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Hercules Capital, Inc.
Form 10-Q
November 01, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended September 30, 2018

OR

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

Commission File Number: 814-00702

HERCULES CAPITAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Jurisdiction of

Incorporation or Organization)

400 Hamilton Ave., Suite 310

Palo Alto, California

743113410
(IRS Employer

Identification No.)
94301

(Zip Code)

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(Address of Principal Executive Offices)

(650) 289-3060

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|-------------------------|---------------------------|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |
| Emerging growth company | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with a new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On October 29, 2018, there were 96,731,791 shares outstanding of the Registrant's common stock, \$0.001 par value.

HERCULES CAPITAL, INC.

FORM 10-Q TABLE OF CONTENTS

| | |
|--|----|
| <u>PART I. FINANCIAL INFORMATION</u> | 3 |
| Item 1. <u>Consolidated Financial Statements</u> | 3 |
| <u>Consolidated Statement of Assets and Liabilities as of September 30, 2018 and December 31, 2017 (unaudited)</u> | 3 |
| <u>Consolidated Statement of Operations for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u> | 5 |
| <u>Consolidated Statement of Changes in Net Assets for the nine months ended September 30, 2018 and 2017 (unaudited)</u> | 6 |
| <u>Consolidated Statement of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited)</u> | 7 |
| <u>Consolidated Schedule of Investments as of September 30, 2018 (unaudited)</u> | 9 |
| <u>Consolidated Schedule of Investments as of December 31, 2017 (unaudited)</u> | 24 |
| <u>Notes to Consolidated Financial Statements (unaudited)</u> | 39 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 74 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 94 |
| Item 4. <u>Controls and Procedures</u> | 95 |
| <u>PART II. OTHER INFORMATION</u> | 96 |
| <u>Legal Proceedings</u> | 96 |

Item 1.

Item 1A. Risk Factors 96

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 99

Item 3. Defaults Upon Senior Securities 99

Item 4. Mine Safety Disclosures 99

Item 5. Other Information 99

Item 6. Exhibits and Financial Statement Schedules 100

SIGNATURES 103

PART I: FINANCIAL INFORMATION

In this Quarterly Report, the “Company,” “Hercules,” “we,” “us” and “our” refer to Hercules Capital, Inc. and its wholly owned subsidiaries and its affiliated securitization trusts on or after February 25, 2016 and “Hercules Technology Growth Capital, Inc.” and its wholly owned subsidiaries and its affiliated securitization trusts prior to February 25, 2016, unless the context otherwise requires.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

| | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Assets | | |
| Investments: | | |
| Non-control/Non-affiliate investments (cost of \$1,663,658 and \$1,506,454, respectively) | \$1,670,034 | \$1,491,458 |
| Control investments (cost of \$64,630 and \$25,419, respectively) | 62,387 | 19,461 |
| Affiliate investments (cost of \$84,821 and \$87,956, respectively) | 28,095 | 31,295 |
| Total investments in securities, at value (cost of \$1,813,109 and \$1,619,829, respectively) | 1,760,516 | 1,542,214 |
| Cash and cash equivalents | 43,212 | 91,309 |
| Restricted cash | 2,429 | 3,686 |
| Interest receivable | 15,722 | 12,262 |
| Other assets | 1,175 | 5,244 |
| Total assets | \$1,823,054 | \$1,654,715 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$21,473 | \$26,896 |
| SBA Debentures, net (principal of \$149,000 and \$190,200, respectively) ⁽¹⁾ | 147,527 | 188,141 |
| 2022 Notes, net (principal of \$150,000 and \$150,000, respectively) ⁽¹⁾ | 147,859 | 147,572 |
| 2024 Notes, net (principal of \$83,510 and \$183,510, respectively) ⁽¹⁾ | 81,791 | 179,001 |
| 2025 Notes, net (principal of \$75,000 and \$0, respectively) ⁽¹⁾ | 72,495 | — |
| 2033 Notes, net (principal of \$40,000 and \$0, respectively) ⁽¹⁾ | 38,752 | — |
| 2021 Asset-Backed Notes, net (principal of \$3,515 and \$49,153, respectively) ⁽¹⁾ | 3,423 | 48,650 |
| 2022 Convertible Notes, net (principal of \$230,000 and \$230,000, respectively) ⁽¹⁾ | 224,660 | 223,488 |
| Credit Facilities | 80,894 | — |
| Total liabilities | \$818,874 | \$813,748 |
| Net assets consist of: | | |
| Common stock, par value | 96 | 85 |
| Capital in excess of par value | 1,060,875 | 908,501 |

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| | | |
|--|-------------|-------------|
| Unrealized appreciation (depreciation) on investments ⁽²⁾ | (53,784) | (79,760) |
| Accumulated undistributed realized gains (losses) on investments | (30,855) | (20,374) |
| Undistributed net investment income | 27,848 | 32,515 |
| Total net assets | \$1,004,180 | \$840,967 |
| Total liabilities and net assets | \$1,823,054 | \$1,654,715 |
| Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized) | 96,751 | 84,424 |
| Net asset value per share | \$10.38 | \$9.96 |

(1) The Company's SBA Debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes and 2022 Convertible Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See "Note 4 – Borrowings".

(2) Amounts include \$1.2 million and \$2.1 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, and estimated taxes payable as of September 30, 2018 and December 31, 2017, respectively.

See notes to consolidated financial statements.

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

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Assets | | |
| Restricted Cash | \$ 2,429 | \$ 3,686 |
| Total investments in securities, at value (cost of \$86,070 and \$146,208, respectively) | 85,965 | 144,513 |
| Total assets | \$ 88,394 | \$ 148,199 |
| Liabilities | | |
| 2021 Asset-Backed Notes, net (principal of \$3,515 and \$49,153, respectively) ⁽¹⁾ | \$ 3,423 | \$ 48,650 |
| Total liabilities | \$ 3,423 | \$ 48,650 |

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

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|-----------|------------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Investment income: | | | | |
| Interest income | | | | |
| Non-control/Non-affiliate investments | \$47,662 | \$41,725 | \$134,031 | \$124,049 |
| Control investments | 921 | 464 | 2,348 | 1,505 |
| Affiliate investments | 509 | 246 | 1,570 | 248 |
| Total interest income | 49,092 | 42,435 | 137,949 | 125,802 |
| Fee income | | | | |
| Commitment, facility and loan fee income: | | | | |
| Non-control/Non-affiliate investments | 1,858 | 2,239 | 6,228 | 7,613 |
| Control investments | 1 | 1 | 1 | 11 |
| Affiliate investments | 71 | 2 | 263 | 2 |
| Total commitment, facility and loan fee income | 1,930 | 2,242 | 6,492 | 7,626 |
| One-time fee income: | | | | |
| Non-control/Non-affiliate investments | 1,580 | 1,188 | 6,423 | 7,254 |
| Total one-time fee income | 1,580 | 1,188 | 6,423 | 7,254 |
| Total fee income | 3,510 | 3,430 | 12,915 | 14,880 |
| Total investment income | 52,602 | 45,865 | 150,864 | 140,682 |
| Operating expenses: | | | | |
| Interest | 9,451 | 9,185 | 28,715 | 28,046 |
| Loan fees | 1,502 | 1,314 | 6,039 | 5,500 |
| General and administrative | | | | |
| Legal Expenses | 677 | 925 | 1,889 | 3,792 |
| Other Expenses | 3,044 | 2,623 | 9,515 | 8,570 |
| Total general and administrative | 3,721 | 3,548 | 11,404 | 12,362 |
| Employee compensation: | | | | |
| Compensation and benefits | 5,294 | 6,014 | 18,069 | 17,276 |
| Stock-based compensation | 3,332 | 1,831 | 8,498 | 5,573 |
| Total employee compensation | 8,626 | 7,845 | 26,567 | 22,849 |
| Total operating expenses | 23,300 | 21,892 | 72,725 | 68,757 |
| Net investment income | 29,302 | 23,973 | 78,139 | 71,925 |
| Net realized gain (loss) on investments | | | | |
| Non-control/Non-affiliate investments | 3,350 | (8,911) | (4,115) | (10,940) |
| Control investments | — | (15,543) | (4,308) | (15,989) |
| Affiliate investments | — | — | (2,058) | — |
| Total net realized gain (loss) on investments | 3,350 | (24,454) | (10,481) | (26,929) |

