockholder action may be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the charter provides for stockholder action by less than unanimous written consent, which our charter does not). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

**Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals**

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

**Calling of Special Meeting of Stockholders**

Our bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders shall be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

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**Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws**

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 75% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 75% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such a matter. The continuing directors are defined in our charter as our current directors, as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our charter and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

**No Appraisal Rights**

Except with respect to appraisal rights arising in connection with the Control Share Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights.

**Control Share Acquisitions**

The Maryland Control Share Acquisition Act (the Control Share Act ) provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Board of Directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.



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If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock.

**Business Combinations**

Under the Maryland Business Combination Act (the Business Combination Act), business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10% or more of the voting power of the corporation's shares; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the Board of Directors approved in advance the transaction by which such stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the 5-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested





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stockholder. Our Board of Directors has adopted a resolution exempting any business combination between us and any other person from the provisions of the Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act.

**Conflict with 1940 Act**

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

**Regulatory Restrictions**

Our wholly-owned subsidiaries, HT II and HT III, have obtained SBIC licenses. The SBA prohibits, without prior SBA approval, a change of control or transfers which would result in any person (or group of persons acting in concert) owning 10% or more of any class of capital stock of a SBIC. A change of control is any event which would result in a transfer of the power, direct or indirect, to direct the management and policies of a SBIC, whether through ownership, contractual arrangements or otherwise.

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**DESCRIPTION OF OUR PREFERRED STOCK**

In addition to shares of common stock, our charter authorizes the issuance of preferred stock. We may issue preferred stock from time to time in one or more classes or series, without stockholder approval. If we offer preferred stock under this prospectus we will issue an appropriate prospectus supplement. Prior to issuance of shares of each class or series, our Board of Directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any such an issuance must adhere to the requirements of the 1940 Act, Maryland law and any other limitations imposed by law.

The following is a general description of the terms of the preferred stock we may issue from time to time. Particular terms of any preferred stock we offer will be described in the prospectus supplement accompanying each preferred share offering.

The 1940 Act requires, among other things, that (i) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, (ii) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends or other distribution on the preferred stock are in arrears by two years or more, and (iii) such shares be cumulative as to distributions and have a complete preference over our common stock to payment of their liquidation in event of dissolution. Some matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

For any series of preferred stock that we may issue, our Board of Directors will determine and the articles supplementary and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends or other distributions will be paid on shares of such series, as well as whether such dividends or other distributions are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series, including adjustments to the conversion price of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

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any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our Board of Directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which dividends or other distributions, if any, thereon will be cumulative. To the extent we issue preferred stock, the payment of distributions to holders of our preferred stock will take priority over payment of distributions to our common stockholders.

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**DESCRIPTION OF OUR SUBSCRIPTION RIGHTS**

The following is a general description of the terms of the subscription rights we may issue from time to time. Particular terms of any subscription rights we offer will be described in the prospectus supplement relating to such subscription rights.

We may issue subscription rights to our stockholders to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

Our stockholders will indirectly bear all of the expenses of the subscription rights offering, regardless of whether our stockholders exercise any subscription rights.

A prospectus supplement will describe the particular terms of any subscription rights we may issue, including the following:

the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);

the title and aggregate number of such subscription rights;

the exercise price for such subscription rights (or method of calculation thereof);

the currency or currencies, including composite currencies, in which the price of such subscription rights may be payable;

if applicable, the designation and terms of the securities with which the subscription rights are issued and the number of subscription rights issued with each such security or each principal amount of such security;

the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);

the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;

the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);

if applicable, the minimum or maximum number of subscription rights that may be exercised at one time;

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the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;

any termination right we may have in connection with such subscription rights offering;

the terms of any rights to redeem, or call such subscription rights;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the subscription rights;

the material terms of any standby underwriting, backstop or other purchase arrangement that we may enter into in connection with the subscription rights offering;

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if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights; and

any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

Each subscription right will entitle the holder of the subscription right to purchase for cash or other consideration such amount of shares of common stock at such subscription price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights will become void.

Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. If less than all of the rights represented by such subscription rights certificate are exercised, a new subscription certificate will be issued for the remaining rights. Prior to exercising their subscription rights, holders of subscription rights will not have any of the rights of holders of the securities purchasable upon such exercise. To the extent permissible under applicable law, we may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, as set forth in the applicable prospectus supplement.

Under the 1940 Act, we may generally only offer subscription rights (other than rights to subscribe expiring not later than 120 days after their issuance and issued exclusively and ratably to a class or classes of our security holders) on the condition that (1) the subscription rights expire by their terms within ten years; (2) the exercise price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such subscription rights, and a required majority of our Board of Directors approves of such issuance on the basis that the issuance is in the best interests of the Company and our stockholders; and (4) if the subscription rights are accompanied by other securities, the subscription rights are not separately transferable unless no class of such subscription rights and the securities accompanying them has been publicly distributed. A required majority of our Board of Directors is a vote of both a majority of our directors who have no financial interest in the transaction and a majority of the directors who are not interested persons of the company. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, options and subscription rights at the time of issuance may not exceed 25% of our outstanding voting securities.

For information regarding the dilutive impact of rights offerings, please see [Risk Factors](#) [Risks Related to Our Securities](#) [Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering.](#) In addition, if the subscription price is less than our NAV per share, then you will experience an immediate dilution of the aggregate NAV of your shares.



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**DESCRIPTION OF WARRANTS**

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants and will be subject to compliance with the 1940 Act.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common stock, preferred stock or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title and aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire (subject to any extension);

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

the terms of any rights to redeem, or call such warrants;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants. We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

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Each warrant will entitle the holder to purchase for cash such common stock or preferred stock at the exercise price or such principal amount of debt securities as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the warrants offered thereby. Warrants may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date set forth in the prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Upon receipt of payment and a warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends or other distributions, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (i) the warrants expire by their terms within ten years, (ii) the exercise or conversion price is not less than the current market value at the date of issuance, (iii) our stockholders authorize the proposal to issue such warrants, and our Board of Directors approves such issuance on the basis that the issuance is in the best interests of the Company and its stockholders and (iv) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, as well as options and rights, at the time of issuance may not exceed 25% of our outstanding voting securities.

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**DESCRIPTION OF OUR DEBT SECURITIES**

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in this prospectus and in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, including any supplemental indenture, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an indenture. An indenture is a contract between us and U.S. Bank National Association, a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under **Events of Default Remedies if an Event of Default Occurs**. Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. The following description summarizes the material provisions of the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. For example, in this section, we use capitalized words to signify terms that are specifically defined in the indenture. We have filed the form of the indenture with the SEC. See **Available Information** for information on how to obtain a copy of the indenture.

A prospectus supplement, which will accompany this prospectus, will describe the particular terms of any series of debt securities being offered, including the following:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;

whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

the place or places, if any, other than or in addition to the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued;

the provision for any sinking fund;

any restrictive covenants;

any Events of Default;

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whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

if applicable, U.S. federal income tax considerations relating to OID;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

We are permitted, under specified conditions, to issue multiple classes of indebtedness if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and other senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see **Risk Factors** **Risks Related to Our Business Structure**.

**General**

The indenture provides that any debt securities proposed to be sold under this prospectus and the attached prospectus supplement ( offered debt securities ) and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities ( underlying debt securities ), may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the indenture securities. The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See **Resignation of Trustee** section below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term indenture securities means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

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We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

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We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

### **Conversion and Exchange**

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

### **Issuance of Securities in Registered Form**

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in certificated form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

### ***Book-Entry Holders***

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depository that will hold them on behalf of financial institutions that participate in the depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depository or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depository as the holder of the debt securities and we will make all payments on the debt securities to the depository. The depository will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

### ***Street Name Holders***

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in street name. Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.



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For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

### **Legal Holders**

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

### ***Special Considerations for Indirect Holders***

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

how it handles securities payments and notices,

whether it imposes fees or charges,

how it would handle a request for the holders' consent, if ever required,

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities,

how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests, and

if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

### **Global Securities**

As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

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Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we

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select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under *Special Situations when a Global Security Will Be Terminated*. As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that has an account with the depository. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

***Special Considerations for Global Securities***

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. The depository that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below.

An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under *Issuance of Securities in Registered Form* above.

An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

The depository's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depository in any way.

If we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

An investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee.

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DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments,

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notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

***Special Situations when a Global Security will be Terminated***

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under Issuance of Securities in Registered Form above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depository, and not we or the applicable trustee, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

**Payment and Paying Agents**

We will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, often approximately two weeks in advance of the interest due date, is called the record date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

***Payments on Global Securities***

We will make payments on a global security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will make payments directly to the depository, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depository and its participants.

***Payments on Certificated Securities***

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, New York and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the applicable trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

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***Payment when Offices are Closed***

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

**Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.**

**Events of Default**

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term **Event of Default** in respect of the debt securities of your series means any of the following (unless the prospectus supplement relating to such debt securities states otherwise):

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

we do not pay interest on a debt security of the series when due, and such default is not cured within 30 days;

we do not deposit any sinking fund payment in respect of debt securities of the series on its due date, and do not cure this default within five days;

we remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series;

we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days;

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

any other Event of Default in respect of debt securities of the series described in the applicable prospectus supplement occurs. An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium or interest, if it considers the withholding of notice to be in the best interests of the holders.

***Remedies if an Event of Default Occurs***

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If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an indemnity ). If reasonable

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indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

the holder must give your trustee written notice that an Event of Default has occurred and remains uncured;

the holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action;

the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and

the holders of a majority in principal amount of the debt securities must not have given the trustee a direction inconsistent with the above notice during that 60 day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

the payment of principal, any premium or interest; or

in respect of a covenant that cannot be modified or amended without the consent of each holder.

**Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.**

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default.

### **Merger or Consolidation**

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We may also be permitted to sell all or substantially all of our assets to another entity. However, unless the prospectus supplement relating to certain debt securities states otherwise, we may not take any of these actions unless all the following conditions are met:

where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities;



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immediately after giving effect to such transaction, no Default or Event of Default shall have happened and be continuing;

under the indenture, no merger or sale of assets may be made if as a result any of our property or assets or any property or assets of one of our subsidiaries, if any, would become subject to any mortgage, lien or other encumbrance unless either (a) the mortgage, lien or other encumbrance could be created

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pursuant to the limitation on liens covenant in the indenture without equally and ratably securing the indenture securities or (b) the indenture securities are secured equally and ratably with or prior to the debt secured by the mortgage, lien or other encumbrance;

we must deliver certain certificates and documents to the trustee; and

we must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

**Modification or Waiver**

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

***Changes Requiring Approval***

First, there are changes that we cannot make to debt securities without specific approval of all of the holders. The following is a list of those types of changes:

change the stated maturity of the principal of or interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a security following a default;

adversely affect any right of repayment at the holder's option;

change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;

impair your right to sue for payment;

adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;

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modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and

change any obligation we have to pay additional amounts.

### ***Changes Not Requiring Approval***

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

### ***Changes Requiring Majority Approval***

Any other change to the indenture and the debt securities would require the following approval:

if the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series; and

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if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under **Changes Requiring Approval**.

### ***Further Details Concerning Voting***

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

for OID securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default;

for debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement; and

for debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under **Defeasance Full Defeasance**.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

**Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.**

### **Defeasance**

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

### ***Covenant Defeasance***

Under current U.S. federal tax law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called **covenant defeasance**. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If applicable, you also would be released from the subordination provisions as described under the **Indenture Provisions Subordination** section below. In order to achieve covenant defeasance, we must do the following:

if the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates;



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we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity; and

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

***Full Defeasance***

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

if the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit;

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

Defeasance must not result in a breach of the indenture or any other material agreements; and

Satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If applicable, you would also be released from the subordination provisions described later under "Indenture Provisions - Subordination."

**Form, Exchange and Transfer of Certificated Registered Securities**

Holders may exchange their certificated securities, if any, for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

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Holders may exchange or transfer their certificated securities, if any, at the office of their trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

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Holders will not be required to pay a service charge to transfer or exchange their certificated securities, if any, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

**Resignation of Trustee**

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

**Indenture Provisions Subordination**

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all senior indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on senior indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all senior indebtedness is paid in full, the payment or distribution must be paid over to the holders of the senior indebtedness or on their behalf for application to the payment of all the senior indebtedness remaining unpaid until all the senior indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the senior indebtedness. Subject to the payment in full of all senior indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the senior indebtedness to the extent of payments made to the holders of the senior indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.



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Senior indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities; and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement to this prospectus will set forth the approximate amount of our senior indebtedness outstanding as of a recent date.

**Secured Indebtedness**

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. In the event of a distribution of our assets upon our insolvency, the holders of unsecured indenture securities may recover less, ratably, than holders of any of our secured indebtedness.

**The Trustee under the Indenture**

U.S. Bank National Association will serve as the trustee under the indenture.

**Certain Considerations Relating to Foreign Currencies**

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

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We may offer, from time to time, in one or more offerings or series, up to \$600,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, in one or more underwritten public offerings, at-the-market offerings to or through a market maker or into an existing trading market for the securities, on an exchange, or otherwise, negotiated transactions, block trades, best efforts, auctions or a combination of these methods. The holders of our common stock will indirectly bear any fees and expenses in connection with any such offerings. We may sell the securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, through agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; any expenses we incur in connection with the sale of such securities; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the applicable prospectus supplement will be underwriters of the securities offered by the applicable prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, at negotiated prices, or at prices determined by an auction process, provided, however, that the offering price per share of our common stock, less any underwriting commissions or discounts, must equal or exceed the NAV per share of our common stock at the time of the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our voting securities or (3) under such circumstances as the SEC may permit. The price at which securities may be distributed may represent a discount from prevailing market prices. Although we are not currently authorized to issue shares of our common stock at a price below our NAV per share, we may seek stockholder approval of this proposal again at a special meeting of stockholders or our next annual meeting of stockholders. Our Board of Directors, subject to its fiduciary duties and regulatory requirements, has the discretion to determine the amount of the discount, and as a result, the discount could be up to 100% of NAV per share.

In connection with the sale of our securities, underwriters or agents may receive compensation from us or from purchasers of our securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell our securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of

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the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on the NYSE may engage in passive market making transactions in our common stock on the NYSE in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the applicable prospectus supplement. Unless the applicable prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on the NYSE. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the applicable prospectus supplement, and the applicable prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

In compliance with the guidelines of the Financial Industry Regulatory Authority, the maximum compensation to the underwriters or dealers in connection with the sale of our securities pursuant to this

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prospectus and the applicable prospectus supplement may not exceed 8% of the aggregate offering price of the securities as set forth on the cover page of the applicable prospectus supplement.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

**BROKERAGE ALLOCATION AND OTHER PRACTICES**

Because we generally acquire and dispose of our investments in privately negotiated transactions, we typically do not use brokers in the normal course of business. However, from time to time, we may work with brokers to sell positions we have acquired in the securities of publicly listed companies or to acquire positions (principally equity) in companies where we see a market opportunity to acquire such securities at attractive valuations. In cases where we do use a broker, we do not execute transactions through any particular broker or dealer, but will seek to obtain the best net results for the Company, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive execution costs, we may not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

**CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR**

Securities we hold in connection with our investments are held under a custody agreement with Union Bank of California. The address of the custodian is 475 Sansome Street, 15th Floor, San Francisco, California 94111. We have also entered into a custody agreement with U.S. Bank National Association, which is located at One Federal Street, Third Floor, Boston, Massachusetts 02110. The transfer agent and registrar for our common stock, American Stock Transfer & Trust Company, will act as our transfer agent, dividend paying and reinvestment agent and registrar. The principal business address of the transfer agent is 6201 15th Avenue, Brooklyn, New York 11219.

**LEGAL MATTERS**

Certain legal matters regarding the securities offered by this prospectus will be passed upon for us by Dechert LLP, Washington, D.C. Certain legal matters will be passed upon for underwriters, if any, by the counsel named in the prospectus supplement.

**EXPERTS**

The consolidated financial statements as of December 31, 2016 and December 31, 2015 and for each of the three years in the period ended December 31, 2016 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2016 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**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. The registration statement contains additional information about us and our securities being offered by this 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 forms 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.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To Board of Directors and Shareholders of

Hercules Capital, Inc.

In our opinion, the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, and the related consolidated statements of operations, of changes in net assets, and of cash flows present fairly, in all material respects, the financial position of Hercules Capital, Inc. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations, their changes in net assets and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits, which included confirmation of securities as of December 31, 2016 by correspondence with the custodian, borrowers and brokers, and the application of alternative auditing procedures where replies have not been received provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

San Francisco, California

February 23, 2017

**Table of Contents****Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****(in thousands, except per share data)**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,475,918 and \$1,238,539, respectively)	\$ 1,414,210	\$ 1,192,652
Control investments (cost of \$22,598 and \$0, respectively)	4,700	
Affiliate investments (cost of \$13,010 and \$13,742, respectively)	5,032	7,986
Total investments, at value (cost of \$1,511,526 and \$1,252,281, respectively)	1,423,942	1,200,638
Cash and cash equivalents	13,044	95,196
Restricted cash	8,322	9,191
Interest receivable	11,614	9,239
Other assets	7,282	9,720
<b>Total assets</b>	<b>\$ 1,464,204</b>	<b>\$ 1,323,984</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 21,463	\$ 17,241
Convertible Notes, net (principal of \$0 and \$17,604) <sup>(1)</sup>		17,478
Credit Facilities	5,016	50,000
2021 Asset-Backed Notes, net (principal of \$109,205 and \$129,300, respectively) <sup>(1)</sup>	107,972	126,995
2019 Notes, net (principal of \$110,364 and \$110,364, respectively) <sup>(1)</sup>	108,818	108,179
2024 Notes, net (principal of \$252,873 and \$103,000, respectively) <sup>(1)</sup>	245,490	100,128
Long-Term SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) <sup>(1)</sup>	187,501	186,829
<b>Total liabilities</b>	<b>\$ 676,260</b>	<b>\$ 606,850</b>
Commitments and Contingencies (Note 10)		
<b>Net assets consist of:</b>		
Common stock, par value	80	73
Capital in excess of par value	839,657	752,244
Unrealized depreciation on investments <sup>(2)</sup>	(89,025)	(52,808)
Accumulated undistributed realized gains on investments	37,603	27,993
Distributions in excess of net investment income	(371)	(10,368)
<b>Total net assets</b>	<b>\$ 787,944</b>	<b>\$ 717,134</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,464,204</b>	<b>\$ 1,323,984</b>
<b>Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)</b>	<b>79,555</b>	<b>72,118</b>
<b>Net asset value per share</b>	<b>\$ 9.90</b>	<b>\$ 9.94</b>

(1) The Company's SBA debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 2 Summary of Significant Accounting Policies and Note 4 Borrowings.

(2) Amounts includes \$1.4 million and \$1.2 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and Citigroup warrant participation agreement liabilities as of December 31, 2016 and 2015, respectively.

See notes to consolidated financial statements.





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

<b>(Dollars in thousands)</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Restricted Cash	\$ 8,322	\$ 9,191
Total investments, at value (cost of \$244,695 and \$258,748, respectively)	242,349	257,657
Total assets	\$ 250,671	\$ 266,848
<b>Liabilities</b>		
2021 Asset-Backed Notes, net (principal of \$109,205 and \$129,300, respectively) <sup>(1)</sup>	\$ 107,972	\$ 126,995
Total liabilities	\$ 107,972	\$ 126,995

(1) The Company's 2021 Asset-Backed Notes are presented net of the associated debt issuance costs for each instrument. See Note 2 Summary of Significant Accounting Policies and Note 4 Borrowings .