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| | | | | |
|--|----------|----------|----------|-----------|
| Net change in unrealized appreciation (depreciation) on investments | | | | |
| Non-control/Non-affiliate investments | 3,967 | 11,320 | 22,327 | 45,420 |
| Control investments | 378 | 17,624 | 3,715 | 17,703 |
| Affiliate investments | (1,368) | 4,609 | (66) | (47,486) |
| Total net unrealized appreciation (depreciation) on investments | 2,977 | 33,553 | 25,976 | 15,637 |
| Total net realized and unrealized gain (loss) | 6,327 | 9,099 | 15,495 | (11,292) |
| Net increase (decrease) in net assets resulting from operations | \$35,629 | \$33,072 | \$93,634 | \$60,633 |
| Net investment income before investment gains and losses per common share: | | | | |
| Basic | \$0.31 | \$0.29 | \$0.87 | \$0.87 |
| Change in net assets resulting from operations per common share: | | | | |
| Basic | \$0.37 | \$0.40 | \$1.04 | \$0.73 |
| Diluted | \$0.37 | \$0.40 | \$1.04 | \$0.73 |
| Weighted average shares outstanding | | | | |
| Basic | 95,460 | 82,496 | 89,100 | 82,073 |
| Diluted | 95,671 | 82,607 | 89,212 | 82,173 |
| Distributions declared per common share: | | | | |
| Basic | \$0.31 | \$0.31 | \$0.93 | \$0.93 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

| | Common Shares | Stock Par Value | Capital in excess of par value | Unrealized Appreciation (Depreciation) on Investment | Accumulated Undistributed Realized Gains (Losses) on Investment | Undistributed Net Investment Income | Net Assets |
|---|------------------|--------------------|--------------------------------------|---|---|---|---------------|
| Balance at December 31, 2016 | 79,555 | \$ 80 | \$839,657 | \$ (89,025) | \$ 14,314 | \$ 22,918 | \$787,944 |
| Net increase (decrease) in net assets resulting from operations | — | — | — | 15,637 | (26,929) | 71,925 | 60,633 |
| Public offering, net of offering expenses | 4,077 | 4 | 56,330 | — | — | — | 56,334 |
| Issuance of common stock due to stock option exercises | 46 | — | 213 | — | — | — | 213 |
| Retired shares from net issuance | (18) | — | (172) | — | — | — | (172) |
| Issuance of common stock under restricted stock plan | 10 | — | — | — | — | — | — |
| Retired shares for restricted stock vesting | (187) | — | (2,483) | — | — | — | (2,483) |
| Distributions reinvested in common stock | 132 | — | 1,780 | — | — | — | 1,780 |
| Issuance of Convertible Notes | — | — | 3,413 | — | — | — | 3,413 |
| Distributions | — | — | — | — | (14,893) | (62,104) | (76,997) |
| Stock-based compensation ⁽¹⁾ | — | — | 5,619 | — | — | — | 5,619 |
| Balance at September 30, 2017 | 83,615 | \$ 84 | \$904,357 | \$ (73,388) | \$ (27,508) | \$ 32,739 | \$836,284 |
| Balance at December 31, 2017 | 84,424 | \$ 85 | \$908,501 | \$ (79,760) | \$ (20,374) | \$ 32,515 | \$840,967 |
| Net increase (decrease) in net assets resulting from operations | — | — | — | 25,976 | (10,481) | 78,139 | 93,634 |
| Public offering, net of offering expenses | 11,953 | 11 | 143,787 | — | — | — | 143,798 |
| Issuance of common stock due to stock option exercises | 63 | — | 704 | — | — | — | 704 |
| | (57) | — | (718) | — | — | — | (718) |

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| | | | | | | | |
|--|--------|-------|-------------|--------------|--------------|-----------|-------------|
| Retired shares from net issuance | | | | | | | |
| Issuance of common stock under restricted stock plan | 336 | — | — | — | — | — | — |
| Retired shares for restricted stock vesting | (76) | — | (937) | — | — | — | (937) |
| Distributions reinvested in common stock | 108 | — | 1,372 | — | — | — | 1,372 |
| Distributions | — | — | — | — | — | (82,806) | (82,806) |
| Stock-based compensation ⁽¹⁾ | — | — | 8,166 | — | — | — | 8,166 |
| Balance at September 30, 2018 | 96,751 | \$ 96 | \$1,060,875 | \$ (53,784) | \$ (30,855) | \$ 27,848 | \$1,004,180 |

(1) Stock-based compensation includes \$33 and \$46 of restricted stock and option expense related to director compensation for the nine months ended September 30, 2018 and 2017, respectively.

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(dollars in thousands)

| | For the Nine Months Ended September 30, | |
|---|--|-----------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net increase (decrease) in net assets resulting from operations | \$93,634 | \$60,633 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities: | | |
| Purchase of investments | (706,113) | (487,321) |
| Principal and fee payments received on investments | 503,971 | 486,985 |
| Proceeds from the sale of investments | 17,521 | 21,945 |
| Net unrealized depreciation (appreciation) on investments | (25,976) | (15,637) |
| Net realized loss (gain) on investments | 10,481 | 26,929 |
| Accretion of paid-in-kind principal | (7,040) | (7,078) |
| Accretion of loan discounts | (2,961) | (5,242) |
| Accretion of loan discount on Convertible Notes | 504 | 448 |
| Accretion of loan exit fees | (12,482) | (14,413) |
| Change in deferred loan origination revenue | 3,472 | 1,083 |
| Unearned fees related to unfunded commitments | 1,908 | 441 |
| Amortization of debt fees and issuance costs | 5,197 | 4,534 |
| Depreciation | 147 | 153 |
| Stock-based compensation and amortization of restricted stock grants ⁽¹⁾ | 8,166 | 5,619 |
| Change in operating assets and liabilities: | | |
| Interest and fees receivable | (3,460) | 1,107 |
| Prepaid expenses and other assets | 2,141 | (1,100) |
| Accounts payable | (187) | — |
| Accrued liabilities | (4,282) | (2,457) |
| Net cash provided by (used in) operating activities | (115,359) | 76,629 |
| Cash flows from investing activities: | | |
| Purchases of capital equipment | (325) | (127) |
| Net cash provided by (used in) investing activities | (325) | (127) |
| Cash flows from financing activities: | | |
| Issuance of common stock, net | 143,498 | 56,334 |
| Retirement of employee shares | (651) | (2,442) |
| Distributions paid | (81,434) | (75,217) |
| Issuance of 2022 Convertible Notes | — | 230,000 |
| Issuance of 2024 Notes | — | 5,637 |

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| | | |
|---|-----------|-----------|
| Issuance of 2025 Notes | 75,000 | — |
| Issuance of 2033 Notes | 40,000 | — |
| Repayments of 2019 Notes | — | (110,364) |
| Repayments of 2024 Notes | (100,000) | — |
| Repayments of 2021 Asset-Backed Notes | (45,637) | (43,729) |
| Repayments of Long-Term SBA Debentures | (41,200) | — |
| Borrowings of credit facilities | 216,109 | 8,497 |
| Repayments of credit facilities | (135,216) | (13,513) |
| Cash paid for debt issuance costs | (3,978) | (4,662) |
| Fees paid for credit facilities and debentures | (161) | (28) |
| Net cash provided by (used in) financing activities | 66,330 | 50,513 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (49,354) | 127,015 |
| Cash, cash equivalents and restricted cash at beginning of period | 94,995 | 21,366 |
| Cash, cash equivalents and restricted cash at end of period | \$45,641 | \$148,381 |
| Supplemental non-cash investing and financing activities: | | |
| Distributions reinvested | 1,372 | 1,780 |

(1) Stock-based compensation includes \$33 and \$46 of restricted stock and option expense related to director compensation for the nine months ended September 30, 2018 and 2017, respectively.

See notes to consolidated financial statements.

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Statement of Assets and Liabilities that sum to the total of the same such amounts in the Consolidated Statement of Cash Flows:

| (Dollars in thousands) | For the Nine Months Ended September 30, | |
|---|---|-----------|
| | 2018 | 2017 |
| Cash and cash equivalents | \$43,212 | \$140,568 |
| Restricted cash | 2,429 | 7,813 |
| Total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows | \$45,641 | \$148,381 |

See “Note 2 – Summary of Significant Accounting Policies” and “Note 11- Recent Accounting Pronouncements” for a description of restricted cash and cash equivalents.

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ | |
|---|--------------------------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|-------|
| Debt Investments | | | | | | | | |
| Biotechnology Tools | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| Excicure, Inc. ⁽¹²⁾ | Biotechnology Tools | Senior Secured | September 2019 | Interest rate PRIME + 6.45% or Floor rate of 9.95%, 3.85% Exit Fee | \$4,999 | \$5,171 | \$5,171 | |
| Subtotal: Under 1 Year Maturity | | | | | | 5,171 | 5,171 | |
| Subtotal: Biotechnology Tools (0.51%)* | | | | | | 5,171 | 5,171 | |
| Consumer & Business Products | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| WHOOP, INC. ⁽¹²⁾ | Consumer & Business Products | Senior Secured | July 2021 | Interest rate PRIME + 3.75% or Floor rate of 8.50%, 6.95% Exit Fee | \$6,000 | 5,970 | 5,970 | |
| Subtotal: 1-5 Years Maturity | | | | | | 5,970 | 5,970 | |
| Subtotal: Consumer & Business Products (0.59%)* | | | | | | 5,970 | 5,970 | |
| Diversified Financial Services | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Gibraltar Business Capital, LLC ⁽⁷⁾ | Diversified Financial Services | Unsecured | March 2023 | Interest rate FIXED 14.50% | \$15,000 | 14,718 | 14,865 | |
| Subtotal: 1-5 Years Maturity | | | | | | 14,718 | 14,865 | |
| Subtotal: Diversified Financial Services (1.48%)* | | | | | | 14,718 | 14,865 | |
| Drug Delivery | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| Drug Delivery | | | | | | \$5,939 | 6,523 | 6,523 |

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| | | | | | | | |
|--|---------------|----------------|---------------|--------------------------------|-----------|--------|--------|
| Agile Therapeutics, Inc. ⁽¹¹⁾ | | Senior Secured | December 2018 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 9.00%, 3.70% | | | |
| | | | | Exit Fee | | | |
| Subtotal: Under 1 Year Maturity | | | | | | 6,523 | 6,523 |
| 1-5 Years Maturity | | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽¹¹⁾ | Drug Delivery | Senior Secured | March 2020 | Interest rate PRIME + 6.05% | | | |
| | | | | or Floor rate of 9.55%, 11.69% | | | |
| | | | | Exit Fee | \$ 12,943 | 13,786 | 13,733 |
| Antares Pharma Inc. ⁽¹⁰⁾⁽¹⁵⁾ | Drug Delivery | Senior Secured | July 2022 | Interest rate PRIME + 4.50% | | | |
| | | | | or Floor rate of 9.25%, 4.25% | | | |
| | | | | Exit Fee | \$ 25,000 | 25,233 | 25,304 |
| Subtotal: 1-5 Years Maturity | | | | | | 39,019 | 39,037 |
| Subtotal: Drug Delivery (4.54%)* | | | | | | 45,542 | 45,560 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|------------------------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| Drug Discovery & Development | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Auris Medical Holding, AG ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | February 2019 | Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee | \$ 1,527 | \$ 2,209 | \$ 2,209 |
| Brickell Biotech, Inc. ⁽¹²⁾ | Drug Discovery & Development | Senior Secured | September 2019 | Interest rate PRIME + 5.70% or Floor rate of 9.20%, 7.82% Exit Fee | \$ 5,581 | 5,996 | 5,996 |
| Epirus Biopharmaceuticals, Inc. ⁽⁸⁾ | Drug Discovery & Development | Senior Secured | December 2018 | Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee | \$ 2,277 | 2,561 | 65 |
| Subtotal: Under 1 Year Maturity | | | | | | 10,766 | 8,270 |
| 1-5 Years Maturity | | | | | | | |
| Acacia Pharma Inc. ⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | January 2022 | Interest rate PRIME + 4.50% | \$ 10,000 | 9,815 | 9,815 |

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| | | | | | | | |
|--|--|------------------|-----------------------------------|--|-----------|--------|--------|
| | | | | or Floor rate of 9.25%, 3.95% Exit Fee | | | |
| Aveo Pharmaceuticals, Inc. (10)(13) | Drug Discovery Senior & Development Secured | July 2021 | Interest rate PRIME + 4.70% | | | | |
| | | | | or Floor rate of 9.45%, 5.40% Exit Fee | \$ 10,000 | 10,053 | 9,954 |
| | Drug Discovery Senior & Development Secured | July 2021 | Interest rate PRIME + 4.70% | | | | |
| | | | | or Floor rate of 9.45%, 3.00% Exit Fee | \$ 10,000 | 10,144 | 10,123 |
| Total Aveo Pharmaceuticals, Inc. | | | | | \$ 20,000 | 20,197 | 20,077 |
| Axovant Sciences Ltd. (5)(10)(16) | Drug Discovery Senior & Development Secured | March 2021 | Interest rate PRIME + 6.80% | | | | |
| | | | | or Floor rate of 10.55% | \$ 55,000 | 54,107 | 54,262 |
| BridgeBio Pharma LLC (13) | Drug Discovery Senior & Development Secured | January 2022 | Interest rate PRIME + 4.35% | | | | |
| | | | | or Floor rate of 9.35%, 6.35% Exit Fee | \$ 35,000 | 34,850 | 34,850 |
| Chemocentryx, Inc. (10)(15)(17) | Drug Discovery Senior & Development Secured | December 2021 | Interest rate PRIME + 3.30% | | | | |
| | | | | or Floor rate of 8.05%, 6.25% Exit Fee | \$ 15,000 | 14,976 | 14,990 |
| Genocea Biosciences, Inc. (11) | Drug Discovery Senior & Development Secured | May 2021 | Interest rate PRIME + | | \$ 14,000 | 14,762 | 14,767 |

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| | | | | | | | |
|---|------------------------------|----------------|----------------|---|-----------|--------|--------|
| | | | | 2.75% | | | |
| | | | | or Floor rate of 7.75%, 10.12% | | | |
| Merrimack Pharmaceuticals, Inc. ⁽¹²⁾ | Drug Discovery & Development | Senior Secured | August 2021 | Interest rate PRIME + 4.00% | | | |
| | | | | or Floor rate of 9.25%, 5.55% Exit Fee | \$ 15,000 | 14,928 | 14,928 |
| Mesoblast ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | March 2022 | Interest rate PRIME + 4.95% | | | |
| | | | | or Floor rate of 9.45%, 6.95% Exit Fee | \$ 35,000 | 35,116 | 35,519 |
| Metuchen Pharmaceuticals LLC ⁽¹⁴⁾ | Drug Discovery & Development | Senior Secured | October 2020 | Interest rate PRIME + 7.25% | | | |
| | | | | or Floor rate of 10.75%, PIK Interest 1.35%, 2.25% Exit Fee | \$ 19,902 | 20,508 | 20,480 |
| Motif BioSciences Inc. ⁽⁵⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Senior Secured | September 2021 | Interest rate PRIME + 5.50% | | | |
| | | | | or Floor rate of 10.00%, 2.15% Exit Fee | \$ 15,000 | 14,839 | 14,787 |
| Myovant Sciences, Ltd. ⁽⁵⁾⁽¹⁰⁾⁽¹³⁾ | Drug Discovery & Development | Senior Secured | November 2021 | Interest rate PRIME + 4.00% | \$ 40,000 | 40,050 | 39,638 |

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| | | | | | | |
|--|---|----------------|--|-----------|--------|--------|
| | | | or Floor rate of 8.25%, 6.55% Exit Fee | | | |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (10)(15)(16) | Drug Discovery Senior & Development Secured | September 2020 | Interest rate PRIME + 2.75% | | | |
| | | | or Floor rate of 8.50%, 4.50% Exit Fee | \$ 40,000 | 40,776 | 40,383 |
| | Drug Discovery Senior & Development Secured | September 2020 | Interest rate PRIME + 2.75% | | | |
| | | | or Floor rate of 8.50%, 4.50% Exit Fee | \$ 10,000 | 10,210 | 10,096 |
| | Drug Discovery Senior & Development Secured | September 2020 | Interest rate PRIME + 2.75% | | | |
| | | | or Floor rate of 8.50%, 2.25% Exit Fee | \$ 10,000 | 10,064 | 9,980 |
| | Drug Discovery Senior & Development Secured | August 2022 | Interest rate PRIME + 2.10% | | | |
| | | | or Floor rate of 7.85%, 6.95% Exit Fee | \$ 10,000 | 9,959 | 9,959 |
| Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) | | | | \$ 70,000 | 71,009 | 70,418 |
| Stealth Bio Therapeutics Corp. (5)(10)(12) | Drug Discovery Senior & Development Secured | January 2021 | Interest rate PRIME + 5.50% | \$ 20,000 | 20,253 | 20,059 |
| | | | or Floor rate of 9.50%, 6.00% Exit | | | |

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| | | | Fee | | | |
|-------------------------------------|--|------------------|--|-----------|--------|--------|
| Tricida, Inc. ⁽¹⁵⁾⁽¹⁷⁾ | Drug Discovery Senior & Development Secured | March 2022 | Interest rate PRIME + 3.35% | | | |
| | | | or Floor rate of 8.35%, 11.14% | | | |
| | | | Exit Fee | \$ 25,000 | 25,132 | 25,096 |
| uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾ | Drug Discovery Senior & Development Secured | May 2020 | Interest rate PRIME + 3.00% | | | |
| | | | or Floor rate of 8.25%, 5.48% Exit | | | |
| | | | Fee | \$ 20,000 | 20,608 | 20,551 |
| Verastem, Inc. ⁽¹²⁾ | Drug Discovery Senior & Development Secured | December 2020 | Interest rate PRIME + 6.00% | | | |
| | | | or Floor rate of 10.50%, 4.50% Exit | | | |
| | | | Fee | \$ 5,000 | 5,031 | 5,026 |
| | Drug Discovery Senior & Development Secured | December 2020 | Interest rate PRIME + 6.00% | | | |
| | | | or Floor rate of 10.50%, 4.50% Exit | | | |
| | | | Fee | \$ 5,000 | 5,059 | 5,054 |
| | Drug Discovery Senior & Development Secured | December 2020 | Interest rate PRIME + 6.00% | | | |
| | | | or Floor rate of 10.50%, 4.50% Exit | | | |
| | | | Fee | \$ 5,000 | 5,030 | 5,023 |
| | Drug Discovery Senior & Development Secured | December 2020 | Interest rate PRIME + 6.00% | \$ 10,000 | 9,967 | 9,888 |

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| | or Floor rate of 10.50%, 4.50% Exit Fee | | | |
|---|---|----------|---------|---------|
| Total Verastem, Inc. | | \$25,000 | 25,087 | 24,991 |
| Subtotal: 1-5 Years Maturity | | | 436,237 | 435,228 |
| Subtotal: Drug Discovery & Development (44.17%)* | | | 447,003 | 443,498 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|---------------------------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|
| Electronics & Computer Hardware | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| 908 DEVICES INC. ⁽¹⁵⁾ | Electronics & Computer Hardware | Senior Secured | September 2020 | Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee | \$ 10,000 | \$ 10,080 | \$ 10,099 |
| Glo AB ⁽⁵⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁴⁾ | Electronics & Computer Hardware | Senior Secured | February 2021 | Interest rate PRIME + 6.20% or Floor rate of 10.45%, PIK Interest 1.75%, 2.95% Exit Fee | \$ 12,138 | 12,153 | 12,214 |
| Subtotal: 1-5 Years Maturity | | | | | | 22,233 | 22,313 |
| Subtotal: Electronics & Computer Hardware (2.22%)* | | | | | | 22,233 | 22,313 |
| Healthcare Services, Other | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Medsphere Systems Corporation ⁽¹⁴⁾⁽¹⁵⁾ | Healthcare Services, Other | Senior Secured | February 2021 | Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75% | \$ 20,346 | 20,211 | 20,116 |
| | Healthcare Services, Other | Senior Secured | February 2021 | Interest rate PRIME + 4.75% | \$ 5,076 | 5,047 | 5,020 |