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	For the Year Ended December 31,		
	2016	2015	2014
<b>Investment income:</b>			
Interest income			
Non-control/Non-affiliate investments	\$ 158,489	\$ 139,919	\$ 124,776
Control investments	78		
Affiliate investments	160	347	1,842
Total interest income	158,727	140,266	126,618
Fee income			
Non-control/Non-affiliate investments	16,318	16,865	17,013
Control investments	6		
Affiliate investments		1	34
Total fees	16,324	16,866	17,047
<b>Total investment income</b>	<b>175,051</b>	<b>157,132</b>	<b>143,665</b>
<b>Operating expenses:</b>			
Interest	32,016	30,834	28,041
Loan fees	5,042	6,055	5,919
General and administrative:			
Legal expenses	4,823	3,079	1,366
Other expenses	11,283	13,579	8,843
Total general and administrative	16,106	16,658	10,209
Employee compensation:			
Compensation and benefits	22,500	20,713	16,604
Stock-based compensation	7,043	9,370	9,561
Total employee compensation	29,543	30,083	26,165
<b>Total operating expenses</b>	<b>82,707</b>	<b>83,630</b>	<b>70,334</b>
Other income (loss)	8,000	(1)	(1,581)
<b>Net investment income</b>	<b>100,344</b>	<b>73,501</b>	<b>71,750</b>
<b>Net realized gain on investments</b>			
Non-control/Non-affiliate investments	4,576	5,147	20,112
Total net realized gain on investments	4,576	5,147	20,112
<b>Net change in unrealized appreciation (depreciation) on investments</b>			
Non-control/Non-affiliate investments	(29,970)	(36,839)	(17,392)
Control investments	(4,025)		
Affiliate investments	(2,222)	1,107	(3,282)
Total net unrealized depreciation on investments	(36,217)	(35,732)	(20,674)

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<b>Total net realized and unrealized loss</b>	(31,641)	(30,585)	(562)
<b>Net increase in net assets resulting from operations</b>	\$ 68,703	\$ 42,916	\$ 71,188
Net investment income before investment gains and losses per common share:			
Basic	\$ 1.34	\$ 1.04	\$ 1.13
Change in net assets resulting from operations per common share:			
Basic	\$ 0.91	\$ 0.60	\$ 1.12
Diluted	\$ 0.91	\$ 0.59	\$ 1.10
Weighted average shares outstanding			
Basic	73,753	69,479	61,862
Diluted	73,775	69,663	63,225
Distributions declared per common share:			
Basic	\$ 1.24	\$ 1.24	\$ 1.24
	See notes to consolidated financial statements.		

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## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(dollars and shares in thousands)

	Common Stock			Unrealized Appreciation (Depreciation) on Investments	Accumulated	Undistributed	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value	Capital in excess of par value		Realized Gains (Losses) on Investments	Net Investment Income/ (Distributions in Excess of Investment Income)		
<b>Balance at December 31, 2013</b>	61,837	\$ 62	\$ 656,594	\$ 3,598	\$ (15,240)	\$ 5,335	\$ (342)	\$ 650,007
Net increase (decrease) in net assets resulting from operations				(20,674)	20,112	71,750		71,188
Public offering, net of offering expenses	2,111	2	9,007					9,009
Issuance of common stock due to stock option exercises	354		3,955					3,955
Retired shares from net issuance	(277)		(4,564)					(4,564)
Issuance of common stock under restricted stock plan	990	1	(1)					
Retired shares for restricted stock vesting	(397)		(3,292)					(3,292)
Distributions reinvested in common stock	97		1,485					1,485
Distributions						(78,562)		(78,562)
Stock-based compensation <sup>(1)</sup>			9,638					9,638
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(15,589)		9,207	6,382		
<b>Balance at December 31, 2014</b>	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations		\$	\$	\$ (35,732)	\$ 5,147	\$ 73,501	\$	\$ 42,916
Public offering, net of offering expenses	7,591	8	100,084					100,092
Acquisition of common stock under repurchase plan	(437)		(4,644)					(4,644)
Issuance of common stock due to stock option exercises	64		427					427
Retired shares from net issuance	(29)		(423)					(423)
Issuance of common stock under restricted stock plan	676	1	(1)					
Retired shares for restricted stock vesting	(662)	(1)	(4,566)					(4,567)
Distributions reinvested in common stock	200		2,446					2,446
Distributions						(87,438)		(87,438)
Stock-based compensation <sup>(1)</sup>			9,461					9,461
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(7,773)		8,767	(994)		
<b>Balance at December 31, 2015</b>	72,118	\$ 73	\$ 752,244	\$ (52,808)	\$ 27,993	\$ (10,026)	\$ (342)	\$ 717,134
Net increase (decrease) in net assets resulting from operations	\$	\$	\$	\$ (36,217)	\$ 4,576	\$ 100,344	\$	\$ 68,703
Public offering, net of offering expenses	7,428	7	92,820					92,827

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Acquisition of common stock under repurchase plan	(450)	(1)	(4,789)					(4,790)
Issuance of common stock due to stock option exercises	55		654					654
Retired shares from net issuance	(17)		(235)					(235)
Issuance of common stock under restricted stock plan	556	1	(1)					
Retired shares for restricted stock vesting	(279)		(2,944)					(2,944)
Distributions reinvested in common stock	144		1,799					1,799
Distributions							(92,333)	(92,333)
Stock-based compensation <sup>(1)</sup>			7,129					7,129
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(7,020)		5,034	1,644	342	
<b>Balance at December 31, 2016</b>	<b>79,555</b>	<b>\$ 80</b>	<b>\$ 839,657</b>	<b>\$ (89,025)</b>	<b>\$ 37,603</b>	<b>\$ (371)</b>	<b>\$</b>	<b>\$ 787,944</b>

(1) Stock-based compensation includes \$87, \$90 and \$77 of restricted stock and option expense related to director compensation for the years ended December 31, 2016, 2015 and 2014, respectively.

See notes to consolidated financial statements.

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

	<b>For the Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>			
Net increase in net assets resulting from operations	\$ 68,703	\$ 42,916	\$ 71,188
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(680,971)	(712,701)	(623,232)
Principal and fee payments received on investments	444,758	509,593	503,003
Proceeds from the sale of investments	18,998	17,892	33,432
Net unrealized depreciation on investments	36,217	35,732	20,674
Net realized gain on investments	(4,576)	(5,147)	(20,112)
Accretion of paid-in-kind principal	(7,319)	(4,037)	(2,549)
Accretion of loan discounts	(7,163)	(8,049)	(9,792)
Accretion of loan discount on convertible notes	82	246	843
Loss on debt extinguishment (convertible notes)		1	1,581
Payment of loan discount on convertible notes		(5)	(4,195)
Accretion of loan exit fees	(22,614)	(14,947)	(11,541)
Change in deferred loan origination revenue	347	1,904	(281)
Unearned fees related to unfunded commitments	(758)	(2,064)	(259)
Amortization of debt fees and issuance costs	3,773	5,161	5,256
Depreciation	202	193	266
Stock-based compensation and amortization of restricted stock grants <sup>(1)</sup>	7,129	9,461	9,638
Change in operating assets and liabilities:			
Interest and fees receivable	(2,375)	213	(490)
Prepaid expenses and other assets	3,234	4,826	1,351
Accounts payable	56	(639)	271
Accrued liabilities	3,892	5,090	(1,583)
Net cash used in operating activities	(138,385)	(114,361)	(26,531)
<b>Cash flows from investing activities:</b>			
Purchases of capital equipment	(252)	(187)	(190)
Reduction of (investment in) restricted cash	869	3,469	(6,389)
Other long-term assets			25
Net cash provided by (used in) investing activities	617	3,282	(6,554)
<b>Cash flows from financing activities:</b>			
Issuance of common stock, net	92,827	100,092	9,837
Repurchase of common stock, net	(4,790)	(4,645)	
Retirement of employee shares	(2,525)	(4,562)	(3,901)
Distributions paid	(90,534)	(84,992)	(77,076)
Issuance of 2024 Notes	149,873		103,000
Issuance of 2021 Asset-Backed Notes			129,300
Repayments of 2017 Asset-Backed Notes		(16,049)	(73,508)
Repayments of 2021 Asset-Backed Notes	(20,095)		
Repayments of Long-Term SBA Debentures			(34,800)
Repayments of 2019 Notes		(60,000)	
Borrowings of credit facilities	285,891	138,689	
Repayments of credit facilities	(330,877)	(88,689)	
Cash paid for debt issuance costs	(5,289)		(6,669)
Cash paid for redemption of convertible notes	(17,604)	(65)	(53,131)
Fees paid for credit facilities and debentures	(1,261)	(620)	(1,219)

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Net cash provided by (used in) financing activities	55,616	(20,841)	(8,167)
Net decrease in cash and cash equivalents	(82,152)	(131,920)	(41,252)
Cash and cash equivalents at beginning of period	95,196	227,116	268,368
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13,044</b>	<b>\$ 95,196</b>	<b>\$ 227,116</b>
<b>Supplemental non-cash investing and financing activities:</b>			
Interest paid	\$ 31,011	\$ 30,527	\$ 25,738
Income taxes paid	\$ 184	\$ 973	\$ 133
Distributions reinvested	\$ 1,799	\$ 2,446	\$ 1,485

- (1) Stock-based compensation includes \$87, \$90 and \$77 of restricted stock and option expense related to director compensation for the years ended December 31, 2016, 2015 and 2014, respectively.

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Debt Investments</b>							
<b>Biotechnology Tools</b>							
<b>1-5 Years Maturity</b>							
Excicure, Inc. <sup>(11)(14A)</sup>	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 6,000	\$ 5,971	\$ 6,035
<b>Subtotal: 1-5 Years Maturity</b>						5,971	6,035
<b>Subtotal: Biotechnology Tools (0.77%)*</b>						5,971	6,035
<b>Communications &amp; Networking</b>							
<b>Under 1 Year Maturity</b>							
Achilles Technology Management Co II, Inc. <sup>(6)(13)(14B)</sup>	Communications & Networking	Senior Secured	August 2017	PIK Interest 10.50%	\$ 1,278	1,304	1,304
OpenPeak, Inc. <sup>(7)</sup>	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,211	8,975	
<b>Subtotal: Under 1 Year Maturity</b>						10,279	1,304
<b>1-5 Years Maturity</b>							
Avanti Communications Group <sup>(4)(9)</sup>	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 8,025	7,212	4,825
SkyCross, Inc. <sup>(6)(7)(13)(14B)(15)</sup>	Communications & Networking	Senior Secured	January 2018	Interest rate FIXED 10.95%, PIK Interest 5.00%	\$ 16,758	16,900	
Spring Mobile Solutions, Inc. <sup>(12)(14B)</sup>	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	3,038	3,044
<b>Subtotal: 1-5 Years Maturity</b>						27,150	7,869
<b>Subtotal: Communications &amp; Networking (1.16%)*</b>						37,429	9,173
<b>Consumer &amp; Business Products</b>							
<b>1-5 Years Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(14A)(15)</sup>	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 7.45% or Floor rate of 10.95%	\$ 20,000	19,837	19,837
	Consumer & Business Products	Senior Secured	December 2018	Interest rate PRIME + 6.00%	\$ 1,000	965	965

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or Floor rate of 9.50%

Total Antenna79 (p.k.a. Pong Research Corporation)					\$ 21,000	20,802	20,802
Nasty Gal <sup>(14B)(15)</sup>	Consumer & Business Products	Senior Secured	May	Interest rate PRIME + 5.45%			
			2019	or Floor rate of 8.95%	\$ 13,241	13,148	13,148
Second Time Around (Simplify Holdings, LLC) <sup>(14A)(15)</sup>	Consumer & Business Products	Senior Secured	February 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.75%	\$ 2,280	2,302	2,283
<b>Subtotal: 1-5 Years Maturity</b>						<b>36,252</b>	<b>36,233</b>
<b>Subtotal: Consumer &amp; Business Products (4.60%)*</b>						<b>36,252</b>	<b>36,233</b>

**Drug Delivery**

**Under 1 Year Maturity**

AcelRx Pharmaceuticals, Inc. <sup>(9)(10)(14A)(15)</sup>	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				or Floor rate of 9.10%	\$ 20,466	21,151	21,151
Celsion Corporation <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	June	Interest rate PRIME + 8.00%			
			2017	or Floor rate of 11.25%	\$ 2,246	2,575	2,575
<b>Subtotal: Under 1 Year Maturity</b>						<b>23,726</b>	<b>23,726</b>

**1-5 Years Maturity**

Agile Therapeutics, Inc. <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%	\$ 16,500	16,524	16,434
Apexia Pharmaceuticals Company <sup>(11)(14A)</sup>	Drug Delivery	Senior Secured	January 2020	Interest rate PRIME + 5.75%			
				or Floor rate of 9.25%	\$ 20,000	19,700	19,706

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
BioQ Pharma Incorporated <sup>(10)(14A)(14B)</sup>	Drug Delivery	Senior Secured	May	Interest rate PRIME + 8.00%			
			2018	or Floor rate of 11.25%	\$ 8,231	\$ 8,636	\$ 8,577
	Drug Delivery	Senior Secured	May	Interest rate PRIME + 7.00%			
			2018	or Floor rate of 10.25%	\$ 2,464	2,511	2,509
<b>Total BioQ Pharma Incorporated</b>					\$ 10,695	11,147	11,086
Edge Therapeutics, Inc. <sup>(11)(14A)(17)</sup>	Drug Delivery	Senior Secured	February 2020	Interest rate PRIME + 4.65%			
				or Floor rate of 9.15%	\$ 15,000	15,004	15,045
Pulmatrix Inc. <sup>(8)(10)(14A)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%			
				or Floor rate of 9.50%	\$ 5,954	6,022	6,013
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%			
				or Floor rate of 7.95%	\$ 12,123	12,325	12,238
<b>Subtotal: 1-5 Years Maturity</b>						80,722	80,522
<b>Subtotal: Drug Delivery (13.23%)*</b>						104,448	104,248
<b>Drug Discovery &amp; Development</b>							
<b>Under 1 Year Maturity</b>							
Cerecor, Inc. <sup>(11)(14A)</sup>	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 4.70%			
				or Floor rate of 7.95%	\$ 2,374	2,499	2,499
Neuralstem, Inc. <sup>(14A)(15)</sup>	Drug Discovery & Development	Senior Secured	April 2017	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%	\$ 3,766	3,996	3,996
<b>Subtotal: Under 1 Year Maturity</b>						6,495	6,495
<b>1-5 Years Maturity</b>							
Auris Medical Holding, AG <sup>(4)(9)(14B)</sup>	Drug Discovery & Development	Senior Secured	January 2020	Interest rate PRIME + 6.05%			
				or Floor rate of 9.55%	\$ 12,500	12,317	12,326
Aveo Pharmaceuticals, Inc. <sup>(9)(12)(14A)(14B)</sup>	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 6.90%			
				or Floor rate of 11.90%	\$ 10,000	10,269	10,218
	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 6.90%	\$ 5,000	4,926	4,918

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					or Floor rate of 11.90%			
Total Aveo Pharmaceuticals, Inc.						\$ 15,000	15,195	15,136
Bellicum Pharmaceuticals, Inc. <sup>(14A)(14B)(15)</sup>	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85%				
				or Floor rate of 9.35%	\$ 15,000	15,212	15,387	
	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85%				
				or Floor rate of 9.35%	\$ 5,000	4,981	5,049	
Total Bellicum Pharmaceuticals, Inc.						\$ 20,000	20,193	20,436
Brickell Biotech, Inc. <sup>(11)(14B)</sup>	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70%				
				or Floor rate of 9.20%	\$ 7,500	7,521	7,560	
Cerulean Pharma, Inc. <sup>(12)(14B)</sup>	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 1.55%				
				or Floor rate of 7.30%	\$ 13,078	13,994	13,908	
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(10)(14A)</sup>	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 7.70%				
				or Floor rate of 10.95%	\$ 19,548	19,276	19,372	
CytRx Corporation <sup>(10)(14B)(15)</sup>	Drug Discovery & Development	Senior Secured	February 2020	Interest rate PRIME + 6.00%				
				or Floor rate of 9.50%	\$ 25,000	25,086	25,166	
Epirus Biopharmaceuticals, Inc. <sup>(7)(14A)</sup>	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70%				
				or Floor rate of 7.95%	\$ 3,066	3,349		
Genocea Biosciences, Inc. <sup>(10)(14A)</sup>	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 2.25%				
				or Floor rate of 7.25%	\$ 17,000	17,313	17,376	
Immune Pharmaceuticals <sup>(10)(14B)</sup>	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 4.75%				
				or Floor rate of 10.00%	\$ 3,271	3,350	2,693	
Insmed, Incorporated <sup>(10)(14A)</sup>	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 4.75%				
				or Floor rate of 9.25%	\$ 55,000	54,695	54,559	
Mast Therapeutics, Inc. <sup>(14A)(15)</sup>	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 5.70%				
				or Floor rate of 8.95%	\$ 3,347	3,921	3,923	
Melinta Therapeutics <sup>(12)(14A)</sup>	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 3.75%				
				or Floor rate of 8.25%	\$ 24,502	25,001	24,945	
Merrimack Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior Secured	December 2022	Interest rate FIXED 11.50%	\$ 25,000	25,000	25,000	
				Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 7.25%	
Metuchen Pharmaceuticals LLC <sup>(13)(14A)</sup>	Drug Discovery & Development	Senior Secured	October 2020	or Floor rate of 10.75%,				
				PIK Interest 1.35%	\$ 35,081	34,541	34,541	

See notes to consolidated financial statements.

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(14A)(15)</sup>	Drug Discovery & Development	Senior	September 2020	Interest rate PRIME + 2.75%	\$ 40,000	\$ 39,388	\$ 39,504
		Secured		or Floor rate of 8.50%			
PhaseRx, Inc. <sup>(14B)(15)</sup>	Drug Discovery & Development	Senior	December 2019	Interest rate PRIME + 5.75%	\$ 6,000	5,921	5,945
		Secured		or Floor rate of 9.25%			
Sorrento Therapeutics, Inc. <sup>(9)(14B)</sup>	Drug Discovery & Development	Senior	December 2020	Interest rate PRIME + 5.75%	\$ 50,000	48,069	48,069
		Secured		or Floor rate of 9.25%			
uniQure B.V. <sup>(4)(9)(10)(14B)</sup>	Drug Discovery & Development	Senior	May 2020	Interest rate PRIME + 3.00%	\$ 20,000	20,133	20,081
		Secured		or Floor rate of 8.25%			
XOMA Corporation <sup>(9)(14B)(15)</sup>	Drug Discovery & Development	Senior	September 2018	Interest rate PRIME + 2.15%	\$ 16,380	16,970	16,901
		Secured		or Floor rate of 9.40%			
<b>Subtotal: 1-5 Years Maturity</b>						411,233	407,441
<b>Subtotal: Drug Discovery &amp; Development (52.53%)*</b>						417,728	413,936
<b>Electronics &amp; Computer Hardware</b>							
<b>1-5 Years Maturity</b>							
Persimmon Technologies <sup>(11)(13)(14B)</sup>	Electronics & Computer Hardware	Senior	June 2019	Interest rate PRIME + 7.50%	\$ 7,012	7,096	7,134
		Secured		or Floor rate of 11.00%, PIK Interest 1.50%			
<b>Subtotal: 1-5 Years Maturity</b>						7,096	7,134
<b>Subtotal: Electronics &amp; Computer Hardware (0.91%)*</b>						7,096	7,134
<b>Healthcare Services, Other</b>							
<b>1-5 Years Maturity</b>							
InstaMed Communications, LLC <sup>(14B)(15)</sup>	Healthcare Services, Other	Senior	February 2019	Interest rate PRIME + 6.75%	\$ 10,000	10,125	10,261
		Secured		or Floor rate of 10.00%			
PH Group Holdings	Healthcare Services, Other	Senior	September 2020	Interest rate PRIME + 7.45%	\$ 20,000	19,802	19,802
				or Floor rate of 10.95%			

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**Subtotal: 1-5 Years Maturity** 29,927 30,063

**Subtotal: Healthcare Services, Other (3.82%)\*** 29,927 30,063

**Internet Consumer & Business Services**

**1-5 Years Maturity**

Aria Systems, Inc. <sup>(10)(13)</sup>	Internet Consumer & Business Services	Senior	June 2019	Interest rate PRIME + 3.20%			
		Secured		or Floor rate of 6.95%,			
				PIK Interest 1.95%	\$ 2,061	2,045	1,728
	Internet Consumer & Business Services	Senior	June 2019	Interest rate PRIME + 5.20%			
		Secured		or Floor rate of 8.95%,			
				PIK Interest 1.95%	\$ 18,463	18,307	15,467
Total Aria Systems, Inc.					\$ 20,524	20,352	17,195
CloudOne, Inc. <sup>(10)(14B)</sup>	Internet Consumer & Business Services	Senior	April 2019	Interest rate PRIME + 6.35%			
		Secured		or Floor rate of 9.85%	\$ 5,000	5,091	5,138
Intent Media, Inc. <sup>(13)(14A)(15)</sup>	Internet Consumer & Business Services	Senior	December 2018	Interest rate PRIME + 5.25%			
		Secured		or Floor rate of 8.75%,			
				PIK Interest 1.00%	\$ 5,000	4,851	4,851
LogicSource <sup>(14B)(15)</sup>	Internet Consumer & Business Services	Senior	October 2019	Interest rate PRIME + 6.25%			
		Secured		or Floor rate of 9.75%	\$ 8,500	8,533	8,649
Snagajob.com, Inc. <sup>(12)(13)(14A)</sup>	Internet Consumer & Business Services	Senior	July 2020	Interest rate PRIME + 5.15%			
		Secured		or Floor rate of 9.15%,			
				PIK Interest 1.95%	\$ 35,293	34,517	35,067
Tectura Corporation <sup>(7)(8)(13)</sup>	Internet Consumer & Business Services	Senior	June 2021	Interest rate FIXED 6.00%,			
		Secured		PIK Interest 3.00%	\$ 19,691	19,691	19,691
	Internet Consumer & Business Services	Senior	June 2021	PIK Interest 8.00%			
		Secured			\$ 11,015	240	
Total Tectura Corporation					\$ 30,706	19,931	19,691
<b>Subtotal: 1-5 Years Maturity</b>					<b>93,275</b>	<b>90,591</b>	
<b>Subtotal: Internet Consumer &amp; Business Services (11.50%)*</b>					<b>93,275</b>	<b>90,591</b>	