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|--|-------------------------------|-------------------|-------------------|----------------------------------|-----------|--------|--------|--|
| | | | | or Floor rate of 9.00%, | | | | |
| | | | | PIK Interest 1.75% | | | | |
| Total Medsphere Systems Corporation | | | | | \$ 25,422 | 25,258 | 25,136 | |
| Oak Street Health (12) | Healthcare Services, Other | Senior Secured | September 2021 | Interest rate PRIME + 5.00% | | | | |
| | | | | or Floor rate of 9.75%, 5.95% | | | | |
| | | | | Exit Fee | \$ 30,000 | 30,320 | 30,127 | |
| PH Group Holdings (13) | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% | | | | |
| | | | | or Floor rate of 10.95% | \$ 20,000 | 19,929 | 19,946 | |
| | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% | | | | |
| | | | | or Floor rate of 10.95% | \$ 10,000 | 9,955 | 9,931 | |
| Total PH Group Holdings | | | | | \$ 30,000 | 29,884 | 29,877 | |
| Subtotal: 1-5 Years Maturity | | | | | | 85,462 | 85,140 | |
| Subtotal: Healthcare Services, Other (8.48%)* | | | | | | 85,462 | 85,140 | |
| Information Services | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| MDX Medical, Inc. (14)(15)(19) | Information Services | Senior Secured | December 2020 | Interest rate PRIME + 4.00% | | | | |
| | | | | or Floor rate of 8.25%, | | | | |
| | | | | PIK Interest 1.70% | \$ 15,223 | 14,921 | 14,864 | |
| Subtotal: 1-5 Years Maturity | | | | | | 14,921 | 14,864 | |
| Subtotal: Information Services (1.48%)* | | | | | | 14,921 | 14,864 | |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---------------------------------------|---------------------------------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| Internet Consumer & Business Services | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| The Faction Group LLC | Internet Consumer & Business Services | Senior Secured | January 2019 | Interest rate PRIME + 4.75% or Floor rate of 8.25% | \$2,000 | \$2,000 | \$2,000 |
| Subtotal: Under 1 Year Maturity | | | | | | 2,000 | 2,000 |
| 1-5 Years Maturity | | | | | | | |
| AppDirect, Inc. (13)(19) | Internet Consumer & Business Services | Senior Secured | January 2022 | Interest rate PRIME + 5.70% or Floor rate of 9.95%, 3.45% Exit Fee | \$20,000 | 19,932 | 19,953 |
| Art.com, Inc. (12)(14)(15) | Internet Consumer & Business Services | Senior Secured | April 2021 | Interest rate PRIME + 5.40% or Floor rate of 10.15%, PIK Interest 1.70%, 1.50% Exit Fee | \$10,074 | 9,946 | 9,926 |
| Cloudpay, Inc. (5)(10) | Internet Consumer & Business Services | Senior Secured | April 2022 | Interest rate PRIME + 4.05% or Floor rate of 8.55%, 6.95% Exit Fee | \$11,000 | 10,949 | 10,949 |
| | | | | | | \$50,410 | 50,365 |
| | | | | | | | 50,365 |

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|----------------------------------|---|-------------------|-------------------|---|-----------|--------|--------|
| EverFi, Inc. (14)(16) | Internet Consumer & Business Services | Senior Secured | | Interest rate PRIME + 3.90% | | | |
| | | | | or Floor rate of 8.65%, | | | |
| | | | | PIK Interest 2.30% | | | |
| First Insight, Inc. (15)(17) | Internet Consumer & Business Services | Senior Secured | November 2021 | Interest rate PRIME + 6.25% | | | |
| | | | | or Floor rate of 11.25% | \$ 6,000 | 5,887 | 5,887 |
| Greenphire, Inc. (17) | Internet Consumer & Business Services | Senior Secured | January 2021 | Interest rate 3-month LIBOR + 8.00% | | | |
| | | | | or Floor rate of 9.00% | \$ 3,125 | 3,125 | 3,129 |
| | Internet Consumer & Business Services | Senior Secured | January 2021 | Interest rate PRIME + 3.75% | | | |
| | | | | or Floor rate of 7.00% | \$ 1,500 | 1,500 | 1,500 |
| Total Greenphire, Inc. | | | | | \$ 4,625 | 4,625 | 4,629 |
| Intent Media, Inc. (12)(17) | Internet Consumer & Business Services | Senior Secured | September 2021 | Interest rate PRIME + 5.13% | | | |
| | | | | or Floor rate of 10.125%, 2.00% | | | |
| | | | | Exit Fee | \$ 9,200 | 9,210 | 9,286 |
| Interactions Corporation (19) | Internet Consumer & Business Services | Senior Secured | March 2021 | Interest rate 3-month LIBOR + 8.60% | | | |
| | | | | or Floor rate of 9.85%, 1.75% | | | |
| | | | | Exit Fee | \$ 25,000 | 25,073 | 25,205 |
| LogicSource | Internet Consumer & Business Services | Senior Secured | October 2019 | Interest rate PRIME + 6.25% | | | |
| | | | | or Floor rate of 9.75%, 5.00% | | | |
| | | | | Exit Fee | \$ 3,972 | 4,331 | 4,334 |
| Postmates, Inc. (17)(19) | Internet Consumer & Business Services | Senior Secured | September 2022 | Interest rate PRIME + 3.85% | | | |
| | | | | or Floor rate of 8.85%, 8.05% | | | |
| | | | | Exit Fee | \$ 20,000 | 19,516 | 19,516 |
| RumbleON, Inc. | | | May 2021 | | \$ 5,000 | 4,984 | 4,984 |

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| | | | | | | | |
|-----------------------------------|---------------------------------------|----------------|---------------|--|----------|--------|--------|
| | Internet Consumer & Business Services | Senior Secured | | Interest rate PRIME + 5.75% | | | |
| | | | | or Floor rate of 10.25%, 4.55% | | | |
| | | | | Exit Fee | | | |
| Snagajob.com, Inc. (13)(14) | Internet Consumer & Business Services | Senior Secured | July 2020 | Interest rate PRIME + 5.15% | | | |
| | | | | or Floor rate of 9.15%, | | | |
| | | | | PIK Interest 1.95%, 2.55% | | | |
| | | | | Exit Fee | \$41,635 | 41,773 | 41,890 |
| | Internet Consumer & Business Services | Senior Secured | July 2020 | Interest rate PRIME + 5.65% | | | |
| | | | | or Floor rate of 10.65%, | | | |
| | | | | PIK Interest 1.95%, 2.55% | | | |
| | | | | Exit Fee | \$5,008 | 4,778 | 4,778 |
| Total Snagajob.com, Inc. | | | | | \$46,643 | 46,551 | 46,668 |
| Tectura Corporation (7)(8)(9)(14) | Internet Consumer & Business Services | Senior Secured | June 2021 | Interest rate FIXED 6.00%, | | | |
| | | | | PIK Interest 3.00% | \$20,766 | 20,766 | 19,672 |
| | Internet Consumer & Business Services | Senior Secured | June 2021 | PIK Interest 8.00% | \$10,680 | 240 | — |
| Total Tectura Corporation | | | | | \$31,446 | 21,006 | 19,672 |
| The Faction Group LLC | Internet Consumer & Business Services | Senior Secured | January 2021 | Interest rate 3-month LIBOR + 9.25% | | | |
| | | | | or Floor rate of 10.25% | \$7,467 | 7,467 | 7,482 |
| Wheels Up Partners LLC | Internet Consumer & Business Services | Senior Secured | July 2022 | Interest rate 3-month LIBOR + 8.55% | | | |
| | | | | or Floor rate of 9.55% | \$20,980 | 20,799 | 20,805 |
| Xometry, Inc. (17)(19) | Internet Consumer & Business Services | Senior Secured | November 2021 | Interest rate PRIME + 3.95% | \$7,000 | 6,996 | 6,996 |
| | | | | or Floor rate of 8.45%, 7.45% | | | |

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| | Exit Fee | |
|--|----------|---------|
| Subtotal: 1-5 Years Maturity | 267,637 | 266,657 |
| Subtotal: Internet Consumer & Business Services (26.75%)* | 269,637 | 268,657 |

See notes to consolidated financial statements.

12

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|-----------------------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| Media/Content/Info | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Bustle ⁽¹⁴⁾⁽¹⁵⁾ | Media/Content/Info | Senior Secured | June 2021 | Interest rate PRIME + 4.10% or Floor rate of 8.35%, PIK Interest 1.95%, 1.95% Exit Fee | \$ 15,240 | \$ 15,234 | \$ 15,364 |
| Subtotal: 1-5 Years Maturity | | | | | | 15,234 | 15,364 |
| Subtotal: Media/Content/Info (1.53%)* | | | | | | 15,234 | 15,364 |
| Medical Devices & Equipment | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | December 2018 | Interest rate PRIME + 4.00% or Floor rate of 9.25%, 6.85% Exit Fee | \$ 1,793 | 2,273 | 808 |
| Micell Technologies, Inc. ⁽¹²⁾ | Medical Devices & Equipment | Senior Secured | August 2019 | Interest rate PRIME + 7.25% or Floor rate of 10.50%, 5.00% Exit Fee | \$ 3,146 | 3,524 | 3,524 |

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| | | | | | | | | |
|---------------------------------------|-----------------------------|----------------|--------------|---|-----------|--------|--------|--|
| Subtotal: Under 1 Year Maturity | | | | | 5,797 | 4,332 | | |
| 1-5 Years Maturity | | | | | | | | |
| Flowonix Medical, Inc. | Medical Devices & Equipment | Senior Secured | October 2021 | Interest rate PRIME + 4.00% | | | | |
| | | | | or Floor rate of 9.00%, 7.95% Exit Fee | \$ 15,000 | 14,480 | 14,480 | |
| Intuity Medical, Inc. (15) | Medical Devices & Equipment | Senior Secured | June 2021 | Interest rate PRIME + 5.00% | | | | |
| | | | | or Floor rate of 9.25%, 4.95% Exit Fee | \$ 17,500 | 17,375 | 17,402 | |
| Quanta Fluid Solutions (5)(10)(11) | Medical Devices & Equipment | Senior Secured | April 2020 | Interest rate PRIME + 8.05% | | | | |
| | | | | or Floor rate of 11.55%, 5.00% Exit Fee | \$ 6,853 | 7,327 | 7,266 | |
| Quanterix Corporation (11) | Medical Devices & Equipment | Senior Secured | March 2020 | Interest rate PRIME + 2.75% | | | | |
| | | | | or Floor rate of 8.00%, 0.58% Exit Fee | \$ 7,688 | 7,635 | 7,635 | |
| Rapid Micro Biosystems, Inc. (13)(15) | Medical Devices & Equipment | Senior Secured | April 2022 | Interest rate PRIME + 5.15% | | | | |
| | | | | or Floor rate of 9.65%, 7.25% Exit Fee | \$ 18,000 | 18,034 | 18,034 | |
| Sebacia, Inc. (15) | Medical Devices & Equipment | Senior Secured | January 2021 | Interest rate PRIME + 4.35% | | | | |
| | | | | or Floor rate of 8.85%, 6.05% Exit Fee | \$ 11,000 | 11,061 | 11,003 | |
| | | | June 2022 | | \$ 20,000 | 19,930 | 19,930 | |

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| | | | | | | | |
|---|--------------------------------|-------------------|------------|---|---------|--------|---------|
| Transenterix, Inc. (10)(13) | Medical Devices & Equipment | Senior Secured | | Interest rate PRIME + 4.55% | | | |
| | | | | or Floor rate of 9.55%, 6.95% Exit Fee | | | |
| Subtotal: 1-5 Years Maturity | | | | | 95,842 | 95,750 | |
| Subtotal: Medical Devices & Equipment (9.97%)* | | | | | 101,639 | | 100,082 |
| Software | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Pollen, Inc. ⁽¹⁵⁾ | Software | Senior Secured | April 2019 | Interest rate PRIME + 4.25% | | | |
| | | | | or Floor rate of 8.50%, 4.00% Exit Fee | \$7,000 | 7,148 | 7,148 |
| Subtotal: Under 1 Year Maturity | | | | | | 7,148 | 7,148 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|--------------|-----------------------------------|----------------|---|------------------|---------------------|----------------------|
| 1-5 Years Maturity | | | | | | | |
| Banker's Toolbox, Inc. (13)(18) | Software | Senior Secured | March 2023 | Interest rate 3-month LIBOR + 7.88% | | | |
| | | | | or Floor rate of 7.88% | \$39,900 | \$39,129 | \$39,227 |
| Businessolver.com, Inc. (16)(17) | Software | Senior Secured | May 2023 | Interest rate 3-month LIBOR + 7.50% | \$52,275 | 51,290 | 51,292 |
| Clarabridge, Inc. (12)(14) | Software | Senior Secured | April 2021 | Interest rate PRIME + 4.80% | | | |
| | | | | or Floor rate of 8.55%, | | | |
| | | | | PIK Interest 3.25% | \$41,916 | 41,898 | 42,356 |
| Couchbase, Inc. (15)(17)(19) | Software | Senior Secured | September 2021 | Interest rate PRIME + 5.25% | | | |
| | | | | or Floor rate of 10.75% | \$15,000 | 14,915 | 14,915 |
| Credible Behavioral Health, Inc. (14)(17) | Software | Senior Secured | September 2021 | Interest rate PRIME + 3.20% | | | |
| | | | | or Floor rate of 7.95%, | | | |
| | | | | PIK Interest 3.30% | \$7,510 | 7,421 | 7,421 |
| Dashlane, Inc. (14)(19) | Software | Senior Secured | April 2022 | Interest rate PRIME + 4.05% | \$10,039 | 10,018 | 10,018 |

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| | | | | | | | |
|--|----------|----------------|----------------|-------------------------------------|----------|--------|--------|
| | | | | or Floor rate of 8.55%, | | | |
| | | | | PIK Interest 1.10%, 9.25% | | | |
| | | | | Exit Fee | | | |
| Emma, Inc. ⁽¹⁷⁾⁽¹⁸⁾ | Software | Senior Secured | September 2022 | Interest rate 3-month LIBOR + 8.39% | \$37,037 | 35,793 | 36,062 |
| Evernote Corporation ⁽¹⁴⁾⁽¹⁷⁾⁽¹⁹⁾ | Software | Senior Secured | October 2020 | Interest rate PRIME + 5.45% | | | |
| | | | | or Floor rate of 8.95% | \$6,000 | 5,984 | 6,067 |
| | Software | Senior Secured | July 2021 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 9.50%, | | | |
| | | | | PIK Interest 1.25% | \$4,061 | 4,043 | 4,062 |
| | Software | Senior Secured | July 2022 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 9.50%, | | | |
| | | | | PIK Interest 1.25% | \$2,507 | 2,491 | 2,491 |
| Total Evernote Corporation | | | | | \$12,568 | 12,518 | 12,620 |
| Fuze, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾⁽¹⁶⁾⁽¹⁹⁾ | Software | Senior Secured | July 2021 | Interest rate PRIME + 3.70% | | | |
| | | | | or Floor rate of 7.95%, | | | |
| | | | | PIK Interest 1.55%, 3.55% | | | |
| | | | | Exit Fee | \$50,929 | 51,423 | 51,714 |
| Impact Radius Holdings, Inc. ⁽¹²⁾⁽¹⁴⁾ | Software | Senior Secured | December 2020 | Interest rate PRIME + 4.25% | | | |
| | | | | or Floor rate of 8.75%, | | | |
| | | | | PIK Interest 1.55%, 1.75% | | | |
| | | | | Exit Fee | \$10,152 | 10,214 | 10,171 |
| | Software | Senior Secured | December 2020 | Interest rate PRIME + 4.25% | \$2,006 | 2,006 | 1,996 |

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| | | | | | | | |
|---|----------|----------------|---------------|-------------------------------------|-----------|--------|--------|
| | | | | or Floor rate of 8.75%, | | | |
| | | | | PIK Interest 1.55% | | | |
| Total Impact Radius Holdings, Inc. | | | | | \$ 12,158 | 12,220 | 12,167 |
| Insurance Technologies Corporation ⁽¹⁷⁾ | Software | Senior Secured | March 2023 | Interest rate 3-month LIBOR + 7.75% | | | |
| | | | | or Floor rate of 8.75% | \$ 12,500 | 12,271 | 12,383 |
| Lightbend, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | August 2021 | Interest rate PRIME + 4.25% | | | |
| | | | | or Floor rate of 8.50%, | | | |
| | | | | PIK Interest 2.00% | \$ 11,122 | 10,963 | 10,965 |
| Lithium Technologies, Inc. ⁽¹⁷⁾ | Software | Senior Secured | October 2022 | Interest rate 3-month LIBOR + 8.00% | | | |
| | | | | or Floor rate of 9.00% | \$ 12,000 | 11,774 | 11,774 |
| Microsystems Holding Company, LLC ⁽¹³⁾⁽¹⁹⁾ | Software | Senior Secured | July 2022 | Interest rate 3-month LIBOR + 8.25% | | | |
| | | | | or Floor rate of 9.25% | \$ 12,000 | 11,846 | 11,931 |
| OneLogin, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | July 2021 | Interest rate PRIME + 5.95% | | | |
| | | | | or Floor rate of 10.70%, | | | |
| | | | | PIK Interest 2.00% | \$ 26,272 | 25,961 | 26,239 |
| Quid, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | February 2021 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 8.25%, | | | |
| | | | | PIK Interest 2.25%, 3.00% | | | |
| | | | | Exit Fee | \$ 8,446 | 8,609 | 8,627 |

See notes to consolidated financial statements.