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Media/Content/Info</b>							
<b>1-5 Years Maturity</b>							
FanDuel, Inc. <sup>(14B)</sup>	Media/Content/Info	Senior	November 2019	Interest rate PRIME + 7.25%			
		Secured		or Floor rate of 10.75%	\$ 20,000	\$ 19,352	\$ 19,352
Machine Zone, Inc. <sup>(13)(16)</sup>	Media/Content/Info	Senior	May 2018	Interest rate PRIME + 2.50%			
		Secured		or Floor rate of 6.75%,			
				PIK Interest 3.00%	\$ 103,785	102,444	103,083
WP Technology, Inc. (Wattpad, Inc.) <sup>(4)(9)(11)(14B)(17)</sup>	Media/Content/Info	Senior	April 2020	Interest rate PRIME + 4.75%			
		Secured		or Floor rate of 8.25%	\$ 5,000	5,029	5,099
	Media/Content/Info	Senior	April 2020	Interest rate PRIME + 4.75%			
		Secured		or Floor rate of 8.25%	\$ 2,500	2,471	2,510
Total WP Technology, Inc. (Wattpad, Inc.)					\$ 7,500	7,500	7,609
<b>Subtotal: 1-5 Years Maturity</b>						129,296	130,044
<b>Subtotal: Media/Content/Info (16.50%)*</b>						129,296	130,044
<b>Medical Devices &amp; Equipment</b>							
<b>Under 1 Year Maturity</b>							
InspireMD, Inc. <sup>(4)(9)(14B)</sup>	Medical Devices & Equipment	Senior	June 2017	Interest rate PRIME + 5.00%			
		Secured		or Floor rate of 10.50%	\$ 2,237	2,743	2,743
<b>Subtotal: Under 1 Year Maturity</b>						2,743	2,743
<b>1-5 Years Maturity</b>							
Amedica Corporation <sup>(8)(14B)(15)</sup>	Medical Devices & Equipment	Senior	January 2018	Interest rate PRIME + 7.70%			
		Secured		or Floor rate of 10.95%	\$ 7,417	8,816	8,715
Aspire Bariatrics, Inc. <sup>(14B)(15)</sup>	Medical Devices & Equipment	Senior	October 2018	Interest rate PRIME + 4.00%			
		Secured		or Floor rate of 9.25%	\$ 5,295	5,400	5,368
Avedro, Inc. <sup>(14A)(15)</sup>	Medical Devices & Equipment	Senior	June 2018	Interest rate PRIME + 6.00%	\$ 9,777	9,975	9,982

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Flowonix Medical Incorporated <sup>(12)(14B)</sup>	Medical Devices & Equipment	Secured		or Floor rate of 9.25%			
		Senior	May 2018	Interest rate PRIME + 4.75%			
		Secured		or Floor rate of 10.00%	\$ 10,905	11,340	11,275
	Medical Devices & Equipment	Senior	March 2019	Interest rate PRIME + 6.50%			
		Secured		or Floor rate of 10.00%	\$ 4,255	4,243	4,214
Total Flowonix Medical Incorporated					\$ 15,160	15,583	15,489
Gamma Medica, Inc. <sup>(10)(14B)</sup>	Medical Devices & Equipment	Senior	January 2018	Interest rate PRIME + 6.50%			
		Secured		or Floor rate of 9.75%	\$ 2,500	2,650	2,645
IntegenX, Inc. <sup>(14B)(15)</sup>	Medical Devices & Equipment	Senior	June 2019	Interest rate PRIME + 6.05%			
		Secured		or Floor rate of 10.05%	\$ 15,000	15,068	15,168
	Medical Devices & Equipment	Senior	June 2019	Interest rate PRIME + 6.05%			
		Secured		or Floor rate of 10.05%	\$ 1,750	1,694	1,730
Total IntegenX, Inc.					\$ 16,750	16,762	16,898
Micell Technologies, Inc. <sup>(11)(14B)</sup>	Medical Devices & Equipment	Senior	August 2019	Interest rate PRIME + 7.25%			
		Secured		or Floor rate of 10.50%	\$ 8,277	8,255	8,321
Quanta Fluid Solutions <sup>(4)(9)(10)(14B)</sup>	Medical Devices & Equipment	Senior	April 2020	Interest rate PRIME + 8.05%			
		Secured		or Floor rate of 11.55%	\$ 12,500	12,547	12,500
Quanterix Corporation <sup>(10)(14A)</sup>	Medical Devices & Equipment	Senior	February 2018	Interest rate PRIME + 2.75%			
		Secured		or Floor rate of 8.00%	\$ 9,964	10,276	10,316
SynergEyes, Inc. <sup>(14B)(15)</sup>	Medical Devices & Equipment	Senior	January 2018	Interest rate PRIME + 7.75%			
		Secured		or Floor rate of 11.00%	\$ 2,347	2,762	2,719
<b>Subtotal: 1-5 Years Maturity</b>						93,026	92,953
<b>Subtotal: Medical Devices &amp; Equipment (12.15%)*</b>						95,769	95,696
<b>Semiconductors</b>							
<b>Under 1 Year Maturity</b>							
Achronix Semiconductor Corporation <sup>(14B)(15)(17)</sup>	Semiconductors	Senior	November 2017	Interest rate PRIME + 7.00%			
		Secured		or Floor rate of 10.50%	\$ 1,682	1,682	1,682
<b>Subtotal: Under 1 Year Maturity</b>						1,682	1,682

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December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>1-5 Years Maturity</b>							
Achronix Semiconductor Corporation <sup>(14B)(15)(17)</sup>	Semiconductors	Senior	July 2018	Interest rate PRIME + 8.25%			
		Secured		or Floor rate of 11.50%	\$ 3,341	\$ 3,546	\$ 3,530
Avnera Corporation <sup>(10)(14A)</sup>	Semiconductors	Senior	April 2018	Interest rate PRIME + 5.25%			
		Secured		or Floor rate of 8.50%	\$ 5,577	5,699	5,816
<b>Subtotal: 1-5 Years Maturity</b>						9,245	9,346
<b>Subtotal: Semiconductors (1.40%)*</b>						10,927	11,028
<b>Software</b>							
<b>Under 1 Year Maturity</b>							
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(7)(13)(14C)(15)(18)</sup>	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,566	1,698	730
RedSeal Inc. <sup>(15)(17)</sup>	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25%			
				or Floor rate of 6.50%	\$ 2,635	2,635	2,635
<b>Subtotal: Under 1 Year Maturity</b>						4,333	3,365
<b>1-5 Years Maturity</b>							
Actifio, Inc. <sup>(13)(14A)</sup>	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25%			
				or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,961	30,830	30,918
	Software	Senior Secured	January 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.75%, PIK Interest 2.50%	\$ 10,171	9,929	10,036
Total Actifio, Inc. Clickfox, Inc. <sup>(12)(14C)</sup>	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00%	\$ 41,132	40,759	40,954
				or Floor rate of 11.50%	\$ 12,000	12,261	12,273
Cloud Technology Partners, Inc. <sup>(14A)</sup>	Software	Senior Secured	June 2018	Interest rate PRIME + 3.05%	\$ 3,000	2,966	2,966

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	Software	Senior Secured	December 2019	or Floor rate of 7.05% Interest rate PRIME + 5.75%			
				or Floor rate of 9.75%	\$ 10,000	9,863	9,863
Total Cloud Technology Partners, Inc.					\$ 13,000	12,829	12,829
Druva, Inc. <sup>(10)(12)(14B)(17)</sup>	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$ 9,157	9,604	9,613
	Software	Senior Secured	May 2018	Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$ 10,000	10,066	10,141
Total Druva, Inc.					\$ 19,157	19,670	19,754
Evernote Corporation <sup>(15)(17)</sup>	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 6,000	5,961	5,961
Lithium Technologies, Inc. <sup>(13)(14A)(15)(19)</sup>	Software	Senior Secured	June 2020	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%,			
				PIK Interest 1.80%	\$ 25,019	24,999	24,999
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(7)(13)(14A)(15)</sup>	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%,			
				PIK Interest 10.75%	\$ 13,000	12,747	5,477
Mattersight Corporation <sup>(11)(13)</sup>	Software	Senior Secured	February 2020	Interest rate PRIME + 6.25%			
				or Floor rate of 9.75%,			
				PIK Interest 2.15%	\$ 22,664	22,023	22,280
OneLogin, Inc. <sup>(13)(15)</sup>	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%,			
				PIK Interest 3.25%	\$ 15,369	15,249	15,488
Quid, Inc. <sup>(13)(14A)(15)</sup>	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.25%,			
				PIK Interest 2.25%	\$ 8,116	8,126	8,220
RedSeal Inc. <sup>(14A)(15)(17)</sup>	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 5,000	5,120	5,107
	Software	Senior Secured	January 2020	Interest rate PRIME + 7.75%			
				or Floor rate of 11.25%	\$ 5,000	4,880	4,880
Total RedSeal Inc.					\$ 10,000	10,000	9,987

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December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Signpost, Inc. <sup>(13)(14A)(15)</sup>	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%	\$ 15,237	\$ 15,022	\$ 15,190
<b>Subtotal: 1-5 Years Maturity</b>						199,646	193,412
<b>Subtotal: Software (24.97%)*</b>						203,979	196,777
<b>Specialty Pharmaceuticals</b>							
<b>1-5 Years Maturity</b>							
Alimera Sciences, Inc. <sup>(10)(13)(14A)</sup>	Specialty Pharmaceuticals	Senior Secured	November 2020	Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00%	\$ 35,041	34,606	34,798
Jaguar Animal Health, Inc. <sup>(10)(14B)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65% or Floor rate of 9.90%	\$ 3,511	3,803	3,725
<b>Subtotal: 1-5 Years Maturity</b>						38,409	38,523
<b>Subtotal: Specialty Pharmaceuticals (4.89%)*</b>						38,409	38,523
<b>Surgical Devices</b>							
<b>1-5 Years Maturity</b>							
Transmedics, Inc. <sup>(12)(14B)</sup>	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 5.30% or Floor rate of 9.55%	\$ 8,500	8,497	8,529
<b>Subtotal: 1-5 Years Maturity</b>						8,497	8,529
<b>Subtotal: Surgical Devices (1.08%)*</b>						8,497	8,529
<b>Sustainable and Renewable Technology</b>							
<b>Under 1 Year Maturity</b>							
American Superconductor Corporation <sup>(10)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$ 1,500	1,550	1,550
Modumetal, Inc. <sup>(11)(14C)(14D)</sup>		Senior Secured		Interest rate PRIME + 8.70%	\$ 376	882	882

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	Sustainable and Renewable Technology		March 2017	or Floor rate of 11.95%			
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 3,370	4,115	4,115
Total Modumetal, Inc. Stion Corporation <sup>(5)(14A)</sup>					\$ 3,746	4,997	4,997
	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 333	333	333
Sungevity, Inc. <sup>(12)(14D)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70%			
				or Floor rate of 6.95%	\$ 35,000	39,834	29,709
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70%			
				or Floor rate of 6.95%	\$ 20,000	20,000	14,917
Total Sungevity, Inc.					\$ 55,000	59,834	44,626
<b>Subtotal: Under 1 Year Maturity</b>						<b>66,714</b>	<b>51,506</b>
<b>1-5 Years Maturity</b>							
FuelCell Energy, Inc. <sup>(11)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2018	Interest rate PRIME + 5.50%			
				or Floor rate of 9.50%	\$ 20,000	20,488	20,707
Proterra, Inc. <sup>(10)(14A)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate PRIME + 6.95%			
				or Floor rate of 10.20%	\$ 30,000	30,670	30,592

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate PRIME + 5.75% or Floor rate of 9.25%	\$ 10,000	\$ 9,921	\$ 9,916
Total Proterra, Inc.					\$ 40,000	40,591	40,508
Rive Technology, Inc. <sup>(14A)(15)</sup>	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20% or Floor rate of 9.45%	\$ 7,500	7,586	7,650
Tendril Networks <sup>(11)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	15,405	15,324
Verdezyne, Inc. <sup>(14B)(15)</sup>	Sustainable and Renewable Technology	Senior Secured	April 2019	Interest rate PRIME + 8.25% or Floor rate of 11.75%	\$ 15,000	15,084	15,098
<b>Subtotal: 1-5 Years Maturity</b>						99,154	99,287
<b>Subtotal: Sustainable and Renewable Technology (19.14%)*</b>						165,868	150,793
<b>Total: Debt Investments (168.64%)*</b>						1,384,871	1,328,803

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Equity Investments</b>						
<b>Biotechnology Tools</b>						
NuGEN Technologies, Inc. <sup>(15)</sup>	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 575
<b>Subtotal: Biotechnology Tools (0.07%)*</b>					500	575
<b>Communications &amp; Networking</b>						
Achilles Technology Management Co II, Inc. <sup>(6)(15)</sup>	Communications & Networking	Equity	Common Stock	100	4,000	3,396
GlowPoint, Inc. <sup>(3)</sup>	Communications & Networking	Equity	Common Stock	114,192	101	31
Peerless Network Holdings, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,990
<b>Subtotal: Communications &amp; Networking (1.07%)*</b>					5,101	8,417
<b>Consumer &amp; Business Products</b>						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		279
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	273
Total Market Force Information, Inc.				668,231	500	552
<b>Subtotal: Consumer &amp; Business Products (0.07%)*</b>					500	552
<b>Diagnostic</b>						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	574
<b>Subtotal: Diagnostic (0.07%)*</b>					750	574
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Delivery	Equity	Common Stock	54,240	108	141
BioQ Pharma Incorporated <sup>(15)</sup>	Drug Delivery	Equity	Preferred Series D	165,000	500	542
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	161,856	1,000	2,023
Merrion Pharmaceuticals, Plc <sup>(4)(9)</sup>	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Equity	Common Stock	125,000	1,500	731
Revance Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	22,765	557	472
<b>Subtotal: Drug Delivery (0.50%)*</b>					3,674	3,909
<b>Drug Discovery &amp; Development</b>						
Aveo Pharmaceuticals, Inc. <sup>(3)(9)(15)</sup>	Drug Discovery & Development	Equity	Common Stock	426,931	1,060	231

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Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	105
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	96
Dicerna Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	411
Dynavax Technologies <sup>(3)(9)</sup>	Drug Discovery & Development	Equity	Common Stock	20,000	550	79
Epirus Biopharmaceuticals, Inc.	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	921
Inotek Pharmaceuticals Corporation <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	23
Insmed, Incorporated <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	936
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,042
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,175
<b>Subtotal: Drug Discovery &amp; Development (0.76%)*</b>					14,853	6,019

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Electronics &amp; Computer Hardware</b>						
Identiv, Inc. <sup>(3)</sup>	Electronics & Computer Hardware	Equity	Common Stock	6,700	\$ 34	\$ 21
<b>Subtotal: Electronics &amp; Computer Hardware (0.00%)*</b>					34	21
<b>Information Services</b>						
DocuSign, Inc. <sup>(15)</sup>	Information Services	Equity	Common Stock	385,000	6,081	6,081
<b>Subtotal: Information Services (0.77%)*</b>					6,081	6,081
<b>Internet Consumer &amp; Business Services</b>						
Blurb, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	197
Brigade Group, Inc. (p.k.a. Philotic, Inc.)	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	228
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	221
Total Lightspeed POS, Inc.				428,707	500	449
OfferUp, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Equity	Preferred Series A	286,080	1,663	1,663
	Internet Consumer & Business Services	Equity	Preferred Series A-1	108,710	632	632
Total OfferUp, Inc.				394,790	2,295	2,295
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	431
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	249
Total Oportun (p.k.a. Progress Financial)				306,153	500	680
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	34
Tectura Corporation	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000		
<b>Subtotal: Internet Consumer &amp; Business Services (0.46%)*</b>					3,578	3,655
<b>Media/Content/Info</b>						
Pinterest, Inc.	Media/Content/Info	Equity	Preferred Series Seed	620,000	4,085	4,085



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Subtotal: Media/Content/Info (0.52%)\*

4,085

4,085

<b>Medical Devices &amp; Equipment</b>						
AtriCure, Inc. <sup>(3)(15)</sup>	Medical Devices & Equipment	Equity	Common Stock	7,536	266	147
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series AA	221,893	1,500	359
Gelesis, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Equity	Common Stock	198,202		634
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	687
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	650
<b>Total Gelesis, Inc.</b>				<b>581,038</b>	<b>925</b>	<b>1,971</b>
Medrobotics Corporation <sup>(15)</sup>	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	216
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	188
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	514
<b>Total Medrobotics Corporation</b>				<b>374,703</b>	<b>905</b>	<b>918</b>

See notes to consolidated financial statements.

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Optiscan Biomedical, Corp. <sup>(5)(15)</sup>	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	\$ 3,000	\$ 292
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	85
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	3,014
	Medical Devices & Equipment	Equity	Preferred Series E	13,573,546	1,136	1,138
Total Optiscan Biomedical, Corp.				76,790,345	10,048	4,529
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	548
Quanterix Corporation	Medical Devices & Equipment	Equity	Preferred Series D	272,479	1,000	1,086
<b>Subtotal: Medical Devices &amp; Equipment (1.21%)*</b>					15,171	9,558
<b>Software</b>						
Box, Inc. <sup>(3)</sup>	Software	Equity	Common Stock	611,442	4,709	8,475
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	86
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,288
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,725
	Software	Equity	Preferred Series E	80,587	131	440
Total ForeScout Technologies, Inc.				399,686	529	2,165
HighRoads, Inc.	Software	Equity	Common Stock	190	307	
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Equity	Preferred Series E	669,173	963	1,025
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	5,431
WildTangent, Inc. <sup>(15)</sup>	Software	Equity	Preferred Series 3	100,000	402	148
<b>Subtotal: Software (2.36%)*</b>					13,392	18,618
<b>Specialty Pharmaceuticals</b>						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
<b>Subtotal: Specialty Pharmaceuticals (0.00%)*</b>					750	
<b>Surgical Devices</b>						

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Gynesonics, Inc. <sup>(15)</sup>	Surgical Devices	Equity	Preferred Series B	219,298	250	37
	Surgical Devices	Equity	Preferred Series C	656,538	282	52
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	671
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	450
Total Gynesonics, Inc.				5,653,360	1,673	1,210
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	357
	Surgical Devices	Equity	Preferred Series C	119,999	300	291
	Surgical Devices	Equity	Preferred Series D	260,000	650	912
	Surgical Devices	Equity	Preferred Series F	100,200	500	523
Total Transmedics, Inc.				569,160	2,550	2,083
<b>Subtotal: Surgical Devices (0.42%)*</b>					4,223	3,293
<b>Sustainable and Renewable Technology</b>						
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Equity	Common Stock	19,250	761	
Glori Energy, Inc. <sup>(3)</sup>	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	1
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	533

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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Proterra, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 5	99,280	\$ 500	\$ 512
Sungevity, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	
TPI Composites, Inc. <sup>(3)</sup>	Sustainable and Renewable Technology	Equity	Common Stock	78,018	273	1,251
<b>Subtotal: Sustainable and Renewable Technology (0.29%)*</b>					8,949	2,297
<b>Total: Equity Investments (8.59%)*</b>					81,641	67,654
<b>Warrant Investments</b>						
<b>Biotechnology Tools</b>						
Exicure, Inc.	Biotechnology Tools	Warrant	Preferred Series C	104,348	107	181
Labcyte, Inc. <sup>(15)</sup>	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	409
<b>Subtotal: Biotechnology Tools (0.07%)*</b>					430	590
<b>Communications &amp; Networking</b>						
Intelepeer, Inc. <sup>(15)</sup>	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	14
Peerless Network Holdings, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	415
SkyCross, Inc. <sup>(6)(15)</sup>	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Common Stock	2,834,375	418	
<b>Subtotal: Communications &amp; Networking (0.05%)*</b>					1,219	429
<b>Consumer &amp; Business Products</b>						
Antenna79 (p.k.a. Pong Research Corporation) <sup>(15)</sup>	Consumer & Business Products	Warrant	Common Stock	1,662,441	228	
Intelligent Beauty, Inc. <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	354
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	5,574
Nasty Gal <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	
The Neat Company <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	