14

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|----------------------------------|--------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| RapidMiner, Inc. (12)(14) | Software | Senior Secured | December 2020 | Interest rate PRIME + 5.50% or Floor rate of 9.75%, PIK Interest 1.65% | \$7,089 | \$7,070 | \$7,038 |
| Regent Education (14) | Software | Senior Secured | January 2021 | Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35% Exit Fee | \$3,162 | 3,185 | 1,987 |
| Salsa Labs, Inc. ⁽¹⁷⁾ | Software | Senior Secured | April 2023 | Interest rate 3-month LIBOR + 8.15% or Floor rate of 9.15% | \$6,000 | 5,889 | 5,889 |
| Signpost, Inc. ⁽¹⁴⁾ | Software | Senior Secured | February 2020 | Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%, 3.75% Exit | \$15,718 | 16,111 | 16,110 |

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| | | | | Fee | | | |
|-------------------------------------|---------------------|--------------------------|---------------|--|-----------|---------|---------|
| ThreatConnect, Inc. (14)(15)(19) | Software | Senior Secured | October 2022 | Interest rate PRIME + 4.95% | | | |
| | | | | or Floor rate of 9.95%, | | | |
| | | | | PIK Interest 1.05%, 2.20% Exit Fee | \$ 7,500 | 7,405 | 7,405 |
| Vela Trading Technologies (18) | Software | Senior Secured | July 2022 | Interest rate 3-month LIBOR + 10.50% | | | |
| | | | | or Floor rate of 10.50% | \$ 19,875 | 19,443 | 19,642 |
| Wrike, Inc. (13)(14)(19) | Software | Senior Secured | February 2021 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 9.50%, | | | |
| | | | | PIK Interest 2.00%, 3.00% Exit Fee | \$ 10,320 | 10,161 | 10,437 |
| YouEarnedIt (18) | Software | Senior Secured | July 2023 | Interest rate 1-month LIBOR + 8.66% | \$ 9,000 | 8,746 | 8,746 |
| ZocDoc (19) | Software | Senior Secured | August 2021 | Interest rate 3-month PRIME + 6.20% | | | |
| | | | | or Floor rate of 10.95%, 2.00% Exit Fee | \$ 30,000 | 29,953 | 30,093 |
| Subtotal: 1-5 Years | | | | | | | |
| Maturity | | | | | | 466,012 | 467,058 |
| Subtotal: Software (47.22%)* | | | | | | 473,160 | 474,206 |
| Surgical Devices | | | | | | | |
| Under 1 Year | | | | | | | |
| Maturity | | | | | | | |
| Gynesonics, Inc. (9)(14)(15) | Surgical Devices | Unsecured Convertible | May 2019 | PIK Interest 8.00% | \$ 144 | 144 | 181 |

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Debt

| | | | | | | | | |
|---|--------------------------------------|----------------|---------------|---|-----------|--------|--|--------|
| Subtotal: Under 1 Year Maturity | | | | | 144 | 181 | | |
| Subtotal: Surgical Devices (0.02%)* | | | | | 144 | 181 | | |
| Sustainable and Renewable Technology | | | | | | | | |
| Under 1 Year Maturity | | | | | | | | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾⁽¹⁴⁾⁽¹⁹⁾ | Sustainable and Renewable Technology | Senior Secured | August 2019 | Interest rate PRIME + 8.70% | | | | |
| | | | | or Floor rate of 12.95%, 5.00% Exit Fee | \$ 10,000 | 9,999 | | 9,999 |
| | Sustainable and Renewable Technology | Senior Secured | November 2018 | PIK Interest 10.00% | \$ 634 | 634 | | 634 |
| | Sustainable and Renewable Technology | Senior Secured | November 2018 | Interest rate PRIME + 10.70% | | | | |
| | | | | or Floor rate of 15.70%, | | | | |
| | | | | PIK Interest 2.00% | \$ 600 | 593 | | 593 |
| Total Solar Spectrum LLC | | | | | \$ 11,234 | 11,226 | | 11,226 |
| Subtotal: Under 1 Year Maturity | | | | | | 11,226 | | 11,226 |
| 1-5 Years Maturity | | | | | | | | |
| FuelCell Energy, Inc. ⁽¹²⁾ | Sustainable and Renewable Technology | Senior Secured | April 2020 | Interest rate PRIME + 5.40% | | | | |
| | | | | or Floor rate of 9.90%, 6.68% Exit Fee | \$ 13,091 | 13,176 | | 13,213 |
| | Sustainable and Renewable Technology | Senior Secured | April 2020 | Interest rate PRIME + 5.40% | | | | |
| | | | | or Floor rate of 9.90%, 8.50% Exit Fee | \$ 11,909 | 13,607 | | 13,615 |
| Total FuelCell Energy, Inc. | | | | | \$ 25,000 | 26,783 | | 26,828 |
| Impossible Foods, Inc. ⁽¹⁷⁾ | Sustainable and Renewable Technology | Senior Secured | July 2021 | Interest rate PRIME + 3.95% | \$ 30,000 | 29,692 | | 29,692 |

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| | | | | | | | |
|---|--|----------------|------------------|---|-----------|--------------|--------------|
| | | | | or Floor rate of 8.95%, 10.00% Exit Fee | | | |
| Metalysis Limited (5)(10) | Sustainable and Renewable Technology | Senior Secured | March 2021 | Interest rate PRIME + 5.00% | | | |
| | | | | or Floor rate of 9.25%, 6.95% Exit Fee | \$ 7,500 | 7,569 | 7,592 |
| Proterra, Inc. (11)(14) | Sustainable and Renewable Technology | Senior Secured | November 2020 | Interest rate PRIME + 3.70% | | | |
| | | | | or Floor rate of 7.95%, PIK Interest 1.75%, 5.95% Exit Fee | \$ 25,372 | 26,581 | 26,723 |
| | Sustainable and Renewable Technology | Senior Secured | November 2020 | Interest rate PRIME + 3.70% | | | |
| | | | | or Floor rate of 7.95%, PIK Interest 1.75%, 7.00% Exit Fee | \$ 5,074 | 5,329 | 5,343 |
| Total Proterra, Inc. | | | | | \$ 30,446 | 31,910 | 32,066 |
| Subtotal: 1-5 Years Maturity | | | | | | 95,954 | 96,178 |
| Subtotal: Sustainable and Renewable Technology (10.70%)* | | | | | | 107,180 | 107,404 |
| Total: Debt Investments (159.66%)* | | | | | | \$ 1,608,014 | \$ 1,603,275 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|--------------------------------|-----------------------------------|--------------------|------------|---------------------|----------------------|
| Equity Investments | | | | | | |
| Communications & Networking | | | | | | |
| GlowPoint, Inc. ⁽⁴⁾ | Communications & Networking | Equity | Common Stock | 114,192 | \$102 | \$19 |
| Peerless Network Holdings, Inc. | Communications & Networking | Equity | Preferred Series A | 1,135,000 | 1,229 | 6,395 |
| Subtotal: Communications & Networking (0.64%)* | | | | | 1,331 | 6,414 |
| Diagnostic | | | | | | |
| Singulex, Inc. | Diagnostic | Equity | Common Stock | 937,998 | 750 | 488 |
| Subtotal: Diagnostic (0.05%)* | | | | | 750 | 488 |
| Diversified Financial Services | | | | | | |
| Gibraltar Business Capital, LLC ⁽⁷⁾ | Diversified Financial Services | Equity | Common Stock | 830,000 | 1,884 | 1,874 |
| | Diversified Financial Services | Equity | Preferred Series A | 10,602,752 | 26,122 | 25,976 |
| Total Gibraltar Business Capital, LLC | | | | 11,432,752 | 28,006 | 27,850 |
| Subtotal: Diversified Financial Services (2.77%)* | | | | | 28,006 | 27,850 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾ | Drug Delivery | Equity | Common Stock | 54,240 | 108 | 209 |
| BioQ Pharma Incorporated ⁽¹⁵⁾ | Drug Delivery | Equity | Preferred Series D | 165,000 | 500 | 688 |
| Edge Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Equity | Common Stock | 49,965 | 309 | 41 |
| Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Delivery | Equity | Common Stock | 125,000 | 1,500 | 606 |
| Subtotal: Drug Delivery (0.15%)* | | | | | 2,417 | 1,544 |

Drug Discovery & Development

| | | | | | | |
|--|------------------------------|--------|--------------|-----------|--------|--------|
| Aveo Pharmaceuticals, Inc. (4)(10)(15) | Drug Discovery & Development | Equity | Common Stock | 1,901,791 | 1,715 | 6,774 |
| Axovant Sciences Ltd. (4)(5)(10)(16) | Drug Discovery & Development | Equity | Common Stock | 129,827 | 1,269 | 314 |
| Cerecor, Inc. (4) | Drug Discovery & Development | Equity | Common Stock | 119,087 | 1,000 | 556 |
| Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) (4) | Drug Discovery & Development | Equity | Common Stock | 13,550 | 1,000 | 13 |
| Dicerna Pharmaceuticals, Inc. (4) | Drug Discovery & Development | Equity | Common Stock | 142,858 | 1,000 | 2,180 |
| Dynavax Technologies (4)(10) | Drug Discovery & Development | Equity | Common Stock | 20,000 | 550 | 248 |
| Eidos Therapeutics, Inc. (4)(10) | Drug Discovery & Development | Equity | Common Stock | 15,000 | 255 | 150 |
| Genocea Biosciences, Inc. (4) | Drug Discovery & Development | Equity | Common Stock | 223,463 | 2,000 | 174 |
| Insmed, Incorporated (4) | Drug Discovery & Development | Equity | Common Stock | 70,771 | 1,000 | 1,284 |
| Melinta Therapeutics (4) | Drug Discovery & Development | Equity | Common Stock | 51,821 | 2,000 | 204 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (4)(10)(16) | Drug Discovery & Development | Equity | Common Stock | 76,362 | 2,744 | 741 |
| Rocket Pharmaceuticals, Ltd (p.k.a. Inotek Pharmaceuticals Corporation) (4) | Drug Discovery & Development | Equity | Common Stock | 944 | 1,500 | 23 |
| Tricida, Inc. (4) | Drug Discovery & Development | Equity | Common Stock | 105,260 | 2,000 | 3,217 |
| Subtotal: Drug Discovery & Development (1.58%)* | | | | | 18,033 | 15,878 |