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<b>Subtotal: Consumer &amp; Business Products (0.75%)*</b>				1,922	5,928	
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)(15)</sup>	Drug Delivery	Warrant	Common Stock	176,730	785	92
Agile Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	180,274	730	269
Apexia Pharmaceuticals Company	Drug Delivery	Warrant	Preferred Series A-1	735,981	366	242
BIND Therapeutics, Inc. <sup>(15)</sup>	Drug Delivery	Warrant	Common Stock	152,586	488	
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	264
Celsion Corporation <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	194,986	428	
Dance Biopharm, Inc. <sup>(15)</sup>	Drug Delivery	Warrant	Common Stock	110,882	74	
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	78,595	390	402
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	391
Neos Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Warrant	Common Stock	70,833	285	17
Pulmatrix Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	25,150	116	
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	72,379	266	
<b>Subtotal: Drug Delivery (0.21%)*</b>				4,523	1,677	

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Drug Discovery &amp; Development</b>						
ADMA Biologics, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	89,750	\$ 295	\$ 43
Anthera Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Auris Medical Holding, AG <sup>(3)(4)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	156,726	249	51
Aveo Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	2,069,880	396	123
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	139
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	22,328	70	
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,901	369	14
Chroma Therapeutics, Ltd. <sup>(4)(9)</sup>	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	7,813	105	
Concert Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	70,796	367	56
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	292,398	165	8
CytRx Corporation <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	634,146	416	78
Dicerna Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Common Stock	64,194	276	
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,009	142	13
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,725	266	75
Immune Pharmaceuticals <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	214,853	164	
Mast Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	2,272,724	203	85
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	295
Nanotherapeutics, Inc. <sup>(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,389	838	767
Neotherics, Inc. (p.k.a. Lithera, Inc) <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	46,838	266	29
Neuralstem, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	75,187	77	1
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	69,840	152	157
PhaseRx, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	63,000	125	15

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Sorrento Therapeutics, Inc. <sup>(3)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	306,748	890	632
uniQure B.V. <sup>(3)(4)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	37,174	218	8
XOMA Corporation <sup>(3)(9)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	9,063	279	6
<b>Subtotal: Drug Discovery &amp; Development (0.33%)*</b>				<b>8,575</b>	<b>2,595</b>	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Electronics &amp; Computer Hardware</b>						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	\$ 12	\$
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series D	63,348	40	509
<b>Subtotal: Electronics &amp; Computer Hardware (0.06%)*</b>					52	509
<b>Healthcare Services, Other</b>						
Chromadex Corporation <sup>(3)(15)</sup>	Healthcare Services, Other	Warrant	Common Stock	139,673	157	137
<b>Subtotal: Healthcare Services, Other (0.02%)*</b>					157	137
<b>Information Services</b>						
INMOBI Inc. <sup>(4)(9)</sup>	Information Services	Warrant	Common Stock	46,874	82	
InXpo, Inc. <sup>(15)</sup>	Information Services	Warrant	Preferred Series C	648,400	98	4
	Information Services	Warrant	Preferred Series C-1	1,165,183	74	6
Total InXpo, Inc.				1,813,583	172	10
RichRelevance, Inc. <sup>(15)</sup>	Information Services	Warrant	Preferred Series E	112,612	98	
<b>Subtotal: Information Services (0.00%)*</b>					352	10
<b>Internet Consumer &amp; Business Services</b>						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	
Blurb, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	96
CashStar, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	24
CloudOne, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	46
Intent Media, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Warrant	Common Stock	140,077	168	167
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,093
Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	31
LogicSource <sup>(15)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	59
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	190
Prism Education Group, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ShareThis, Inc. <sup>(15)</sup>		Warrant	Preferred Series C	493,502	547	1



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	Internet Consumer & Business Services					
Snagajob.com, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A	1,575,000	640	1,075
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	19
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
<b>Subtotal: Internet Consumer &amp; Business Services (0.36%)*</b>					3,853	2,801
<b>Media/Content/Info</b>						
FanDuel, Inc.	Media/Content/Info	Warrant	Preferred Series E-1	4,648	730	682
Machine Zone, Inc. <sup>(16)</sup>	Media/Content/Info	Warrant	Common Stock	1,552,710	1,958	2,729
Rhapsody International, Inc. <sup>(15)</sup>	Media/Content/Info	Warrant	Common Stock	715,755	385	7
WP Technology, Inc. (Wattpad, Inc.) <sup>(4)(9)</sup>	Media/Content/Info	Warrant	Common Stock	127,909	1	6
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	14
<b>Subtotal: Media/Content/Info (0.44%)*</b>					3,422	3,438

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Medical Devices &amp; Equipment</b>						
Amedica Corporation <sup>(3)(15)</sup>	Medical Devices & Equipment	Warrant	Common Stock	103,225	\$ 459	\$ 14
Aspire Bariatrics, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	217
Avedro, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	254
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series AA	155,325	362	21
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	450,956	170	234
Gelesis, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	153
InspireMD, Inc. <sup>(3)(4)(9)</sup>	Medical Devices & Equipment	Warrant	Common Stock	39,364	242	20
IntegenX, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series C	547,752	15	35
Medrobotics Corporation <sup>(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	292
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	347
NetBio, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	7,841	408	158
NinePoint Medical, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	65
Optiscan Biomedical, Corp. <sup>(5)(15)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	170
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	355
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	173,428	180	104
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) <sup>(3)</sup>	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. <sup>(3)(15)</sup>	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	2
<b>Subtotal: Medical Devices &amp; Equipment (0.31%)*</b>					<b>6,149</b>	<b>2,441</b>
<b>Semiconductors</b>						
Achronix Semiconductor Corporation <sup>(15)</sup>	Semiconductors	Warrant	Preferred Series C	360,000	160	71
	Semiconductors	Warrant	Preferred Series D-1	500,000	7	25
Total Achronix Semiconductor Corporation				860,000	167	96
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	88
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	46	114

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<b>Subtotal: Semiconductors (0.04%)*</b>				217	298	
<b>Software</b>						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	83
	Software	Warrant	Preferred Series F	31,673	343	54
Total Actifio, Inc.				105,257	592	137
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation <sup>(15)</sup>	Software	Warrant	Preferred Series B	413,433	258	488
Clickfox, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series B	1,038,563	330	63
	Software	Warrant	Preferred Series C	592,019	730	76
	Software	Warrant	Preferred Series C-A	2,218,214	230	1,604
Total Clickfox, Inc.				3,848,796	1,290	1,743

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Cloud Technology Partners, Inc.	Software	Warrant	Preferred Series C	113,960	\$ 34	\$ 35
Evernote Corporation <sup>(15)</sup>	Software	Warrant	Common Stock	62,500	106	110
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(15)</sup>	Software	Warrant	Preferred Series E	614,333	16	
Mattersight Corporation <sup>(3)</sup>	Software	Warrant	Common Stock	357,143	538	386
Message Systems, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series C	503,718	334	325
Mobile Posse, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series C	396,430	130	102
Neos, Inc. <sup>(15)</sup>	Software	Warrant	Common Stock	221,150	22	64
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Warrant	Preferred Series E	225,586	33	45
OneLogin, Inc. <sup>(15)</sup>	Software	Warrant	Common Stock	228,972	150	188
Poplicus, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series C	2,595,230		6
Quid, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series D	71,576	1	8
RedSeal Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series C-Prime	640,603	66	65
Signpost, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series C	324,005	314	167
Soasta, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series E	410,800	691	190
Sonian, Inc. <sup>(15)</sup>	Software	Warrant	Preferred Series C	185,949	106	105
<b>Subtotal: Software (0.53%)*</b>					4,869	4,164
<b>Specialty Pharmaceuticals</b>						
Alimera Sciences, Inc. <sup>(3)</sup>	Specialty Pharmaceuticals	Warrant	Common Stock	1,717,709	860	421
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	308	
<b>Subtotal: Specialty Pharmaceuticals (0.05%)*</b>					1,168	421
<b>Surgical Devices</b>						
Gynesonics, Inc. <sup>(15)</sup>	Surgical Devices	Warrant	Preferred Series C	180,480	75	14
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	240
Total Gynesonics, Inc.				1,756,445	395	254
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	16
	Surgical Devices	Warrant	Preferred Series D	175,000	100	405
	Surgical Devices	Warrant	Preferred Series F	50,544	38	56
Total Transmedics, Inc.				265,980	363	477
<b>Subtotal: Surgical Devices (0.09%)*</b>					758	731
<b>Sustainable and Renewable Technology</b>						
Agrivida, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	99
Alphabet Energy, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	
		Warrant	Common Stock	58,823	39	85

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American Superconductor Corporation <sup>(3)</sup>	Sustainable and Renewable Technology					
Beamreach Solar (p.k.a. Solexel, Inc.) <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,666	104	
Calera, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
EcoMotors, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	30
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	20

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	\$ 181	\$
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	6,229	50	
Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)				537,040	231	
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	201
GreatPoint Energy, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	
Protterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	477,517	41	457
Rive Technology, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	3
Stion Corporation <sup>(5)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	
Total Sungevity, Inc.				52,472,222	1,445	
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	219
Trilliant, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	202
<b>Subtotal: Sustainable and Renewable Technology (0.17%)*</b>					7,348	1,316
<b>Total: Warrant Investments (3.49%)*</b>					45,014	27,485
<b>Total Investments (180.72%)*</b>					\$ 1,511,526	\$ 1,423,942

\* Value as a percent of net assets

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

(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$24.7 million, \$114.5 million and \$89.8 million respectively. The tax cost of investments is \$1.5 billion.

(3) Except for warrants in 37 publicly traded companies and common stock in 19 publicly traded companies, all investments are restricted at December 31, 2016 and were valued at fair value as determined in good faith by the Company's board of directors (the Board of Directors). No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

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- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the 1940 Act ) in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
- (7) Debt is on non-accrual status at December 31, 2016, and is therefore considered non-income producing. Note that at December 31, 2016, only the \$11.0 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (8) Denotes that all or a portion of the debt investment is convertible debt.

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**HERCULES CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2016**

**(dollars in thousands)**

- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (14) Denotes that all or a portion of the debt investment includes an exit fee receivable.
  - A. This fee ranges from 1.0% to 5.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
  - B. This fee ranges from 5.0% to 10.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
  - C. This fee ranges from 10.0% to 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
  - D. This fee is greater than 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment companies, or SBIC, subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at December 31, 2016.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at December 31, 2016. Refer to Note 10.
- (18) Repayment of debt investment is delinquent of the contractual maturity date as of December 31, 2016.
- (19) The stated PIK interest rate may be reduced to 1.45% subject to achievement of a milestone by the portfolio company.

See notes to consolidated financial statements.



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<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Maturity Date</b>	<b>Interest Rate and Floor</b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Debt Investments</b>							
<b>Communications &amp; Networking</b>							
<b>1-5 Years Maturity</b>							
Avanti Communications Group <sup>(4)(9)</sup>	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 10,000	\$ 8,900	\$ 7,812
OpenPeak, Inc. <sup>(7)</sup>	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 12,370	9,134	2,444
SkyCross, Inc. <sup>(7)(12)(13)(14)</sup>	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 7.70%			
				or Floor rate of 10.95%,			
				PIK Interest 5.00%	\$ 19,649	20,080	14,859
Spring Mobile Solutions, Inc. <sup>(13)</sup>	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70%			
				or Floor rate of 9.95%	\$ 3,000	2,935	2,935
<b>Subtotal: 1-5 Years Maturity</b>						41,049	28,050
<b>Subtotal: Communications &amp; Networking (3.91%)*</b>						41,049	28,050
<b>Consumer &amp; Business Products</b>							
<b>Under 1 Year Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(14)</sup>	Consumer & Business Products	Senior Secured	June 2016	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 308	308	308
<b>Subtotal: Under 1 Year Maturity</b>						308	308
<b>1-5 Years Maturity</b>							
Antenna79 (p.k.a. Pong Research Corporation) <sup>(12)(13)(14)</sup>	Consumer & Business Products	Senior Secured	December 2017	Interest rate PRIME + 6.75%			
				or Floor rate of 10.00%,			
				PIK Interest 2.50%	\$ 4,955	4,785	4,783
Miles, Inc. (p.k.a. Fluc, Inc.) <sup>(8)</sup>	Consumer & Business Products	Convertible Debt	March 2017	Interest rate FIXED 4.00%	\$ 100	100	
Nasty Gal <sup>(13)(14)</sup>	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 15,000	14,876	14,876
The Neat Company <sup>(7)(12)(13)(14)</sup>	Consumer & Business Products	Senior Secured	September 2017	Interest rate PRIME + 7.75%	\$ 15,936	15,545	5,527
				or Floor rate of 11.00%,			

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PIK Interest 1.00%

**Subtotal: 1-5 Years Maturity** 35,306 25,186

**Subtotal: Consumer & Business Products (3.55%)\*** 35,614 25,494

**Drug Delivery**

**1-5 Years Maturity**

AcelRx Pharmaceuticals, Inc. <sup>(9)(10)(13)(14)</sup>	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				or Floor rate of 9.10%	\$ 20,466	20,772	20,678
Agile Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%	\$ 16,500	16,231	16,107
BIND Therapeutics, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 5.10%			
				or Floor rate of 8.35%	\$ 15,000	15,119	15,044
BioQ Pharma Incorporated <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 10,000	10,180	10,066
	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 7.00%			
				or Floor rate of 10.50%	\$ 3,000	2,962	2,962
Total BioQ Pharma Incorporated					\$ 13,000	13,142	13,028
Celator Pharmaceuticals, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 14,573	14,594	14,609
Celsion Corporation <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$ 6,346	6,501	6,544
Dance Biopharm, Inc. <sup>(13)(14)</sup>	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40%			
				or Floor rate of 10.65%	\$ 2,705	2,776	2,757
Edge Therapeutics, Inc. <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%	\$ 5,466	5,431	5,455
Egalet Corporation <sup>(11)(13)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.15%			
				or Floor rate of 9.40%	\$ 15,000	14,967	15,036

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of			Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
		Investment <sup>(1)</sup>	Maturity Date					
Neos Therapeutics, Inc. <sup>(10)(13)(14)</sup>	Drug Delivery	Senior Secured	October 2017		Interest rate PRIME + 5.75%			
					or Floor rate of 9.00%	\$ 10,000	\$ 10,000	\$ 10,007
	Drug Delivery	Senior Secured	October 2017		Interest rate PRIME + 7.25%			
					or Floor rate of 10.50%	\$ 10,000	10,043	9,998
	Drug Delivery	Senior Secured	October 2017		Interest rate PRIME + 5.75%			
					or Floor rate of 9.00%	\$ 5,000	4,977	4,957
Total Neos Therapeutics, Inc.						\$ 25,000	25,020	24,962
Pulmatrix Inc. <sup>(8)(10)(13)</sup>	Drug Delivery	Senior Secured	July 2018		Interest rate PRIME + 6.25%			
					or Floor rate of 9.50%	\$ 7,000	6,877	6,856
ZP Opco, Inc. (p.k.a. Zosano Pharma) <sup>(10)(13)</sup>	Drug Delivery	Senior Secured	December 2018		Interest rate PRIME + 2.70%			
					or Floor rate of 7.95%	\$ 15,000	14,925	14,781
<b>Subtotal: 1-5 Years Maturity</b>							156,355	155,857
<b>Subtotal: Drug Delivery (21.73%)*</b>							156,355	155,857
<b>Drug Discovery &amp; Development</b>								
<b>1-5 Years Maturity</b>								
Aveo Pharmaceuticals, Inc. <sup>(9)(13)</sup>	Drug Discovery & Development	Senior Secured	January 2018		Interest rate PRIME + 6.65%			
					or Floor rate of 11.90%	\$ 10,000	10,076	9,944
Cerecor, Inc. <sup>(13)</sup>	Drug Discovery & Development	Senior Secured	August 2017		Interest rate PRIME + 4.70%			
					or Floor rate of 7.95%	\$ 5,688	5,705	5,740
Cerulean Pharma, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior Secured	July 2018		Interest rate PRIME + 1.55%			
					or Floor rate of 7.30%	\$ 21,000	21,132	21,109
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(10)(13)</sup>	Drug Discovery & Development	Senior Secured	December 2018		Interest rate PRIME + 7.70%			
					or Floor rate of 10.95%	\$ 25,000	25,507	25,550
Epirus Biopharmaceuticals, Inc. <sup>(11)(13)</sup>	Drug Discovery & Development	Senior Secured	April 2018		Interest rate PRIME + 4.70%			
					or Floor rate of 7.95%	\$ 15,000	14,852	14,924
Genocea Biosciences, Inc. <sup>(10)(13)</sup>	Drug Discovery & Development	Senior Secured	January 2019		Interest rate PRIME + 3.75%			
					or Floor rate of 7.25%	\$ 17,000	17,008	16,948

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

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(dollars in thousands)

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

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					or Floor rate of 9.25%			
Total Modumetal, Inc.					\$ 8,820	9,163	9,112	
Polyera Corporation <sup>(13)</sup>	Sustainable and Renewable Technology	Senior Secured	January 2017	Interest rate PRIME + 6.70%				
					or Floor rate of 9.95%	\$ 1,254	1,455	1,455
Proterra, Inc. <sup>(10)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95%				
					or Floor rate of 10.20%	\$ 25,000	24,995	24,550
Sungevity, Inc. <sup>(11)(13)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70%				
					or Floor rate of 6.95%	\$ 35,000	34,733	34,773
Tendril Networks <sup>(13)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	14,735	14,477	
<b>Subtotal: 1-5 Years Maturity</b>						<b>118,662</b>	<b>117,883</b>	
<b>Subtotal: Sustainable and Renewable Technology (20.83%)*</b>							<b>151,376</b>	<b>149,410</b>
<b>Healthcare Services, Other</b>								
<b>1-5 Years Maturity</b>								
Chromadex Corporation <sup>(13)(14)</sup>	Healthcare Services, Other	Senior Secured	April 2018	Interest rate PRIME + 6.10%				
					or Floor rate of 9.35%	\$ 5,000	4,907	4,918
InstaMed Communications, LLC <sup>(13)(14)</sup>	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75%				
					or Floor rate of 10.00%	\$ 10,000	10,048	10,049
<b>Subtotal: 1-5 Years Maturity</b>						<b>14,955</b>	<b>14,967</b>	
<b>Subtotal: Healthcare Services, Other (2.09%)*</b>							<b>14,955</b>	<b>14,967</b>
<b>Information Services</b>								
<b>Under 1 Year Maturity</b>								
Eccentex Corporation <sup>(13)(16)</sup>	Information Services	Senior Secured	May 2015	Interest rate PRIME + 7.00%				
					or Floor rate of 10.25%	\$ 13	28	28
InXpo, Inc. <sup>(13)(14)</sup>	Information Services	Senior Secured	October 2016	Interest rate PRIME + 7.50%				
					or Floor rate of 10.75%	\$ 1,589	1,624	1,624
<b>Subtotal: Under 1 Year Maturity</b>						<b>1,652</b>	<b>1,652</b>	
<b>Subtotal: Information Services (0.23%)*</b>							<b>1,652</b>	<b>1,652</b>

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Internet Consumer &amp; Business Services</b>							
<b>Under 1 Year Maturity</b>							
NetPlenish <sup>(7)(8)(14)</sup>	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%			
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%	\$ 381	\$ 373	\$
	Business Services				\$ 45	45	
Total NetPlenish					\$ 426	418	
<b>Subtotal: Under 1 Year Maturity</b>						418	
<b>1-5 Years Maturity</b>							
Aria Systems, Inc. <sup>(10)(12)</sup>	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%	\$ 18,101	17,850	17,673
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%	\$ 2,021	1,995	1,972
Total Aria Systems, Inc.					\$ 20,122	19,845	19,645
One Planet Ops Inc. (p.k.a. Reply! Inc.) <sup>(7)(12)</sup>	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25% or Floor rate of 7.50%	\$ 6,321	5,811	5,811
	Internet Consumer & Business Services	Senior Secured	March 2019	PIK Interest 2.00%	\$ 2,129	2,129	55
Total One Planet Ops Inc. (p.k.a. Reply! Inc.)					\$ 8,450	7,940	5,866
ReachLocal <sup>(13)</sup>	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50% or Floor rate of 11.75%	\$ 25,000	24,868	24,769
Tapjoy, Inc. <sup>(11)(13)</sup>	Internet Consumer & Business Services	Senior Secured	July 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$ 20,000	19,598	19,514
Tectura Corporation <sup>(7)(12)(15)</sup>	Internet Consumer & Business Services	Senior Secured	May 2014	Interest rate LIBOR + 10.00%	\$ 6,468	6,468	4,851

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	Business Services			or Floor rate of 13.00%				
	Internet Consumer &	Senior Secured	May 2014	Interest rate LIBOR + 8.00%				
	Business Services			or Floor rate of 11.00%,				
	Internet Consumer &	Senior Secured	May 2014	PIK Interest 1.00%	\$ 8,170	8,170	6,128	
				Interest rate LIBOR + 10.00%				
	Business Services			or Floor rate of 13.00%	\$ 563	563	422	
	Internet Consumer &	Senior Secured	May 2014	Interest rate LIBOR + 10.00%				
	Business Services			or Floor rate of 13.00%	\$ 5,000	5,000	3,750	
Total Tectura Corporation					\$ 20,201	20,201	15,151	
<b>Subtotal: 1-5 Years Maturity</b>						92,452	84,945	
<b>Subtotal: Internet Consumer &amp; Business Services (11.85%)*</b>						92,870	84,945	
<b>Media/Content/Info</b>								
<b>Under 1 Year Maturity</b>								
Zoom Media Group, Inc.	Media/Content/Info	Senior Secured	January 2016	Interest rate PRIME + 5.25%				
				or Floor rate of 8.50%	\$ 5,060	5,060	5,060	
<b>Subtotal: Under 1 Year Maturity</b>						5,060	5,060	
<b>1-5 Years Maturity</b>								
Machine Zone, Inc. <sup>(12)</sup>	Media/Content/Info	Senior Secured	May 2018	Interest rate PRIME + 2.50%				
				or Floor rate of 6.75%,				
				PIK Interest 3.00%	\$ 90,729	88,730	88,101	
<b>Subtotal: 1-5 Years Maturity</b>						88,730	88,101	
<b>Subtotal: Media/Content/Info (12.99%)*</b>						93,790	93,161	
<b>Medical Devices &amp; Equipment</b>								
<b>Under 1 Year Maturity</b>								
Medrobotics Corporation <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	March 2016	Interest rate PRIME + 7.85%				
				or Floor rate of 11.10%	\$ 576	735	735	
SonaCare Medical, LLC (p.k.a. US HIFU, LLC) <sup>(13)</sup>	Medical Devices & Equipment	Senior Secured	April 2016	Interest rate PRIME + 7.75%				
				or Floor rate of 11.00%	\$ 292	700	700	
<b>Subtotal: Under 1 Year Maturity</b>						1,435	1,435	

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>1-5 Years Maturity</b>							
Amedica Corporation <sup>(8)(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20%			
				or Floor rate of 12.45%	\$ 17,051	\$ 17,642	\$ 17,350
Aspire Bariatrics, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00%			
				or Floor rate of 9.25%	\$ 7,000	6,771	6,739
Avedro, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 12,500	12,391	12,201
Flowonix Medical Incorporated <sup>(11)(13)</sup>	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 10.00%	\$ 15,000	15,071	14,974
Gamma Medica, Inc. <sup>(10)(13)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 4,000	4,009	3,989
InspireMD, Inc. <sup>(4)(9)(13)</sup>	Medical Devices & Equipment	Senior Secured	February 2017	Interest rate PRIME + 5.00%			
				or Floor rate of 10.50%	\$ 5,009	5,380	3,764
Quanterix Corporation <sup>(10)(13)</sup>	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 9,661	9,718	9,659
SynergEyes, Inc. <sup>(13)(14)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 4,263	4,516	4,464
<b>Subtotal: 1-5 Years Maturity</b>						75,498	73,140
<b>Subtotal: Medical Devices &amp; Equipment (10.40%)*</b>						76,933	74,575
<b>Semiconductors</b>							
<b>Under 1 Year Maturity</b>							
Achronix Semiconductor Corporation <sup>(14)</sup>	Semiconductors	Senior Secured	July 2016	Interest rate PRIME + 4.75%			
				or Floor rate of 8.00%	\$ 5,000	5,000	5,000
<b>Subtotal: Under 1 Year Maturity</b>						5,000	5,000
<b>1-5 Years Maturity</b>							
Achronix Semiconductor Corporation <sup>(13)(14)</sup>	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 5,000	5,027	4,999

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Aquantia Corp.	Semiconductors	Senior Secured	February 2017	Interest rate PRIME + 2.95%			
				or Floor rate of 6.20%	\$ 5,001	5,001	5,001
Avnera Corporation <sup>(10)(13)</sup>	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 7,500	7,498	7,568
<b>Subtotal: 1-5 Years Maturity</b>						17,526	17,568
<b>Subtotal: Semiconductors (3.15%)*</b>						22,526	22,568
<b>Software</b>							
<b>Under 1 Year Maturity</b>							
Clickfox, Inc. <sup>(13)(14)(16)</sup>	Software	Senior Secured	December 2015	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 3,300	3,465	3,465
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) <sup>(12)(13)(14)</sup>	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,335	1,350	875
Neos, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	May 2016	Interest rate PRIME + 6.75%			
				or Floor rate of 10.50%	\$ 729	895	895
Touchcommerce, Inc. <sup>(14)</sup>	Software	Senior Secured	August 2016	Interest rate PRIME + 2.25%			
				or Floor rate of 6.50%	\$ 5,511	5,511	5,511
<b>Subtotal: Under 1 Year Maturity</b>						11,221	10,746
<b>1-5 Years Maturity</b>							
Actifio, Inc. <sup>(12)</sup>	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25%			
				or Floor rate of 8.25%, PIK Interest 2.25%	\$ 30,263	30,019	29,712
Clickfox, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	March 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 5,475	5,490	5,490
Druva, Inc. <sup>(10)(13)</sup>	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$ 12,000	12,080	12,034

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of			Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
		Investment <sup>(1)</sup>	Maturity Date					
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) <sup>(12)(13)(14)</sup>	Software	Senior Secured	March 2018		Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 11,082	\$ 11,174	\$ 7,245
Message Systems, Inc. <sup>(14)</sup>	Software	Senior Secured	February 2019		Interest rate PRIME + 7.25%			
					or Floor rate of 10.50%	\$ 17,500	17,103	17,013
	Software	Senior Secured	February 2017		Interest rate PRIME + 2.75%			
					or Floor rate of 6.00%	\$ 1,618	1,618	1,616
Total Message Systems, Inc. RedSeal Inc. <sup>(13)(14)</sup>	Software	Senior Secured	June 2017		Interest rate PRIME + 3.25%	\$ 19,118	18,721	18,629
					or Floor rate of 6.50%	\$ 3,000	3,000	2,987
	Software	Senior Secured	June 2018		Interest rate PRIME + 7.75%			
					or Floor rate of 11.00%	\$ 5,000	5,006	4,979
Total RedSeal Inc.						\$ 8,000	8,006	7,966
Soasta, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	February 2018		Interest rate PRIME + 2.25%			
					or Floor rate of 5.50%	\$ 3,500	3,432	3,419
	Software	Senior Secured	February 2018		Interest rate PRIME + 4.75%			
					or Floor rate of 8.00%	\$ 15,000	14,699	14,646
Total Soasta, Inc.						\$ 18,500	18,131	18,065
Touchcommerce, Inc. <sup>(13)(14)</sup>	Software	Senior Secured	February 2018		Interest rate PRIME + 6.00%			
					or Floor rate of 10.25%	\$ 12,000	11,853	11,721
<b>Subtotal: 1-5 Years Maturity</b>							115,474	110,862
<b>Subtotal: Software (16.96%)*</b>							126,695	121,608
<b>Specialty Pharmaceuticals</b>								
<b>Under 1 Year Maturity</b>								
Cranford Pharmaceuticals, LLC <sup>(10)(12)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2016		Interest rate LIBOR + 8.25%			
					or Floor rate of 9.50%	\$ 1,100	1,100	1,100

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<b>Subtotal: Under 1 Year Maturity</b>					1,100	1,100		
<b>1-5 Years Maturity</b>								
Alimera Sciences, Inc. <sup>(10)(13)</sup>	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%				
				or Floor rate of 10.90%	\$ 35,000	34,296	34,309	
Cranford Pharmaceuticals, LLC <sup>(10)(12)(13)(14)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2017	Interest rate LIBOR + 9.55%				
				or Floor rate of 10.80%,				
				PIK Interest 1.35%	\$ 10,041	10,164	10,235	
Jaguar Animal Health, Inc. <sup>(10)(13)</sup>	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%				
				or Floor rate of 9.90%	\$ 6,000	6,009	6,009	
<b>Subtotal: 1-5 Years Maturity</b>						50,469	50,553	
<b>Subtotal: Specialty Pharmaceuticals (7.20%)*</b>						51,569	51,653	
<b>Surgical Devices</b>								
<b>1-5 Years Maturity</b>								
Transmedics, Inc. <sup>(13)</sup>	Surgical Devices	Senior Secured	March 2019	Interest rate PRIME + 5.30%				
				or Floor rate of 9.55%	\$ 8,500	8,471	8,396	
<b>Subtotal: 1-5 Years Maturity</b>						8,471	8,396	
<b>Subtotal: Surgical Devices (1.17%)*</b>						8,471	8,396	
<b>Total Debt Investments (154.81%)*</b>						1,152,303	1,110,209	

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Equity Investments</b>						
<b>Biotechnology Tools</b>						
NuGEN Technologies, Inc. <sup>(14)</sup>	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 532
<b>Subtotal: Biotechnology Tools (0.07%)*</b>					500	532
<b>Communications &amp; Networking</b>						
GlowPoint, Inc. <sup>(3)</sup>	Communications & Networking	Equity	Common Stock	114,192	102	57
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,380
<b>Subtotal: Communications &amp; Networking (0.62%)*</b>					1,102	4,437
<b>Consumer &amp; Business Products</b>						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		217
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	3
Total Market Force Information, Inc.				668,231	500	220
<b>Subtotal: Consumer &amp; Business Products (0.03%)*</b>					500	220
<b>Diagnostic</b>						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	304
<b>Subtotal: Diagnostic (0.04%)*</b>					750	304
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Delivery	Equity	Common Stock	54,240	108	209
BioQ Pharma Incorporated <sup>(14)</sup>	Drug Delivery	Equity	Preferred Series D	165,000	500	660
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	157,190	1,000	1,965
Merrion Pharmaceuticals, Plc <sup>(3)(4)(9)</sup>	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Equity	Common Stock	125,000	1,500	1,790
Revance Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	22,765	557	778
<b>Subtotal: Drug Delivery (0.75%)*</b>					3,674	5,402
<b>Drug Discovery &amp; Development</b>						
Aveo Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Discovery & Development	Equity	Common Stock	167,864	842	212

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

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

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Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,953
Gelesis, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Equity	Common Stock	198,202		1,005
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	1,051
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	1,012
Total Gelesis, Inc.				581,038	925	3,068
Medrobotics Corporation <sup>(14)</sup>	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	208
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	189
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	500
Total Medrobotics Corporation				374,703	905	897

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Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	\$ 1,000	\$
Optiscan Biomedical, Corp. <sup>(5)(14)</sup>	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	565
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	169
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	5,927
Total Optiscan Biomedical, Corp.				63,216,799	8,912	6,661
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Equity	Preferred Series 1	1,086,969	500	266
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	543
<b>Subtotal: Medical Devices &amp; Equipment (1.89%)*</b>					<b>14,535</b>	<b>13,543</b>
<b>Software</b>						
Box, Inc. <sup>(3)(14)</sup>	Software	Equity	Common Stock	1,287,347	5,653	17,957
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	79
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,031
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,368
	Software	Equity	Preferred Series E	80,587	131	350
Total ForeScout Technologies, Inc.				399,686	529	1,718
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Equity	Preferred Series E	669,173	963	1,016
WildTangent, Inc. <sup>(14)</sup>	Software	Equity	Preferred Series 3	100,000	402	190
<b>Subtotal: Software (3.07%)*</b>					<b>8,905</b>	<b>21,991</b>
<b>Specialty Pharmaceuticals</b>						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		
Total QuatRx Pharmaceuticals Company				4,936,420	750	
<b>Subtotal: Specialty Pharmaceuticals (0.00%)*</b>					<b>750</b>	
<b>Surgical Devices</b>						

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Gynesonics, Inc. <sup>(14)</sup>	Surgical Devices	Equity	Preferred Series B	219,298	250	32
	Surgical Devices	Equity	Preferred Series C	656,538	282	46
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	637
	Surgical Devices	Equity	Preferred Series E	2,785,402	429	422
Total Gynesonics, Inc.				5,652,395	1,673	1,137
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	154
	Surgical Devices	Equity	Preferred Series C	119,999	300	96
	Surgical Devices	Equity	Preferred Series D	260,000	650	521
	Surgical Devices	Equity	Preferred Series F	100,200	500	471
Total Transmedics, Inc.				569,160	2,550	1,242
<b>Subtotal: Surgical Devices (0.33%)*</b>					4,223	2,379
<b>Total: Equity Investments (9.40%)*</b>					59,217	67,442
<b>Warrant Investments</b>						
<b>Biotechnology Tools</b>						
Labcyte, Inc. <sup>(14)</sup>	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	187
<b>Subtotal: Biotechnology Tools (0.03%)*</b>					323	187

See notes to consolidated financial statements.

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
<b>Communications &amp; Networking</b>						
Intelepeer, Inc. <sup>(14)</sup>	Communications & Networking	Warrant	Common Stock	117,958	\$ 102	\$
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	62
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	375
Ping Identity Corporation	Communications & Networking	Warrant	Preferred Series B	1,136,277	52	236
SkyCross, Inc. <sup>(14)</sup>	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	53
<b>Subtotal: Communications &amp; Networking (0.10%)*</b>					1,271	726
<b>Consumer &amp; Business Products</b>						
Antenna79 (p.k.a. Pong Research Corporation) <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	2
Intelligent Beauty, Inc. <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	214
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	651
Market Force Information, Inc.	Consumer & Business Products	Warrant	Preferred Series A-1	150,212	24	10
Nasty Gal <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	20
The Neat Company <sup>(14)</sup>	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
<b>Subtotal: Consumer &amp; Business Products (0.13%)*</b>					1,946	897
<b>Diagnostic</b>						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) <sup>(3)(14)</sup>	Diagnostic	Warrant	Common Stock	333,333	244	17
<b>Subtotal: Diagnostic (0.00%)*</b>					244	17
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)(14)</sup>	Drug Delivery	Warrant	Common Stock	176,730	786	238
Agile Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	180,274	730	680
BIND Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Warrant	Common Stock	152,586	488	6
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	423
Celator Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	210,675	138	59

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Celsion Corporation <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	194,986	428	20
Dance Biopharm, Inc. <sup>(14)</sup>	Drug Delivery	Warrant	Common Stock	43,813	74	55
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	78,595	390	417
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,217
Neos Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Delivery	Warrant	Common Stock	70,833	285	275
Pulmatrix Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	25,150	116	12
ZP Opco, Inc. (p.k.a. Zosano Pharma) <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	72,379	266	4

**Subtotal: Drug Delivery (0.47%)\*** 4,296 3,406

**Drug Discovery & Development**

ADMA Biologics, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	89,750	295	98
Anthera Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Aveo Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	608,696	194	216

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	22,328	\$ 70	\$ 10
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,901	369	90
Chroma Therapeutics, Ltd. <sup>(4)(9)</sup>	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	7,813	105	5
Concert Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	70,796	367	368
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	292,398	165	59
Dicerna Pharmaceuticals, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	64,194	276	55
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,009	142	11
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,725	266	92
Immune Pharmaceuticals <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	214,853	164	40
Mast Therapeutics, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	1,524,389	203	215
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	130
Nanotherapeutics, Inc. <sup>(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,389	838	1,762
Neothetics, Inc. (p.k.a. Lithera, Inc.) <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	46,838	266	2
Neuralstem, Inc. <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	75,187	77	12
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	21,467	129	36
uniQure B.V. <sup>(3)(4)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	37,174	218	183
XOMA Corporation <sup>(3)(9)(14)</sup>	Drug Discovery & Development	Warrant	Common Stock	181,268	279	115
<b>Subtotal: Drug Discovery &amp; Development (0.49%)*</b>					<b>6,551</b>	<b>3,499</b>
<b>Electronics &amp; Computer Hardware</b>						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies		Warrant	Preferred Series C	43,076	40	42

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Electronics & Computer  
Hardware

**Subtotal: Electronics & Computer Hardware (0.01%)\*** 52 42

**Sustainable and Renewable Technology**

Agrivida, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	38
Alphabet Energy, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	159
American Superconductor Corporation <sup>(3)</sup>	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	82
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,667	104	6
Calera, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
EcoMotors, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	\$ 308	\$ 176
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	43
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	152
GreatPoint Energy, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Polyera Corporation <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	10
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	397,931	37	50
SCIEnergy, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 1	145,811	50	
Total SCIEnergy, Inc.				676,622	231	
Scifiniti (p.k.a. Integrated Photovoltaics, Inc.) <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A-1	390,000	82	48
Solexel, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	466
Stion Corporation <sup>(5)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	569
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	525
Total Sungevity, Inc.				52,472,222	1,445	1,094
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	188	242
TPI Composites, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series B	160	273	85
Trilliant, Inc. <sup>(14)</sup>	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	53
<b>Subtotal: Sustainable and Renewable Technology (0.38%)*</b>					7,686	2,704
<b>Healthcare Services, Other</b>						
Chromadex Corporation <sup>(3)(14)</sup>	Healthcare Services, Other	Warrant	Common Stock	419,020	157	164
<b>Subtotal: Healthcare Services, Other (0.02%)*</b>					157	164

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**Information Services**

Cha Cha Search, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series G	48,232	58	
INMOBI Inc. <sup>(4)(9)</sup>	Information Services	Warrant	Common Stock	46,874	82	3
InXpo, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series C	648,400	98	2
	Information Services	Warrant	Preferred Series C-1	1,032,416	74	
Total InXpo, Inc.				1,680,816	172	2
RichRelevance, Inc. <sup>(14)</sup>	Information Services	Warrant	Preferred Series E	112,612	98	
<b>Subtotal: Information Services (0.00%)*</b>					<b>410</b>	<b>5</b>

**Internet Consumer & Business Services**

Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	88
Blurb, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	148

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

<b>Portfolio Company</b>	<b>Sub-Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Series</b>	<b>Shares</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
CashStar, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	\$ 130	\$ 34
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,104
Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	82
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	104
Prism Education Group, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ReachLocal <sup>(3)</sup>	Internet Consumer & Business Services	Warrant	Common Stock	300,000	155	290
ShareThis, Inc. <sup>(14)</sup>	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	93
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	8
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
<b>Subtotal: Internet Consumer &amp; Business Services (0.27%)*</b>					3,151	1,951
<b>Media/Content/Info</b>						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	143,626	1,802	2,086
Rhapsody International, Inc. <sup>(14)</sup>	Media/Content/Info	Warrant	Common Stock	715,755	384	218
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	23
<b>Subtotal: Media/Content/Info (0.32%)*</b>					2,534	2,327
<b>Medical Devices &amp; Equipment</b>						
Amedica Corporation <sup>(3)(14)</sup>	Medical Devices & Equipment	Warrant	Common Stock	1,548,387	459	31
Aspire Bariatrics, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	236
Avedro, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	142
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series E	110,947	203	428
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	357,500	170	144
Gelesis, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	262
InspireMD, Inc. <sup>(3)(4)(9)</sup>	Medical Devices & Equipment	Warrant	Common Stock	16,835	242	
Medrobotics Corporation <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	244
NetBio, Inc.		Warrant	Common Stock	2,568	408	19

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	Medical Devices & Equipment					
NinePoint Medical, Inc. <sup>(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	119
Novasys Medical, Inc.	Medical Devices & Equipment	Warrant	Common Stock	109,449	2	
	Medical Devices & Equipment	Warrant	Preferred Series D	526,840	125	
	Medical Devices & Equipment	Warrant	Preferred Series D-1	53,607	6	
Total Novasys Medical, Inc.				689,896	133	
Optiscan Biomedical, Corp. <sup>(5)(14)</sup>	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	312
Oraya Therapeutics, Inc.	Medical Devices & Equipment	Warrant	Common Stock	954	66	
	Medical Devices & Equipment	Warrant	Preferred Series 1	1,632,084	676	63
Total Oraya Therapeutics, Inc.				1,633,038	742	63

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	\$ 402	\$ 298
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	115,618	156	60
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) <sup>(3)</sup>	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. <sup>(3)(14)</sup>	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	84
<b>Subtotal: Medical Devices &amp; Equipment (0.34%)*</b>					6,564	2,442
<b>Semiconductors</b>						
Achronix Semiconductor Corporation <sup>(14)</sup>	Semiconductors	Warrant	Preferred Series C	360,000	160	27
	Semiconductors	Warrant	Preferred Series D-1	500,000	6	6
Total Achronix Semiconductor Corporation				860,000	166	33
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	39
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	47	65
<b>Subtotal: Semiconductors (0.02%)*</b>					217	137
<b>Software</b>						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	210
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation <sup>(14)</sup>	Software	Warrant	Preferred Series B	413,433	258	625
Clickfox, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series B	1,038,563	330	362
	Software	Warrant	Preferred Series C	592,019	730	272
	Software	Warrant	Preferred Series C-A	46,109	13	16
Total Clickfox, Inc.				1,676,691	1,073	650
Hillcrest Laboratories, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	1,865,650	55	138
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) <sup>(14)</sup>	Software	Warrant	Preferred Series E	614,333	16	
Message Systems, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series B	408,011	334	497
Mobile Posse, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	396,430	130	59
Neos, Inc. <sup>(14)</sup>	Software	Warrant	Common Stock	221,150	22	113
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Warrant	Preferred Series E	225,586	33	55
Poplicus, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	2,595,230		110
Soasta, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	410,800	691	561
Sonian, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series C	185,949	106	39
Touchcommerce, Inc. <sup>(14)</sup>	Software	Warrant	Preferred Series E	2,282,968	446	581
<b>Subtotal: Software (0.51%)*</b>					3,601	3,638

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<b>Specialty Pharmaceuticals</b>						
Alimera Sciences, Inc. <sup>(3)</sup>	Specialty Pharmaceuticals	Warrant	Common Stock	660,377	729	435
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	307	
<b>Subtotal: Specialty Pharmaceuticals (0.06%)*</b>					1,036	435
<b>Surgical Devices</b>						
Gynesonics, Inc. <sup>(14)</sup>	Surgical Devices	Warrant	Preferred Series C	180,480	75	12
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	223
Total Gynesonics, Inc.				1,756,445	395	235
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	224	2
	Surgical Devices	Warrant	Preferred Series D	175,000	100	170
	Surgical Devices	Warrant	Preferred Series F	16,476	3	3
Total Transmedics, Inc.				231,912	327	175
<b>Subtotal: Surgical Devices (0.06%)*</b>					722	410
<b>Total: Warrant Investments (3.21%)*</b>					40,761	22,987
<b>Total Investments (167.42%)*</b>					\$ 1,252,281	\$ 1,200,638

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**HERCULES CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2015**

**(dollars in thousands)**

\* Value as a percent of net assets

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

See notes to consolidated financial statements.