Electronics & Computer Hardware

| | | | | | | |
|--|---------------------------------|--------|--------------|-------|----|----|
| Identiv, Inc. (4) | Electronics & Computer Hardware | Equity | Common Stock | 6,700 | 34 | 40 |
| Subtotal: Electronics & Computer Hardware (0.00%)* | | | | | 34 | 40 |

Information Services

| | | | | | | |
|---|----------------------|--------|--------------|---------|-------|--------|
| DocuSign, Inc. (4) | Information Services | Equity | Common Stock | 385,000 | 6,081 | 20,239 |
| Subtotal: Information Services (2.02%)* | | | | | 6,081 | 20,239 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|---------------------------------------|-----------------------------------|----------------------|-------------|---------------------|----------------------|
| Internet Consumer & Business Services | | | | | | |
| Blurb, Inc. | Internet Consumer & Business Services | Equity | Preferred Series B | 220,653 | \$ 175 | \$ 71 |
| Brigade Group, Inc. (p.k.a. Philotic, Inc.) | Internet Consumer & Business Services | Equity | Common Stock | 9,023 | 93 | — |
| Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾ | Internet Consumer & Business Services | Equity | Preferred Series C | 230,030 | 250 | 354 |
| | Internet Consumer & Business Services | Equity | Preferred Series D | 198,677 | 250 | 318 |
| Total Lightspeed POS, Inc. | | | | 428,707 | 500 | 672 |
| Nextdoor.com, Inc. | Internet Consumer & Business Services | Equity | Common Stock | 328,190 | 4,854 | 4,854 |
| OfferUp, Inc. | Internet Consumer & Business Services | Equity | Preferred Series A | 286,080 | 1,663 | 1,916 |
| | Internet Consumer & Business Services | Equity | Preferred Series A-1 | 108,710 | 632 | 728 |
| Total OfferUp, Inc. | | | | 394,790 | 2,295 | 2,644 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Equity | Preferred Series G | 218,351 | 250 | 294 |
| | Internet Consumer & Business Services | Equity | Preferred Series H | 87,802 | 250 | 243 |
| Total Oportun (p.k.a. Progress Financial) | | | | 306,153 | 500 | 537 |
| RazorGator Interactive Group, Inc. | Internet Consumer & Business Services | Equity | Preferred Series AA | 34,783 | 15 | — |
| Tectura Corporation ⁽⁷⁾ | Internet Consumer & Business Services | Equity | Common Stock | 414,994,863 | 900 | — |

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| | | | | | | |
|--|---------------------------------------|--------|-----------------------|-------------|-------|-------|
| | Internet Consumer & Business Services | Equity | Preferred Series BB | 1,000,000 | — | — |
| Total Tectura Corporation | | | | 415,994,863 | 900 | — |
| Subtotal: Internet Consumer & Business Services (0.87%)* | | | | | 9,332 | 8,778 |
| Media/Content/Info | | | | | | |
| Pinterest, Inc. | Media/Content/Info | Equity | Preferred Series Seed | 620,000 | 4,085 | 4,815 |
| Subtotal: Media/Content/Info (0.48%)* | | | | | 4,085 | 4,815 |
| Medical Devices & Equipment | | | | | | |
| AtriCure, Inc. ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 10,119 | 266 | 354 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Equity | Preferred Series AA | 221,893 | 1,500 | 27 |
| Gelesis, Inc. | Medical Devices & Equipment | Equity | Common Stock | 198,202 | — | 744 |
| | Medical Devices & Equipment | Equity | Preferred Series A-1 | 191,210 | 425 | 793 |
| | Medical Devices & Equipment | Equity | Preferred Series A-2 | 191,626 | 500 | 756 |
| Total Gelesis, Inc. | | | | 581,038 | 925 | 2,293 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series E | 136,798 | 250 | 31 |
| | Medical Devices & Equipment | Equity | Preferred Series F | 73,971 | 155 | 29 |
| | Medical Devices & Equipment | Equity | Preferred Series G | 163,934 | 500 | 90 |
| Total Medrobotics Corporation | | | | 374,703 | 905 | 150 |
| Optiscan Biomedical, Corp. ⁽⁶⁾ | Medical Devices & Equipment | Equity | Preferred Series B | 61,855 | 3,000 | 474 |
| | Medical Devices & Equipment | Equity | Preferred Series C | 19,273 | 655 | 137 |
| | Medical Devices & Equipment | Equity | Preferred Series D | 551,038 | 5,257 | 4,203 |
| | Medical Devices & Equipment | Equity | Preferred Series E | 311,989 | 2,609 | 3,061 |

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| | | | | | | |
|---|--------------------------------|--------|----------------------------|-----------|--------|--------|
| Total Optiscan Biomedical, Corp. | | | | 944,155 | 11,521 | 7,875 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Equity | Preferred Series B | 232,061 | 527 | 608 |
| Quanterix Corporation ⁽⁴⁾ | Medical Devices & Equipment | Equity | Common Stock | 84,778 | 1,000 | 1,817 |
| Subtotal: Medical Devices & Equipment (1.31%)* | | | | | 16,644 | 13,124 |
| Software | | | | | | |
| CapLinked, Inc. | Software | Equity | Preferred Series A-3 | 53,614 | 51 | 91 |
| Druva, Inc. | Software | Equity | Preferred Series 2 | 458,841 | 1,000 | 1,573 |
| | Software | Equity | Preferred Series 3 | 93,620 | 300 | 367 |
| Total Druva, Inc. | | | | 552,461 | 1,300 | 1,940 |
| HighRoads, Inc. | Software | Equity | Common Stock | 190 | 307 | — |
| NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾ | Software | Equity | Preferred Series E | 669,173 | 963 | 1,459 |
| Palantir Technologies | Software | Equity | Preferred Series E | 727,696 | 5,431 | 4,714 |
| | Software | Equity | Preferred Series G | 326,797 | 2,211 | 2,117 |
| Total Palantir Technologies | | | | 1,054,493 | 7,642 | 6,831 |
| Sprinklr, Inc. | Software | Equity | Common Stock | 700,000 | 3,749 | 4,023 |
| WildTangent, Inc. | Software | Equity | Preferred Series 3 | 100,000 | 402 | 181 |
| Subtotal: Software (1.45%)* | | | | | 14,414 | 14,525 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|--------------------------------------|-----------------------------------|--------------------|------------------|---------------------|----------------------|
| Surgical Devices | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Equity | Preferred Series B | 219,298 | \$250 | \$79 |
| | Surgical Devices | Equity | Preferred Series C | 656,538 | 282 | 123 |
| | Surgical Devices | Equity | Preferred Series D | 1,991,157 | 712 | 912 |
| | Surgical Devices | Equity | Preferred Series E | 2,786,367 | 429 | 684 |
| Total Gynesonics, Inc. | | | | 5,653,360 | 1,673 | 1,798 |
| Transmedics, Inc. | | | | | | |
| | Surgical Devices | Equity | Preferred Series B | 88,961 | 1,100 | 407 |
| | Surgical Devices | Equity | Preferred Series C | 119,999 | 300 | 548 |
| | Surgical Devices | Equity | Preferred Series D | 260,000 | 650 | 1,189 |
| | Surgical Devices | Equity | Preferred Series F | 100,200 | 500 | 458 |
| Total Transmedics, Inc. | | | | 569,160 | 2,550 | 2,602 |
| Subtotal: Surgical Devices (0.44%)* | | | | | 4,223 | 4,400 |
| Sustainable and Renewable Technology | | | | | | |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable Technology | Equity | Common Stock | 192 | 761 | — |
| Modumetal, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series C | 3,107,520 | 500 | 105 |
| Proterra, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series 5 | 99,280 | 500 | 494 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | Sustainable and Renewable | Equity | Common Stock | 288 | 61,502 | 8,704 |

| | | | |
|-----|--|-----------|-----------|
| (6) | Technology | | |
| | Subtotal: Sustainable and Renewable Technology (0.93%)* | 63,263 | 9,303 |
| | Total: Equity Investments (12.69%)* | \$168,613 | \$127,398 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|------------------------------|-----------------------------------|----------------------|-----------|---------------------|----------------------|
| Warrant Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| Labcyte, Inc. | Biotechnology Tools | Warrant | Preferred Series C | 1,127,624 | \$ 323 | \$ 558 |
| Subtotal: Biotechnology Tools (0.06%)* | | | | | 323 | 558 |
| Communications & Networking | | | | | | |
| Peerless Network Holdings, Inc. | Communications & Networking | Warrant | Common Stock | 3,328 | — | 15 |
| Spring Mobile Solutions, Inc. | Communications & Networking | Warrant | Common Stock | 2,834,375 | 418 | — |
| Subtotal: Communications & Networking (0.00%)* | | | | | 418 | 15 |
| Consumer & Business Products | | | | | | |
| Gadget Guard (p.k.a Antenna79) ⁽¹⁵⁾ | Consumer & Business Products | Warrant | Common Stock | 1,662,441 | 228 | — |
| Intelligent Beauty, Inc. | Consumer & Business Products | Warrant | Preferred Series B | 190,234 | 230 | 224 |
| The Neat Company | Consumer & Business Products | Warrant | Preferred Series C-1 | 540,540 | 365 | — |
| WHOOP, INC. | Consumer & Business Products | Warrant | Preferred Series C | 68,627 | 18 | 16 |
| Subtotal: Consumer & Business Products (0.02%)* | | | | | 841 | 240 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 176,730 | 786 | 222 |
| Agile Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 180,274 | 730 | 2 |
| BioQ Pharma Incorporated | Drug Delivery | Warrant | Common Stock | 459,183 | 1 | 798 |