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

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

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

HT II and HT III hold approximately \$100.0 million and \$261.8 million in assets, respectively, and they accounted for approximately 5.3% and 13.9% of the Company's total assets, respectively, prior to consolidation at December 31, 2016.

The Company also established wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to hold portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities). By investing through these wholly owned subsidiaries, the Company is able to benefit from the tax treatment of these entities and create a tax structure that is more advantageous with respect to the Company's RIC status. These taxable subsidiaries are consolidated for financial reporting purposes and in accordance with U.S. generally accepted accounting principles (GAAP), and the portfolio investments held by these taxable subsidiaries are included in the Company's consolidated financial statements and recorded at fair value. These taxable subsidiaries are not consolidated with Hercules for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments.

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. In accordance with Articles 6 and 10 of Regulation S-X, the Company does not consolidate portfolio company investments. It is not appropriate for an investment company to consolidate a portfolio company that is not an investment company or that provides services to the Company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC Topic 946.

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

**2. Summary of Significant Accounting Policies*****Principles of Consolidation***

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

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

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

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

As of the date of this report, the only VIE consolidated by the Company is its securitization VIE formed in conjunction with the issuance of the 2021 Asset-Backed Notes (as defined herein). See Note 4 Borrowings.

***Change in Accounting Principle***

As of January 1, 2016, the Company adopted FASB Accounting Standards Update (ASU) 2015-03 Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which collectively require debt issuance costs to be presented on the balance sheet as a direct deduction from the associated debt liability, except for debt issuance costs associated with line-of-credit arrangements. Adoption of these standards results in the reclassification of debt issuance costs from Other Assets and the presentation of the Company's SBA debentures, 2019 Notes, 2024 Notes, and 2021 Asset-Backed Notes net of the associated debt issuance costs for each instrument in the liabilities section on the Consolidated Statement of Assets and Liabilities. In addition, the comparative Consolidated Statement of Assets and Liabilities as of December 31, 2015 has been adjusted to apply the change in accounting principle retrospectively. Specifically, the presentation of the Company's Other

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Assets, SBA debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and 2016 Convertible Notes line items were adjusted by the amount of unamortized debt issuance costs for each instrument. There is no impact to the Company's Consolidated Statement of Operations. In addition, there is no change to the presentation of the Wells Facility or Union Bank Facility as debt issuance costs are presented separately as an asset on the Consolidated Statement of Assets and Liabilities.

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASU 2015-03 and ASU 2015-15 debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, were as follows as of December 31, 2016 and December 31, 2015.

(in thousands)	December 31, 2016	December 31, 2015
SBA Debentures	\$ 2,699	\$ 3,371
2019 Notes	1,546	2,185
2024 Notes	7,482	2,872
2021 Asset-Backed Notes	1,233	2,305
2016 Convertible Notes	44	44
Wells Facility <sup>(1)</sup>	501	669
Union Bank Facility <sup>(1)</sup>	768	229
<b>Total</b>	<b>\$ 14,229</b>	<b>\$ 11,675</b>

(1) As the Wells Facility and Union Bank Facility are line-of-credit arrangements, the debt issuance costs associated with these instruments are presented separately as an asset on the Consolidated Statement of Assets and Liabilities in accordance with ASU 2015-15. As the Union Bank Facility was replaced on May 5, 2016, amounts included above prior to May 5, 2016 relate to the Prior Union Bank Facility (as defined herein, see Note 4).

***Reclassification***

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

***Valuation of Investments***

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

At December 31, 2016, approximately 97.3% of the Company's total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820 (Fair Value Measurements). The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy by the Company's Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the



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Company's investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

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

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

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

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

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

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

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of December 31, 2016 and 2015. The Company transfers investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the year ended December 31, 2016, there were no transfers between Levels 1 or 2.

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

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

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

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

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

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- (1) Included in net realized gains or losses in the accompanying Consolidated Statement of Operations.
- (2) Included in net change in unrealized appreciation (depreciation) in the accompanying Consolidated Statement of Operations.
- (3) Transfers out of Level 3 during the year ended December 31, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an initial public offering, or IPO, and acquisition, respectively; the exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc. Transfers into Level 3 during the year ended December 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc.
- (4) Transfers out of Level 3 during the year ended December 31, 2015 relate to the IPOs of Box, Inc., ZP Opco, Inc. (p.k.a. Zosano Pharma, Inc.), Neos Therapeutics, Edge Therapeutics Inc., ViewRay, Inc., and Cerecor, Inc. in addition to the exercise of warrants in both Forescout, Inc. and Atrenta, Inc. to preferred stock. Transfers into Level 3 during the year ended December 31, 2015 relate to the acquisition of preferred stock as a result of the exercise of warrants in both Forescout, Inc. and Atrenta, Inc. and the conversion of debt to equity in Home Dialysis Plus and Gynesonics.
- (5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.
- (6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

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

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

The following tables provide quantitative information about the Company's Level 3 fair value measurements as of December 31, 2016 and December 31, 2015. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

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

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

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

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

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

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

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

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

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

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Investment Type - Level Three Debt Investments	Fair Value at December 31, 2015 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input <sup>(a)</sup>	Range	Weighted Average <sup>(b)</sup>
Pharmaceuticals	\$ 72,981	Originated Within 6 Months Market Comparable Companies	Origination Yield	10.35% - 16.16%	12.29%
	406,590		Hypothetical Market Yield	9.55% - 16.75%	12.67%
			Premium/(Discount)	(0.75%) - 0.00%	
Technology	6,873	Originated Within 6 Months Market Comparable Companies	Origination Yield	15.19%	15.19%
	283,045		Hypothetical Market Yield	6.57% - 23.26%	13.22%
	36,815	Liquidation <sup>(c)</sup>	Premium/(Discount) Probability weighting of alternative outcomes	(0.25%) - 0.50% 10.00% - 100.00%	
Sustainable and Renewable Technology	11,045	Originated Within 6 Months Market Comparable Companies	Origination Yield	19.74%	19.74%
	105,382		Hypothetical Market Yield	10.62% - 27.31%	15.91%
	1,013	Liquidation <sup>(c)</sup>	Premium/(Discount) Probability weighting of alternative outcomes	0.00% 100.00%	
Medical Devices	80,530	Market Comparable Companies	Hypothetical Market Yield	11.65% - 19.90%	15.26%
	3,764		Liquidation <sup>(c)</sup>	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 0.50% 50.00%
	Lower Middle Market	17,811	Originated Within 6 Months	Origination Yield	12.70% - 14.50%
15,151		Liquidation <sup>(c)</sup>	Probability weighting of alternative outcomes	25.00% - 75.00%	
<b>Debt Investments Where Fair Value Approximates Cost</b>					
	12,434	Imminent Payoffs <sup>(d)</sup>			
	48,962	Debt Investments Maturing in Less than One Year			
	\$ 1,102,396	<b>Total Level Three Debt Investments</b>			

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

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

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

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

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

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

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

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

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

Investment Type - Level Three Equity and Warrant Investments	Fair Value at December 31, 2015		Valuation Techniques/ Methodologies	Unobservable Input <sup>(a)</sup>	Range	Weighted Average <sup>(e)</sup>
	(in thousands)					
Equity Investments	\$ 5,898		Market Comparable Companies	EBITDA Multiple <sup>(b)</sup>	3.3x - 19.5x	7.6x
				Revenue Multiple <sup>(b)</sup>	0.7x - 3.7x	2.1x
				Discount for Lack of Marketability <sup>(c)</sup>	14.31% - 25.11%	18.05%
				Average Industry Volatility <sup>(d)</sup>	37.72% - 109.64%	60.27%
				Risk-Free Interest Rate	0.61% - 1.09%	0.74%
	Estimated Time to Exit (in months)	10 - 26	15			
	30,874		Market Adjusted OPM Backsolve	Average Industry Volatility <sup>(d)</sup>	28.52% - 86.41%	65.40%

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			Risk-Free Interest Rate	0.36% - 1.51%	0.80%
			Estimated Time to Exit (in months)	10 - 47	17
Warrant Investments	7,904	Market Comparable Companies	EBITDA Multiple <sup>(b)</sup>	5.1x - 57.9x	16.0x
			Revenue Multiple <sup>(b)</sup>	0.4x - 9.6x	3.0x
			Discount for Lack of Marketability <sup>(c)</sup>	10.09% - 31.37%	23.11%
			Average Industry Volatility <sup>(d)</sup>	39.51% - 73.36%	41.19%
			Risk-Free Interest Rate	0.32% - 1.51%	0.87%
			Estimated Time to Exit (in months)	4 - 47	23
	10,661	Market Adjusted OPM Backsolve	Average Industry Volatility <sup>(d)</sup>	28.52% - 109.64%	64.31%
			Risk-Free Interest Rate	0.36% - 1.45%	0.85%
			Estimated Time to Exit (in months)	10 - 44	20
<b>Total Level Three Warrant</b>					
<b>and Equity Investments</b>	\$	55,337			

(a) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes OPM include industry volatility, risk

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free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation may result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

- (b) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.
- (c) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.
- (d) Represents the range of industry volatility used by market participants when pricing the investment.
- (e) Weighted averages are calculated based on the fair market value of each investment.

**Debt Investments**

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

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

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

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

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

The Company records unrealized depreciation on investments when it believes that an investment has decreased in value, including where collection of a debt investment is doubtful or, if under the in-exchange premise, when the value of a debt security is less than amortized cost of the investment. Conversely, where

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appropriate, the Company records unrealized appreciation if it believes that the underlying portfolio company has appreciated in value and, therefore, that its investment has also appreciated in value or, if under the in-exchange premise, the value of a debt security is greater than amortized cost.

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

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

**Equity-Related Securities and Warrants**

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

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

**Escrow Receivables**

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of December 31, 2016 there were no material past due escrow receivables.

***Portfolio Composition***

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

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The following table summarizes the Company's realized and unrealized gain and loss and changes in the Company's unrealized appreciation and depreciation on control and affiliate investments for the years ended December 31, 2016, 2015, and 2014. The Company did not hold any control investments at December 31, 2015 or 2014.

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2016	Investment Income	Year Ended December 31, 2016		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation) <sup>(1)</sup>	Realized Gain/(Loss)
<b>Control Investments</b>						
SkyCross, Inc.	Control	\$	\$	\$ (3,421)	\$	\$
Achilles Technology Management Co II, Inc.	Control	4,700	84	(604)		
<b>Total Control Investments</b>		\$ 4,700	\$ 84	\$ (4,025)	\$	\$
<b>Affiliate Investments</b>						
Optiscan BioMedical, Corp.	Affiliate	\$ 4,699	\$ 12	\$ (3,409)	\$	\$
Stion Corporation	Affiliate	333	148	539	648	
<b>Total Affiliate Investments</b>		\$ 5,032	\$ 160	\$ (2,870)	\$ 648	\$
<b>Total Control &amp; Affiliate Investments</b>		\$ 9,732	\$ 244	\$ (6,895)	\$ 648	\$

(in thousands)

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

(in thousands)

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

(1) Represents reversals of prior period collateral based impairments.

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In June 2016, the Company's investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In June 2016 the Company also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, the Company made a \$1.0 million and \$250,000 debt

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investment, respectively, in Achilles Technology Management II to provide working capital under the terms of a loan servicing agreement. The Company's investments in Achilles Technology Management Co II, Inc. are carried on the consolidated statement of assets and liabilities at fair value.

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

The following table shows the fair value of the Company's portfolio of investments by asset class as of December 31, 2016 and December 31, 2015:

(in thousands)	December 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 1,078,779	75.7%	\$ 961,464	80.1%
Senior Secured Debt	277,509	19.5%	171,732	14.3%
Preferred Stock	39,418	2.8%	35,245	2.9%
Common Stock	28,236	2.0%	32,197	2.7%
<b>Total</b>	<b>\$ 1,423,942</b>	<b>100.0%</b>	<b>\$ 1,200,638</b>	<b>100.0%</b>

A summary of the Company's investment portfolio, at value, by geographic location as of December 31, 2016 and December 31, 2015 is shown as follows:

(in thousands)	December 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,362,223	95.6%	\$ 1,167,281	97.2%
Netherlands	20,089	1.4%	20,112	1.7%
England	18,395	1.3%	8,884	0.8%
Switzerland	12,377	0.9%		0.0%
Canada	8,095	0.6%	595	0.0%
Israel	2,763	0.2%	3,764	0.3%
India		0.0%	2	0.0%
<b>Total</b>	<b>\$ 1,423,942</b>	<b>100.0%</b>	<b>\$ 1,200,638</b>	<b>100.0%</b>

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The following table shows the fair value of the Company's portfolio by industry sector at December 31, 2016 and December 31, 2015:

(in thousands)	December 31, 2016		December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 422,550	29.7%	\$ 284,266	23.7%
Software	219,559	15.4%	147,237	12.3%
Sustainable and Renewable Technology	154,406	10.9%	159,487	13.3%
Media/Content/Info	137,567	9.7%	95,488	7.9%
Drug Delivery	109,834	7.7%	164,665	13.7%
Medical Devices & Equipment	107,695	7.6%	90,560	7.5%
Internet Consumer & Business Services	97,047	6.8%	88,377	7.4%
Consumer & Business Products	42,713	3.0%	26,611	2.2%
Specialty Pharmaceuticals	38,944	2.7%	52,088	4.3%
Healthcare Services, Other	30,200	2.1%	15,131	1.3%
Communications & Networking	18,019	1.3%	33,213	2.8%
Surgical Devices	12,553	0.9%	11,185	0.9%
Semiconductors	11,326	0.8%	22,705	1.9%
Electronics & Computer Hardware	7,664	0.5%	6,928	0.6%
Biotechnology Tools	7,200	0.5%	719	0.1%
Information Services	6,091	0.4%	1,657	0.1%
Diagnostic	574	0.0%	321	0.0%
<b>Total</b>	<b>\$ 1,423,942</b>	<b>100.0%</b>	<b>\$ 1,200,638</b>	<b>100.0%</b>

No single portfolio investment represents more than 10% of the fair value of the Company's total investments as of December 31, 2016 and December 31, 2015.

***Portfolio Activity***

During the year ended December 31, 2016, the Company funded and or restructured investments in debt and equity securities totaling approximately \$660.5 million and \$20.2 million, respectively. During the year ended December 31, 2016, the Company converted approximately \$4.6 million of debt to equity in two portfolio companies. During the year ended December 31, 2016, the Company converted approximately \$512,000 of warrants to equity in two portfolio companies.

During the year ended December 31, 2015, the Company funded investments in debt securities and equity investments totaling approximately \$694.1 million and \$18.6 million, respectively. The Company converted approximately \$566,000 of debt to equity in two portfolio companies in the year ended December 31, 2015. During the year ended December 31, 2015, the Company converted approximately \$330,000 of warrants to equity in three portfolio companies.

During the year ended December 31, 2016, the Company recognized net realized gains of approximately \$4.6 million on the portfolio. These net realized gains included gross realized gains of approximately \$15.2 million primarily from the sale of investments in six portfolio companies, including Box, Inc. (\$9.3 million), Celator Pharmaceuticals, Inc. (\$1.5 million), TouchCommerce, Inc. (\$1.5 million), Ping Identity Corporation (\$1.3 million), ReachLocal (\$610,000) and Hillcrest Laboratories, Inc. (\$225,000). These gains were partially offset by gross realized losses of approximately \$10.6 million primarily from the liquidation or write off of the Company's warrant and equity investments in eight portfolio companies and the Company's debt investments in five portfolio companies, including the settlement of the Company's outstanding debt investment in The Neat Company (\$6.2 million).

During the year ended December 31, 2015, the Company recognized net realized gains of approximately \$5.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$12.6 million primarily from the sale of investments in seven portfolio companies, including Box, Inc. (\$3.2 million), Atrenta, Inc. (\$2.6 million), Cempra, Inc. (\$2.0 million), Celladon Corporation (\$1.4 million), Egalet





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Corporation (\$652,000), Everyday Health, Inc. (\$387,000) and Identiv, Inc. (\$304,000), and \$1.5 million from subsequent recoveries received on two previously written-off debt investments. These gains were partially offset by gross realized losses of approximately \$7.5 million primarily from the liquidation of the Company's investments in sixteen portfolio companies.

***Investment Collateral***

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At December 31, 2016, approximately 91.8% of the Company's debt investments were in a senior secured first lien position, with 42.0% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property; 46.7% secured by a first priority security in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property; and 3.1% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, with a second lien on the portfolio company's cash and accounts receivable. The remaining 8.2% of the Company's debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property. At December 31, 2016 the Company had no equipment only liens on material investments in the Company's portfolio companies.

***Cash and Cash Equivalents***

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

***Other Assets***

Other Assets generally consists of prepaid expenses, deferred financing costs net of accumulated amortization, fixed assets net of accumulated depreciation, deferred revenues and deposits and other assets, including escrow receivable. The escrow receivable balance as of December 31, 2016 and December 31, 2015 was approximately \$1.4 million and \$3.0 million, respectively, and was fair valued and held in accordance with ASC Topic 820.

***Income Recognition***

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

At December 31, 2016, the Company had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$43.9 million and \$6.2 million, respectively. At December 31, 2015, the Company had five debt investments on non-accrual at December 31, 2015 with a cumulative investment cost and fair value of approximately \$47.4 million and \$23.2 million, respectively. In addition, at December 31, 2015, the Company had one debt investment with an investment cost and fair value of

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approximately \$20.1 million and \$14.9 million, respectively, for which only the PIK interest was on non-accrual. The decrease in the cumulative cost and fair value of debt investments on non-accrual between December 31, 2016 and December 31, 2015 is the result of placing two new debt investments on non-accrual status, offset by the liquidation of three debt investments that were on non-accrual at December 31, 2015. For the year ended December 31, 2016, the Company recognized a realized loss of approximately \$6.2 million on the settlement of one debt investment that was on non-accrual at December 31, 2015. In addition, the Company recognized realized losses of \$419,000 and \$430,000 on the liquidation and partial write off, respectively, of two debt investments that were on non-accrual as of December 31, 2015.

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 the Company to portfolio companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$38.2 million of unamortized fees at December 31, 2016, of which approximately \$35.8 million was included as an offset to the cost basis of its current debt investments and approximately \$2.4 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2015 the Company had approximately \$26.1 million of unamortized fees, of which approximately \$23.6 million was included as an offset to the cost basis of its current debt investments and approximately \$2.5 million was deferred contingent upon the occurrence of a funding or milestone.

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

In addition, the Company may also be entitled to an exit fee that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At December 31, 2016, the Company had approximately \$32.8 million in exit fees receivable, of which approximately \$30.3 million was included as an offset to the cost basis of its current debt investments and approximately \$2.5 million was deferred related to expired commitments. At December 31, 2015 the Company had approximately \$22.7 million in exit fees receivable, of which approximately \$17.4 million was included as an offset to the cost basis of its current debt investments and approximately \$5.3 million was related to expired commitments.

The Company has debt investments in its portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$7.8 million and \$4.7 million in PIK income in the years ended December 31, 2016 and 2015, respectively.

To maintain the Company's status as a RIC, PIK and exit fee income must be paid out to stockholders in the form of dividend distributions even though the cash has not yet been collected. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the years ended December 31, 2016 and December 31, 2015.

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Other Income (loss) generally consists of income or losses generated from sources other than the Company's investment portfolio. For the year ended December 31, 2016 it consists of litigation settlement proceeds (refer to Note 10 Commitments and Contingencies). For the years ended December 31, 2015 and December 31, 2014 it consists of loss on extinguishment of debt (refer to Note 4 Borrowings). Other income (loss) is classified as a component of net investment income in the Company's Consolidated Statement of Operations.

***Equity Offering Expenses***

The Company's offering costs are charged against the proceeds from equity offerings when received.

***Stock Based Compensation***

The Company has issued and may, from time to time, issue additional stock options and restricted stock to employees under the Company's 2004 Equity Incentive Plan and members of the Board of Directors under the Company's 2006 Equity Incentive Plan. Management follows the guidelines set forth under ASC Topic 718, ( Compensation Stock Compensation ) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

***Income Taxes***

The Company intends to operate so as to qualify to be subject to tax as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed to stockholders. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company makes distributions treated as dividends for U.S. federal income tax purposes in a timely manner to its stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding calendar years. The Company will not be subject to this excise tax on any amount on which the Company incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's retained net capital gains).

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

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The Company intends to distribute 100% of its spillover earnings, which consists of ordinary income and capital gains, from the taxable year ended December 31, 2016 to the Company's shareholders during 2017. The Company distributed 100% of its spillover earnings from ordinary income from its taxable year ended December 31, 2015 to the Company's stockholders during 2016.

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

***Earnings Per Share ( EPS )***

Basic EPS is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and restricted stock for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable pursuant to stock options and to restricted stock for which future service is required as a condition to the delivery of the underlying common stock.

***Comprehensive Income***

The Company reports all changes in comprehensive income in the Consolidated Statement of Operations. The Company did not have other comprehensive income in 2016, 2015, or 2014. The Company's comprehensive income is equal to its net increase in net assets resulting from operations.

***Distributions***

Distributions to common stockholders are approved by the Board of Directors on a quarterly basis and the distribution payable is recorded on the ex-dividend date.

The Company maintains an "opt out" dividend reinvestment plan that provides for reinvestment of the Company's distribution on behalf of the Company's stockholders, unless a stockholder elects to receive cash. As a result, if the Company declares a distribution, cash distributions will be automatically reinvested in additional shares of its common stock unless the stockholder specifically "opts out" of the dividend reinvestment plan and chooses to receive cash distributions. During 2016, 2015, and 2014, the Company issued approximately 144,308, 199,894, and 96,976 shares, respectively, of common stock to shareholders in connection with the dividend reinvestment plan.

***Segments***

The Company lends to and invests in portfolio companies in various technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment.

***Recent Accounting Pronouncements***

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which, among other things, requires

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that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. Early adoption is permitted for certain provisions. The Company does not believe that ASU 2016-01 will have a material impact on its consolidated financial statements and disclosures.

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

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. Early adoption is permitted. The Company does not believe that ASU 2016-09 will have a material impact on its consolidated financial statements and disclosures.

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

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

**3. Fair Value of Financial Instruments**

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables including escrow receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The April 2019 Notes, the September 2019 Notes (together with the April 2019 Notes, the 2019 Notes ), which the Company has publicly announced its intention to redeem on February 24, 2017, the 2024 Notes, the 2021 Asset-Backed Notes, and the SBA debentures, provide a strategic advantage as sources of liquidity due to their flexible structure, long-term duration, and low fixed interest rates. At December 31, 2016, the April 2019 Notes were trading on the New York Stock Exchange, or NYSE for \$25.55 per share at par value, the September 2019

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Notes were trading on the NYSE for \$25.57 per share at par value and the 2024 Notes were trading on the NYSE for \$25.40 per share at par value. The par value at underwriting for each of these notes was \$25.00 per share. Based on market quotations on or around December 31, 2016, the 2021 Asset-Backed Notes were quoted for 1.002 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately \$202.4 million, compared to the principal outstanding amount of \$190.2 million as of December 31, 2016. The fair value of the outstanding borrowings under the Wells Facility at December 31, 2016 is equal to its transaction price as the Company renegotiated the terms of the agreement with Wells Fargo Capital Finance, LLC in December 2015 and added two additional lenders to the facility at the same terms during 2016.

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

The liabilities of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's liabilities at December 31, 2016 and December 31, 2015:

(in thousands)

Description <sup>(1)</sup>	December 31, 2016	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Wells Facility	5,016			5,016
2021 Asset-Backed Notes	109,376		109,376	
April 2019 Notes	65,909		65,909	
September 2019 Notes	46,920		46,920	
2024 Notes	256,919		256,919	
SBA Debentures	202,364			202,364
<b>Total</b>	<b>\$ 686,504</b>	<b>\$</b>	<b>\$ 479,124</b>	<b>\$ 207,380</b>

(in thousands)

Description	December 31, 2015	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2016 Convertible Notes <sup>(1)</sup>	\$ 19,540	\$	\$ 19,540	\$
Wells Facility	50,000			50,000
2021 Asset-Backed Notes	128,775		128,775	
April 2019 Notes	65,573		65,573	
September 2019 Notes	46,297		46,297	
2024 Notes	104,401		104,401	
SBA Debentures	194,121			194,121
<b>Total</b>	<b>\$ 608,707</b>	<b>\$</b>	<b>\$ 364,586</b>	<b>\$ 244,121</b>

(1) The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016.

**4. Borrowings*****Outstanding Borrowings***

At December 31, 2016 and December 31, 2015, the Company had the following available and outstanding borrowings:

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(in thousands)	December 31, 2016			December 31, 2015		
	Total Available	Principal	Carrying Value <sup>(1)</sup>	Total Available	Principal	Carrying Value <sup>(1)</sup>
SBA Debentures <sup>(2)</sup>	\$ 190,200	\$ 190,200	\$ 187,501	\$ 190,200	\$ 190,200	\$ 186,829
2019 Notes	110,364	110,364	108,818	110,364	110,364	108,179
2024 Notes	252,873	252,873	245,490	103,000	103,000	100,128
2021 Asset-Backed Notes	109,205	109,205	107,972	129,300	129,300	126,995
2016 Convertible Notes <sup>(3)</sup>				17,604	17,604	17,478
Wells Facility <sup>(4)</sup>	120,000	5,016	5,016	75,000	50,000	50,000
Union Bank Facility <sup>(4)</sup>	75,000			75,000		
<b>Total</b>	<b>\$ 857,642</b>	<b>\$ 667,658</b>	<b>\$ 654,797</b>	<b>\$ 700,468</b>	<b>\$ 600,468</b>	<b>\$ 589,609</b>

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- (1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted premium or discount, if any, associated with the loan as of the balance sheet date. See Note 2 Summary of Significant Accounting Policies for the amount of debt issuance cost associated with each borrowing.
- (2) At both December 31, 2016 and December 31, 2015, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016.
- (4) Availability subject to the Company meeting the borrowing base requirements. As the Union Bank Facility was replaced on May 5, 2016, amounts included above prior to May 5, 2016 relate to the Prior Union Bank Facility (as defined herein).

***Long-Term SBA Debentures***

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of December 31, 2016, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of December 31, 2016. As of December 31, 2016, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2016, the Company held investments in HT II in 36 companies with a fair value of approximately \$84.3 million, accounting for approximately 5.9% of the Company's total investment portfolio. HT II held approximately \$100.0 million in assets and accounted for approximately 5.3% of the Company's total assets prior to consolidation at December 31, 2016.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of December 31, 2016, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of December 31, 2016. As of December 31, 2016, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of December 31, 2016, the Company held investments in HT III in 51 companies with a fair value of approximately \$261.2 million, accounting for approximately 18.3% of the Company's total portfolio. HT III held approximately \$261.8 million in assets and accounted for approximately 13.9% of the Company's total assets prior to consolidation at December 31, 2016.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do

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not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of December 31, 2016 as a result of having sufficient capital as defined under the SBA regulations.

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

The average amount of debentures outstanding for the year ended December 31, 2016 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.52%. The average amount of debentures outstanding for the year ended December 31, 2016 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.43%.

For the years ended December 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 6,988	\$ 6,969
Amortization of debt issuance cost (loan fees)	671	667
<b>Total interest expense and fees</b>	<b>\$ 7,659</b>	<b>\$ 7,636</b>

Cash paid for interest expense and fees	\$ 6,961	\$ 6,942
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As of December 31, 2016, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$350.0 million, subject to periodic adjustments by the SBA. In aggregate, at December 31, 2016, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At December 31, 2016, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

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

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

(1) Interest rate includes annual charge

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On March 6, 2012, the Company and U.S. Bank National Association (the 2019 Trustee ) entered into an indenture (the Base Indenture ). On April 17, 2012, the Company and the 2019 Trustee entered into the First Supplemental Indenture to the Base Indenture (the First Supplemental Indenture ), dated April 17, 2012, relating to the Company's issuance, offer and sale of \$43.0 million aggregate principal amount of 7.00% notes due 2019 (the April 2019 Notes ).

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

On September 24, 2012, the Company and the 2019 Trustee, entered into the Second Supplemental Indenture to the Base Indenture (the Second Supplemental Indenture ), dated as of September 24, 2012, relating to the Company's issuance, offer and sale of \$75.0 million aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes ).

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

In April 2015, the Company redeemed \$20.0 million of the \$84.5 million issued and outstanding aggregate principal amount of April 2019 Notes, as previously approved by the Board of Directors. In December 2015, the Company redeemed \$40.0 million of the \$85.9 million issued and outstanding aggregate principal amount of September 2019 Notes, as previously approved by the Board of Directors. The Company has publicly announced its intention to redeem the remaining outstanding 2019 Notes on February 24, 2017. See Note 14 Subsequent Events .

As of December 31, 2016 and December 31, 2015, the 2019 Notes payable is comprised of:

(in thousands)	December 31, 2016	December 31, 2015
April 2019 Notes	\$ 64,490	\$ 64,490
September 2019 Notes	45,874	45,874
<b>Total 2019 Notes principal outstanding</b>	<b>\$ 110,364</b>	<b>\$ 110,364</b>

**April 2019 Notes**

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

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

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securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

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

*September 2019 Notes*

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

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

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

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For the years ended December 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 7,725	\$ 10,899
Amortization of debt issuance cost (loan fees)	639	2,167
<b>Total interest expense and fees</b>	<b>\$ 8,364</b>	<b>\$ 13,066</b>

Cash paid for interest expense and fees	\$ 7,726	\$ 11,132
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As of December 31, 2016, the Company was in compliance with the terms of the Base Indenture, and respective supplemental indentures thereto, governing the April 2019 Notes and September 2019 Notes.

***2024 Notes***

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee ), entered into the Third Supplemental Indenture (the Third Supplemental Indenture ) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 6.25% unsecured notes due 2024 (the 2024 Notes ). On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes.

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

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

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

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

Subsequent to October 11, 2016 and as of December 31, 2016, the Company sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of December 31, 2016 approximately \$142.1 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement. See Note 14 Subsequent Events .

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

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

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

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends and other distributions as well as the purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of December 31, 2016, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

As of December 31, 2016 and December 31, 2015, the components of the carrying value of the 2024 Notes were as follows:

(in thousands)	December 31, 2016	December 31, 2015
Principal amount of debt	\$ 252,873	\$ 103,000
Unamortized debt issuance cost	(7,482)	(2,872)
Original issue premium, net of accretion	99	
<b>Carrying value of 2024 Notes</b>	<b>\$ 245,490</b>	<b>\$ 100,128</b>

For the years ended December 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 11,775	\$ 6,437
Amortization of debt issuance cost (loan fees)	686	333
Accretion of original issue premium	3	
<b>Total interest expense and fees</b>	<b>\$ 12,464</b>	<b>\$ 6,770</b>
Cash paid for interest expense and fees	\$ 10,873	\$ 6,437





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On November 13, 2014, the Company completed a \$237.4 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the 2021 Asset-Backed Notes ), which were rated A(sf) by Kroll Bond Rating Agency, Inc. The 2021 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1, LLC as trust depositor (the 2014 Trust Depositor ), Hercules Capital Funding Trust 2014-1 as issuer (the 2014 Securitization Issuer ), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes is paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended, (the Securities Act ) (A) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers as defined in Sec. 2(a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

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

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

At December 31, 2016 and December 31, 2015, the 2021 Asset-Backed Notes had an outstanding principal balance of \$109.2 million and \$129.3 million, respectively.

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For the years ended December 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 4,366	\$ 4,557
Amortization of debt issuance cost (loan fees)	1,071	902
<b>Total interest expense and fees</b>	<b>\$ 5,437</b>	<b>\$ 5,459</b>

Cash paid for interest expense and fees	\$ 4,396	\$ 4,557
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Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$8.3 million and \$9.2 million of restricted cash as of December 31, 2016 and December 31, 2015, respectively, funded through interest collections.

***2016 Convertible Notes***

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

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

The Company recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and original issue discount. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the 2016 Convertible Notes and the fair value of the debt instrument. The net loss on extinguishment of debt the Company recorded for the year ended December 31, 2015 was \$1,000. The Company did not record a loss on extinguishment of debt for the year ended December 31, 2016. The loss on extinguishment of debt was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

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

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As of December 31, 2015, the components of the carrying value of the 2016 Convertible Notes were as follows:

(in thousands)	December 31, 2015
Principal amount of debt	\$ 17,604
Unamortized debt issuance cost	(44)
Original issue discount, net of accretion	(82)
<b>Carrying value of 2016 Convertible Notes</b>	<b>\$ 17,478</b>

For the years ended December 31, 2016 and 2015, the components of interest expense, fees and cash paid for interest expense for the 2016 Convertible Notes were as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 352	\$ 1,007
Accretion of original issue discount	82	246
Amortization of debt issuance cost (loan fees)	44	131
<b>Total interest expense and fees</b>	<b>\$ 478</b>	<b>\$ 1,384</b>
Cash paid for interest expense and fees	\$ 440	\$ 1,057

The estimated effective interest rate of the debt component of the 2016 Convertible Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the years ended December 31, 2016 and December 31, 2015.

***Credit Facilities***

As of December 31, 2016 and December 31, 2015, the Company has two available secured credit facilities, the Wells Facility and the Union Bank Facility.

***Wells Facility***

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million. Alostark Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the years ended December 31, 2016 and 2015, this non-use fee was approximately \$483,000 and \$294,000, respectively.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II.

Among other things, these covenants also

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require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of December 31, 2016, the minimum tangible net worth covenant has increased to \$675.9 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million and the 7.3 million shares of common stock issued under the At-The-Market ( ATM ) equity distribution agreement (the Equity Distribution Agreement ) with JMP Securities ( JMP ) for gross proceeds of \$95.0 million during the year ended December 31, 2016. The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

The Company had aggregate draws of \$195.9 million on the available facility during the year ended December 31, 2016 offset by repayments of \$240.9 million. There was \$5.0 million and \$50.0 million of borrowings outstanding on this facility at December 31, 2016 and 2015, respectively.

For the years ended December 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 539	\$ 578
Amortization of debt issuance cost (loan fees)	492	361
<b>Total interest expense and fees</b>	<b>\$ 1,031</b>	<b>\$ 939</b>
Cash paid for interest expense and fees	\$ 577	\$ 402

*Union Bank Facility*

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

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

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to

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increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. Although the Company did not incur any non-use fees under the Union Bank Facility prior to May 5, 2016, for the years ended December 31, 2016 and 2015, the Company incurred non-use fees under the existing and previous Union Bank Facility of \$356,000 and \$380,000, respectively.

The Union Bank Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding III, including covenants relating to certain changes of control of the Company and Hercules Funding III. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of December 31, 2016, the minimum tangible net worth covenant increased to \$723.6 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million and the 7.3 million shares of common stock issued under the Equity Distribution Agreement with JMP for net proceeds of \$92.8 million during the year ended December 31, 2016. The Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

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

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

The Company had aggregate draws of \$90.0 million on the available facility during the year ended December 31, 2016 offset by repayments of \$90.0 million. At December 31, 2016 there were no borrowings outstanding on the Union Bank Facility.

For the years ended December 31, 2016 and 2015, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Interest expense	\$ 189	\$
Amortization of debt issuance cost (loan fees)	356	61
<b>Total interest expense and fees</b>	<b>\$ 545</b>	<b>\$ 61</b>
Cash paid for interest expense and fees	\$ 38	\$

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**Table of Contents****Index to Financial Statements*****Citibank Credit Facility***

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

During the year ended December 31, 2016, the Company reduced its realized gain by approximately \$146,000 for Citigroup's participation from the acquisition proceeds received on equity exercised from warrants that were included in the collateral pool. The Company also recorded a decrease in participation liability and an increase in unrealized appreciation by a net amount of approximately \$16,000 primarily due to depreciation of fair value on the pool of warrants collateralized under the warrant participation and the acquisition proceeds received on the Company's Ping Identity Corporation equity investment. The remaining value of Citigroup's participation right on unrealized gains in the related equity investments is approximately \$127,000 as of December 31, 2016 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately \$2.4 million under the warrant participation agreement thereby reducing realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. The remaining warrants subject to the Citigroup participation agreement are set to expire in January 2017.

**5. Income Taxes**

The Company intends to operate so as to qualify to be subject to tax as a RIC under Subchapter M of the Code and, as such, will not be subject to U.S. federal income tax on the portion of taxable income and gains distributed to stockholders. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

To qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing dividends of an amount generally at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for distributions paid, to its stockholders. The amount to be paid out as a distribution is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company's earnings fall below the amount of dividend distributions declared, however, a portion of the total amount of the Company's distributions for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax

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character. Permanent differences may also result from the change in the classification of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

During the year ended December 31, 2016 and 2015, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to accelerated revenue recognition for income tax purposes, respectively, as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Undistributed net investment income (distributions in excess of investment income)	\$ 1,644	\$ (994)
Accumulated realized gains	\$ 5,034	\$ 8,767
Additional paid-in capital	\$ (7,020)	\$ (7,773)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long-term capital gains or a combination thereof. The tax character of distributions paid for the year ended December 31, 2016 was ordinary income in the amount of \$91.1 million. The tax character of distributions paid for the year ended December 31, 2015 was ordinary income in the amount of \$70.6 million and long term capital gains in the amount of \$15.3 million.

The aggregate gross unrealized appreciation of the Company's investments over cost for U.S. federal income tax purposes was \$24.7 million and \$29.3 million as of December 31, 2016 and 2015, respectively. The aggregate gross unrealized depreciation of the Company's investments under cost for U.S. federal income tax purposes was \$114.5 million and \$81.4 million as of December 31, 2016 and 2015, respectively. The net unrealized depreciation over cost for U.S. federal income tax purposes was \$89.8 million and \$52.1 million as of December 31, 2016 and 2015, respectively. The aggregate cost of securities for U.S. federal income tax purposes was \$1.5 billion and \$1.3 billion as of December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Statements of Assets and Liabilities by temporary book/tax differences primarily arising from the treatment of loan related yield enhancements.

(in thousands)	Year Ended December 31,	
	2016	2015
Accumulated Capital Gains	\$ 14,893	\$ 7,962
Other Temporary Differences	1,306	4,117
Undistributed Ordinary Income	19,283	236
Unrealized Depreciation	(87,275)	(47,498)
<b>Components of Distributable Earnings</b>	<b>\$ (51,793)</b>	<b>\$ (35,183)</b>

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company makes distributions treated as dividends for U.S. federal income tax purposes in a timely manner to its stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding calendar years. The Company will not be subject to this excise tax on any amount on which the Company incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's retained net capital gains).

The Company has taxable subsidiaries which are designed to hold certain portfolio investments in an effort to limit potential legal liability and/or comply with source-income type requirements contained in the RIC tax provisions of the Code. These taxable subsidiaries are consolidated for U.S. GAAP financial reporting purposes and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated





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financial statements, and recorded at fair value. These taxable subsidiaries are not consolidated with the Company for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments. Any income generated by these taxable subsidiaries would be taxed at normal corporate tax rates based on its taxable income.

For the year ended December 31, 2016, the Company paid approximately \$184,000 of income tax and had approximately \$652,000 of accrued but unpaid income tax as of December 31, 2016. For the year ended December 31, 2015, the Company paid approximately \$751,000 of income tax and did not have an accrued but unpaid amount as of the balance sheet date.

The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes.

Based on an analysis of the Company's tax position, there are no uncertain tax positions that met the recognition or measurement criteria. The Company is currently not undergoing any tax examinations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The 2013- 2015 federal tax years for the Company remain subject to examination by the Internal Revenue Service. The 2012-2015 state tax years for the Company remain subject to examination by the state taxing authorities.

**6. Shareholders' Equity**

On August 16, 2013, the Company entered into the Equity Distribution Agreement with JMP and on March 7, 2016, the Company renewed the Equity Distribution Agreement. The Equity Distribution Agreement provides that the Company may offer and sell up to 8.0 million shares of its common stock from time to time through JMP, as the sales agent. On December 21, 2016 the Equity Distribution Agreement was further amended to increase the numbers of shares by 4.0 million to a total of up to 12.0 million shares available. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the year ended December 31, 2016 the Company sold 7.3 million shares of common stock for total accumulated net proceeds of approximately \$92.8 million, including \$2.2 million of offering expenses. The Company did not sell any shares under the program during the year ended December 31, 2015. The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of December 31, 2016 approximately 4.1 million shares remain available for issuance and sale under the equity distribution agreement. See Note 14 Subsequent Events .

On February 24, 2015, the Company's Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock. This plan expired on August 24, 2015. On August 27, 2015, the Company's Board of Directors authorized a replacement stock repurchase plan permitting the Company to repurchase up to \$50.0 million of its common stock and on February 17, 2016, the Company's Board of Directors extended the program until August 23, 2016, after which the plan expired. During the month of January 2016, the Company repurchased 449,588 shares of its common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million. The Company did not make any repurchases in subsequent months during 2016. During the year ended December 31, 2015, the Company repurchased 437,006 shares of its common stock at an average price per share of \$10.61 per share and a total cost of approximately \$4.6 million.

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On March 27, 2015, the Company raised approximately \$100.1 million, after deducting offering expenses of \$323,000, in a public offering of 7,590,000 shares of its common stock.

At the 2015 Annual Meeting of Stockholders on July 7, 2015, the Company's common stockholders approved a proposal to allow the Company to issue common stock at a discount from its then current net asset value ( NAV ) per share, which was effective until the 2016 annual meeting of stockholders on July 7, 2016. Such authorization was not sought at the 2016 annual meeting of stockholders. During the year ended December 31, 2016, the Company has not issued common stock at a discount to NAV.

The Company has issued stock options for common stock subject to future issuance, of which 668,171 and 622,171 were outstanding at December 31, 2016 and December 31, 2015, respectively.

**7. Equity Incentive Plan**

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan ) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 12.0 million shares of common stock.

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

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

On December 29, 2016, the Company's Board of Directors approved a further amendment and restatement of the 2004 Plan. The amended plan provides, in addition to the preexisting types of awards available for grant thereunder and among other things, (1) for the grant of restricted stock units; (2) for the deferral of the receipt of the shares of the Company's common stock underlying vested restricted stock units; (3) that grantees may receive up to 10% of the value of the tentative restricted stock unit grants proposed for any grantee in the form of an option to acquire shares of the Company's common stock; (4) that awards of restricted stock units may include performance vesting conditions; (5) that awards may require that all or a portion of the shares of the Company's common stock delivered in respect of any vested restricted stock unit award be subject to a specified post-delivery holding period; and (6) that restricted stock unit awards may accrue dividend equivalents in respect of the Company's common stock underlying any restricted stock unit award payable in the form of cash or additional shares of the Company's common stock to the extent, and in respect of, any vested restricted stock units. As of December 31, 2016, the Company has not issued any restricted stock units based on the December 2016 amended terms.

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A summary of the restricted stock activity under the Company's 2006 and 2004 Plans for each of the three periods ended December 31, 2016, 2015, and 2014 is as follows:

	<b>2006 Plan</b>	<b>2004 Plan</b>
<b>Outstanding at December 31, 2013</b>	36,668	2,395,778
Granted	8,333	981,550
Cancelled		(152,277)
<b>Outstanding at December 31, 2014</b>	45,001	3,225,051
Granted	19,999	656,341
Cancelled		(312,564)
<b>Outstanding at December 31, 2015</b>	65,000	3,568,828
Granted	61,666	493,881
Cancelled	(3,333)	(33,610)
<b>Outstanding at December 31, 2016</b>	123,333	4,029,099

In 2016, 2015, and 2014, the Company granted approximately 555,547, 676,340 and 989,883 shares, respectively, of restricted stock pursuant to the Plans. All restricted stock grants under the 2004 Plan made prior to March 4, 2013 will continue to vest on a monthly basis following their one year anniversary over the succeeding 36 months. During 2012, the Compensation Committee adopted a policy that provided for awards with different vesting schedules for short and long-term awards. Under the 2004 Plan, restricted stock awarded subsequent to March 3, 2013 will vest subject to continued employment based on two vesting schedules: short-term awards vest one-half on the one year anniversary of the date of the grant and quarterly over the succeeding 12 months, and long-term awards vest one-fourth on the one year anniversary of the date of grant and quarterly over the succeeding 36 months. No restricted stock was granted pursuant to the 2004 Plan prior to 2009. See Note 14 Subsequent Events.

The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the years ended December 31, 2016, 2015, and 2014 was approximately \$6.7 million, \$9.2 million and \$13.7 million, respectively based on the grant date close price and vesting period of each grant. During the years ended December 31, 2016, 2015, and 2014 the Company expensed approximately \$7.0 million, \$9.2 million and \$9.2 million of compensation expense related to restricted stock, respectively. As of December 31, 2016, there was approximately \$7.7 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average period of 1.66 years.

The following table summarizes the activities for the Company's unvested restricted stock for the years ended December 31, 2016, 2015, and 2014:

	<b>Restricted Stock Awards</b>	<b>Unvested Restricted Stock Awards Weighted Average Grant Date Fair Value</b>
<b>Unvested at December 31, 2013</b>	1,035,897	\$ 11.94
Granted	989,883	\$ 13.82
Vested	(570,723)	\$ 12.00
Forfeited	(152,277)	\$ 12.82
<b>Unvested at December 31, 2014</b>	1,302,780	\$ 13.23
Granted	676,340	\$ 13.67

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Vested	(816,484)	\$ 13.26
Forfeited	(312,564)	\$ 13.16
<b>Unvested at December 31, 2015</b>	<b>850,072</b>	<b>\$ 13.59</b>
Granted	555,547	\$ 12.02
Vested	(569,118)	\$ 13.58
Forfeited	(36,943)	\$ 12.70
<b>Unvested at December 31, 2016</b>	<b>799,558</b>	<b>\$ 12.54</b>

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The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company's common stock to pay for the exercise price and applicable taxes with respect to an option exercise ( net issuance exercise ). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of the Company's stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make a cash payment at the time of option exercise or to pay taxes on restricted stock.

The following table summarizes the common stock options activities under the Company's 2006 and 2004 Plans for each of the three periods ended December 31, 2016, 2015, and 2014:

	Common Stock Options	Weighted Average Exercise Price
<b>Shares Outstanding at December 31, 2013</b>	833,923	\$ 12.53
Granted	426,000	\$ 15.54
Exercised	(353,547)	\$ 10.76
Forfeited	(208,344)	\$ 14.80
Expired	(2,360)	\$ 13.78
<b>Shares Outstanding at December 31, 2014</b>	695,672	\$ 14.58
Granted	163,500	\$ 12.68
Exercised	(36,331)	\$ 10.81
Forfeited	(190,006)	\$ 14.83
Expired	(10,664)	\$ 13.21
<b>Shares Outstanding at December 31, 2015</b>	622,171	\$ 14.25
Granted	230,000	\$ 12.16
Exercised	(36,500)	\$ 11.05
Forfeited	(82,895)	\$ 13.41
Expired	(64,605)	\$ 15.05
<b>Shares Outstanding at December 31, 2016</b>	668,171	\$ 13.73
Shares Expected to Vest at December 31, 2016	281,421	\$ 13.73

The following table summarizes stock options outstanding and exercisable at December 31, 2016:

(Dollars in thousands,

except exercise price)

Range of exercise prices	Options outstanding			Weighted Average Exercise Price	Number of shares	Options exercisable		
	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value			Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$9.25 - \$14.02	332,587	6.27	\$ 703,067	\$ 12.00	103,201	4.89	\$ 275,444	\$ 11.44
\$14.60 - \$16.34	335,584	4.64		\$ 15.45	283,549	4.51		\$ 15.45
<b>\$9.25 - \$16.34</b>	<b>668,171</b>	<b>5.45</b>	<b>\$ 703,067</b>	<b>\$ 13.73</b>	<b>386,750</b>	<b>4.61</b>	<b>\$ 275,444</b>	<b>\$ 14.38</b>

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant. At December 31, 2016, options for approximately 386,750 shares were exercisable at a weighted

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average exercise price of approximately \$14.38 per share with weighted average of remaining contractual term of 4.61 years.

The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the years ended December 31, 2016, 2015, and 2014 was approximately \$837,000, \$57,000 and \$211,000, respectively. During the years ended December 31, 2016, 2015, and 2014, approximately \$169,000, \$265,000 and \$395,000 of share-based cost due to stock option grants was expensed, respectively. As of December 31, 2016, there was \$117,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.04 years.

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The Company follows ASC Topic 718 ( Compensation Stock Compensation ) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for each of the three periods ended December 31, 2016, 2015, and 2014 is as follows:

	Year Ended December 31,		
	2016	2015	2014
Expected Volatility	23.73%	18.94%	19.90%
Expected Dividends	10%	10%	10%
Expected term (in years)	4.5	4.5	4.5
Risk-free rate	0.87% - 1.98%	1.08% - 1.70%	1.21% - 1.66%

**8. Earnings Per Share**

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

(in thousands, except per share data)	Year Ended December 31,		
	2016	2015	2014
<b>Numerator</b>			
Net increase in net assets resulting from operations	\$ 68,703	\$ 42,916	\$ 71,188
Less: Distributions declared-common and restricted shares	(92,333)	(87,438)	(78,562)
Undistributed earnings	(23,630)	(44,522)	(7,374)
Undistributed earnings-common shares	(23,630)	(44,522)	(7,374)
Add: Distributions declared-common shares	91,065	85,959	76,953
<b>Numerator for basic and diluted change in net assets per common share</b>	<b>\$ 67,435</b>	<b>\$ 41,437</b>	<b>\$ 69,579</b>
<b>Denominator</b>			
<b>Basic weighted average common shares outstanding</b>	<b>73,753</b>	<b>69,479</b>	<b>61,862</b>
Common shares issuable	22	184	1,363
<b>Weighted average common shares outstanding assuming dilution</b>	<b>73,775</b>	<b>69,663</b>	<b>63,225</b>
<b>Change in net assets per common share</b>			
Basic	\$ 0.91	\$ 0.60	\$ 1.12
Diluted	\$ 0.91	\$ 0.59	\$ 1.10

In the table above, unvested share-based payment awards that have non-forfeitable rights to distributions or distribution equivalents are treated as participating securities for calculating earnings per share.

Unvested common stock options are also included in the denominator for the purpose of calculating diluted earnings per share. For the year ended December 31, 2015, the dilutive effect of the 2016 Convertible Notes under the treasury stock method was also included in this calculation because the Company's share price was greater than the conversion price in effect (\$11.03 as of December 31, 2015) for the 2016 Convertible Notes for such period. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such there is no potential additional dilutive effect for the year ended December 31, 2016.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the years ended December 31, 2016, 2015, and 2014, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was 676,133, 627,483 and 727,733 shares, respectively.



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At December 31, 2016, the Company was authorized to issue 200 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

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Following is a schedule of financial highlights for the three years ended December 31, 2016.

	Year Ended December 31,		
	2016	2015	2014
Per share data <sup>(1)</sup> :			
<b>Net asset value at beginning of period</b>	\$ 9.94	\$ 10.18	\$ 10.51
Net investment income	1.36	1.06	1.16
Net realized gain on investments	0.06	0.07	0.32
Net unrealized depreciation on investments	(0.49)	(0.51)	(0.33)
<b>Total from investment operations</b>	0.93	0.62	1.15
Net increase (decrease) in net assets from capital share transactions <sup>(1)</sup>	0.18	0.26	(0.37)
Distributions of net investment income <sup>(6)</sup>	(1.25)	(1.26)	(1.27)
Stock-based compensation expense included in investment income <sup>(2)</sup>	0.10	0.14	0.16
<b>Net asset value at end of period</b>	\$ 9.90	\$ 9.94	\$ 10.18
Ratios and supplemental data:			
Per share market value at end of period	\$ 14.11	\$ 12.19	\$ 14.88
Total return <sup>(3)</sup>	26.87%	(9.70%)	(1.75%)
Shares outstanding at end of period	79,555	72,118	64,715
Weighted average number of common shares outstanding	73,753	69,479	61,862
Net assets at end of period	\$ 787,944	\$ 717,134	\$ 658,864
Ratio of total expense to average net assets <sup>(4)</sup>	11.25%	11.55%	10.97%
Ratio of net investment income before investment gains and losses to average net assets <sup>(4)</sup>	13.65%	10.15%	10.94%
Portfolio turnover rate <sup>(5)</sup>	36.22%	46.34%	56.15%
Average debt outstanding	\$ 635,365	\$ 615,198	\$ 535,127
Weighted average debt per common share	\$ 8.61	\$ 8.85	\$ 8.65

- (1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.
- (2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC Topic 718, net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the years ended December 31, 2016, 2015 and 2014 equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors.
- (4) All ratios are calculated based on weighted average net assets for the relevant period.
- (5) The portfolio turnover rate for the years ended December 31, 2016, 2015 and 2014 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period.
- (6) Includes distributions on unvested shares.

**10. Commitments and Contingencies**

The Company's commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments as of December 31, 2016 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, the Company's credit agreements contain customary lending provisions which allow the Company relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the Company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company's disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.

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At December 31, 2016, the Company had approximately \$59.7 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones.

The Company also had approximately \$55.0 million of non-binding term sheets outstanding at December 31, 2016. Non-binding outstanding term sheets are subject to completion of the Company's due

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

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

As of December 31, 2016, the Company's unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

(in thousands)

<b>Portfolio Company</b>	<b>Unfunded Commitments<sup>(1)</sup></b>
NewVoiceMedia Limited	\$ 15,000
Evernote Corporation	14,000
Aquantia Corp.	11,500
WP Technology, Inc. (Wattpad, Inc.)	7,500
Edge Therapeutics, Inc.	5,000
Achronix Semiconductor Corporation	3,318
Druva, Inc.	3,000
RedSeal Inc.	365
<b>Total</b>	<b>\$ 59,683</b>

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

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately \$1.7 million, \$1.7 million and \$1.6 million, during the years ended December 31, 2016, 2015, and 2014, respectively. The Company's contractual obligations as of December 31, 2016 include:

<b>Contractual Obligations<sup>(1)(2)</sup></b>	<b>Total</b>	<b>Payments due by period (in thousands)</b>			
		<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>After 5 years</b>
Borrowings <sup>(3)(4)(6)</sup>	\$ 667,658	\$ 110,364	\$ 136,021	\$ 83,150	\$ 338,123
Operating Lease Obligations <sup>(5)</sup>	3,362	1,699	1,604	59	
<b>Total</b>	<b>\$ 671,020</b>	<b>\$ 112,063</b>	<b>\$ 137,625</b>	<b>\$ 83,209</b>	<b>\$ 338,123</b>

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) The Company also has a warrant participation agreement with Citigroup. See Note 4 to the Company's consolidated financial statements.

(3) Includes \$190.2 million in principal outstanding under the SBA debentures, \$110.4 million of the 2019 Notes, \$252.9 million of the 2024 Notes, \$109.2 million of the 2021 Asset-Backed Notes, and \$5.0 million in outstanding borrowings on the Wells Facility as of December 31, 2016.

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

(5) Long-Term facility leases.

(6) Reflects announced redemption of the remaining 2019 Notes in 2017. See Note 14 Subsequent Events.

The Company may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise.

Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While

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the outcome of any current legal proceedings cannot at this time be predicted with certainty, the Company does not expect any current matters will materially affect the Company's financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on the Company's financial condition or results of operations in any future reporting period.

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On December 19, 2016, the Company entered into a Confidential Settlement Agreement (the Settlement Agreement) with all defendants in connection with a litigation matter (the Action) filed in November 2014. In connection with the Settlement Agreement, the Action was settled among the parties and the Company received a settlement payment in the amount of \$8.0 million. The Settlement Agreement also provides a mutual release by the Company and the defendants of any and all claims and cross-claims that were asserted in the Action, the circumstances and events underlying the Action and attorney's fees and costs related thereto. The Settlement Agreement does not constitute an admission of liability, fault, or wrongdoing by any party. The settlement payment was classified as a component of net investment income in the Company's Consolidated Statement of Operations.

**11. Indemnification**

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

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

**12. Concentrations of Credit Risk**

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

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

For the years ended December 31, 2016 and December 31, 2015, the Company's ten largest portfolio companies represented approximately 34.0% and 32.1% of the total fair value of the Company's investments in portfolio companies, respectively. At December 31, 2016 and December 31, 2015, the Company had seven and two investments, respectively, that represented 5% or more of the Company's net assets. At December 31, 2016, the Company had seven equity investments representing approximately 54.7% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of the Company's equity investments. At December 31, 2015, the Company had four equity investments which represented approximately 53.2% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of such investments.

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The following tables set forth certain quarterly financial information for each of the last eight quarters ended December 31, 2016. This information was derived from the Company's unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any further quarter.

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

  

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

**14. Subsequent Events***Distribution Declaration*

On February 16, 2017 the Company's Board of Directors declared a cash distribution of \$0.31 per share to be paid on March 13, 2017 to shareholders of record as of March 6, 2017. This distribution represents the Company's forty-sixth consecutive distribution since the Company's initial public offering, bringing the total cumulative distribution to date to \$12.78 per share.

*Restricted Stock Unit Grants*

In January 2017, the Company granted 600,461 restricted stock units pursuant to the Plans.

*4.375% Convertible Notes due 2022*

On January 25, 2017, the Company issued \$230.0 million in aggregate principal amount of 4.375% Convertible Notes due 2022 (the "2022 Convertible Notes"), which amount includes the additional \$30.0 million aggregate principal amount of 2022 Convertible Notes issued pursuant to the initial purchaser's exercise in full of its overallotment option. The 2022 Convertible Notes were issued pursuant to an Indenture, dated January 25, 2017 (the "2022 Convertible Notes Indenture"), between the Company and U.S. Bank, National Association, as trustee (the "2022 Trustee"). The sale of the 2022 Convertible Notes generated net proceeds of approximately \$224.3 million. Aggregate estimated offering expenses in connection with the transaction, including the initial purchaser's discount of approximately \$5.2 million, were approximately \$5.7 million.

The Company intends to use the net proceeds from this offering (i) to repurchase or otherwise redeem all of its 2019 Notes, (ii) to fund investments in debt and equity securities in accordance with its investment objective and (iii) for working capital and other general corporate purposes. The 2022 Convertible Notes will mature on February 1, 2022, unless previously converted or repurchased in accordance with their terms. The 2022 Convertible Notes bear interest at a rate of 4.375% per year payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2017.

The 2022 Convertible Notes will be unsecured obligations of the Company and will rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2022

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Convertible Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the Maturity Date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances.

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

The 2022 Convertible Notes Indenture contains certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the 2022 Convertible Notes and the 2022 Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the 2022 Convertible Notes Indenture. The Company offered and sold the 2022 Convertible Notes to the initial purchaser in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, for resale by the initial purchaser to qualified institutional buyers (as defined in the Securities Act) pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Company relied on these exemptions from registration based in part on representations made by the initial purchaser in connection with the sale of the 2022 Convertible Notes.

*2019 Notes Redemption*

On January 25, 2017, the Company's Board of Directors approved a redemption of the remaining \$110.4 million of outstanding aggregate principal amount of the 2019 Notes, and notice for such redemption has been provided. The Company has publicly announced its intention to redeem the remaining 2019 Notes on February 24, 2017.

*ATM Debt Program Issuances*

Subsequent to December 31, 2016 and as of February 17, 2017, the Company sold 225,457 notes of the 2024 Notes through the 2024 Notes Agent for approximately \$5.6 million in aggregate principal amount under the ATM debt distribution agreement with FBR Capital Markets & Co. As of February 17, 2017, approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

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*ATM Equity Program Issuances*

Subsequent to December 31, 2016 and as of February 17, 2017, the Company sold 3.3 million shares of common stock for total accumulated net proceeds of approximately \$47.1 million, including \$356,000 of offering expenses, under the Equity Distribution Agreement with JMP. As of February 17, 2017 approximately 751,000 shares remain available for issuance and sale under the equity distribution agreement.

*Portfolio Company Developments*

As of February 17, 2017, the Company held