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| | | | | | | |
|---|---------------|---------|--------------------|---------|-------|-------|
| Celsion Corporation ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 13,927 | 428 | — |
| Dance Biopharm, Inc. ⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 110,882 | 74 | — |
| Edge Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 78,595 | 390 | 14 |
| Kaleo, Inc. (p.k.a. Intelliject, Inc.) | Drug Delivery | Warrant | Preferred Series B | 82,500 | 594 | 1,794 |
| Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 70,833 | 285 | 9 |
| Pulmatrix Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 25,150 | 116 | — |
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 3,618 | 266 | — |
| Subtotal: Drug Delivery (0.28%)* | | | | | 3,670 | 2,839 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|------------------------------|-----------------------------------|--------------------|---------|---------------------|----------------------|
| Drug Discovery & Development | | | | | | |
| Acacia Pharma Inc. ⁽⁴⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 201,330 | \$ 304 | \$ 379 |
| ADMA Biologics, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 89,750 | 295 | 72 |
| Auris Medical Holding, AG ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 15,672 | 249 | — |
| Brickell Biotech, Inc. | Drug Discovery & Development | Warrant | Preferred Series C | 26,086 | 119 | 83 |
| Cerecor, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 22,328 | 70 | 28 |
| Chroma Therapeutics, Ltd. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Preferred Series D | 325,261 | 490 | — |
| Concert Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 132,069 | 545 | 442 |
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 29,239 | 165 | — |
| CytRx Corporation ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 105,694 | 160 | 6 |
| Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 17,190 | 369 | — |
| Dicerna Pharmaceuticals, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 200 | 28 | — |
| Evofem Biosciences, Inc. (p.k.a. Neothetics, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 7,806 | 266 | 13 |
| Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,009 | 142 | 1 |
| Genocea Biosciences, Inc. ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 403,136 | 431 | 143 |
| Immune Pharmaceuticals ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 10,742 | 164 | — |
| Melinta Therapeutics ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 40,545 | 626 | — |
| Motif BioSciences Inc. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾⁽¹⁵⁾ | | Warrant | | 73,452 | 282 | 190 |

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| | | | | | | |
|---|------------------------------|---------|--------------------|---------|-------|-------|
| | Drug Discovery & Development | | Common Stock | | | |
| Myovant Sciences, Ltd. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,710 | 460 | 1,085 |
| Neuralstem, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 5,783 | 77 | — |
| Ology Bioservices, Inc. (p.k.a. Nanotherapeutics, Inc.) ⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 171,389 | 838 | — |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾⁽¹⁶⁾ | Drug Discovery & Development | Warrant | Common Stock | 94,841 | 204 | 79 |
| Savara Inc. (p.k.a. Mast Therapeutics, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 32,467 | 203 | 121 |
| Sorrento Therapeutics, Inc. ⁽⁴⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 306,748 | 889 | 530 |
| Stealth Bio Therapeutics Corp. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Preferred Series A | 650,000 | 158 | 177 |
| Tricida, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 53,458 | 222 | 937 |
| uniQure B.V. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 37,174 | 218 | 665 |
| XOMA Corporation ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 9,063 | 279 | 6 |
| Subtotal: Drug Discovery & Development (0.49%)* | | | | | 8,253 | 4,957 |

Electronics & Computer Hardware

| | | | | | | |
|--|---------------------------------|---------|--------------------|--------|-----|----|
| 908 DEVICES INC. ⁽¹⁵⁾ | Electronics & Computer Hardware | Warrant | Preferred Series D | 79,856 | 100 | 75 |
| Subtotal: Electronics & Computer Hardware (0.01%)* | | | | | 100 | 75 |

Healthcare Services, Other

| | | | | | | |
|---|----------------------------|---------|--------------|---------|-----|-----|
| Chromadex Corporation ⁽⁴⁾ | Healthcare Services, Other | Warrant | Common Stock | 139,673 | 157 | 174 |
| Subtotal: Healthcare Services, Other (0.02%)* | | | | | 157 | 174 |

Information Services

| | | | | | | |
|---|----------------------|---------|--------------------|-----------|-----|-----|
| INMOBI Inc. ⁽⁵⁾⁽¹⁰⁾ | Information Services | Warrant | Common Stock | 65,587 | 82 | — |
| MDX Medical, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Common Stock | 2,812,500 | 283 | 275 |
| Netbase Solutions, Inc. | Information Services | Warrant | Preferred Series 1 | 60,000 | 356 | 407 |
| RichRelevance, Inc. | Information Services | Warrant | Preferred Series E | 112,612 | 98 | — |
| Subtotal: Information Services (0.07%)* | | | | | 819 | 682 |

See notes to consolidated financial statements.

20

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|---------------------------------------|-----------------------------------|----------------------|-----------|---------------------|----------------------|
| Internet Consumer & Business Services | | | | | | |
| Aria Systems, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series G | 231,535 | \$73 | \$— |
| Art.com, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series B | 311,005 | 66 | 14 |
| Blurb, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 234,280 | 636 | 26 |
| ClearObject, Inc. (p.k.a. CloudOne, Inc.) | Internet Consumer & Business Services | Warrant | Preferred Series E | 968,992 | 19 | 183 |
| Cloudpay, Inc. ⁽⁵⁾⁽¹⁰⁾ | Internet Consumer & Business Services | Warrant | Preferred Series B | 4,960 | 45 | 37 |
| Contentful, Inc. ⁽⁵⁾⁽¹⁰⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 82,185 | 1 | 1 |
| First Insight, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series B | 45,551 | 56 | 53 |
| Intent Media, Inc. | Internet Consumer & Business Services | Warrant | Common Stock | 140,077 | 168 | 246 |
| Interactions Corporation | Internet Consumer & Business Services | Warrant | Preferred Series G-3 | 68,187 | 204 | 420 |
| Just Fabulous, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series B | 206,184 | 1,101 | 3,070 |
| Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 245,610 | 20 | 166 |
| LogicSource | Internet Consumer & Business Services | Warrant | Preferred Series C | 79,625 | 30 | 40 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Warrant | Preferred Series G | 174,562 | 78 | 61 |
| Postmates, Inc. | Internet Consumer & Business Services | Warrant | Common Stock | 189,865 | 317 | 381 |
| RumbleON, Inc. ⁽⁴⁾ | Internet Consumer & Business Services | Warrant | Common Stock | 81,818 | 72 | 350 |
| ShareThis, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series C | 493,502 | 547 | — |
| Snagajob.com, Inc. | | Warrant | | 1,800,000 | 782 | 69 |

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| | | | | | | |
|--|---------------------------------------|---------|--------------------|-----------|-------|-------|
| | Internet Consumer & Business Services | | Preferred Series A | | | |
| | Internet Consumer & Business Services | Warrant | Preferred Series B | 173,076 | 8 | 4 |
| TotalSnagajob.com, Inc. | | | | 1,973,076 | 790 | 73 |
| Tapjoy, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series D | 748,670 | 316 | 35 |
| The Faction Group LLC | Internet Consumer & Business Services | Warrant | Preferred Series A | 8,703 | 234 | 431 |
| Thumbtack, Inc. | Internet Consumer & Business Services | Warrant | Common Stock | 102,821 | 124 | 133 |
| Xometry, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series B | 87,784 | 47 | 141 |
| Subtotal: Internet Consumer & Business Services (0.58%)* | | | | | 4,944 | 5,861 |

Media/Content/Info

| | | | | | | |
|--|--------------------|---------|--------------------|-----------|-------|-------|
| Machine Zone, Inc. | Media/Content/Info | Warrant | Common Stock | 1,552,710 | 1,960 | 2,402 |
| Napster (p.k.a. Rhapsody International, Inc.) | Media/Content/Info | Warrant | Common Stock | 715,755 | 383 | 87 |
| WP Technology, Inc. (Wattpad, Inc.) ⁽⁵⁾⁽¹⁰⁾ | Media/Content/Info | Warrant | Common Stock | 255,818 | 4 | 12 |
| Zoom Media Group, Inc. | Media/Content/Info | Warrant | Preferred Series A | 1,204 | 348 | 29 |
| Subtotal: Media/Content/Info (0.25%)* | | | | | 2,695 | 2,530 |

Medical Devices & Equipment

| | | | | | | |
|---|-----------------------------|---------|----------------------|-----------|-----|-----|
| Amedica Corporation ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 8,603 | 459 | — |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series B-1 | 112,858 | 455 | — |
| Avedro, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series AA | 300,000 | 401 | 449 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Warrant | Preferred Series AA | 155,325 | 362 | 1 |
| | Medical Devices & Equipment | Warrant | Preferred Series BB | 725,806 | 351 | 352 |
| Total Flowonix Medical Incorporated | | | | 881,131 | 713 | 353 |
| Gelesis, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 74,784 | 78 | 182 |
| InspireMD, Inc. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Medical Devices & Equipment | Warrant | Common Stock | 1,124 | 242 | — |
| Intuity Medical, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series 4 | 1,819,078 | 294 | 613 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series E | 455,539 | 370 | 38 |
| Micell Technologies, Inc. | Medical Devices & Equipment | Warrant | Preferred Series D-2 | 84,955 | 262 | 205 |

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| | | | | | | | |
|--|-----------------------------|---------|----------------------|---------|-------|-------|--|
| NetBio, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A | 7,841 | 408 | — | |
| NinePoint Medical, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 587,840 | 170 | 155 | |
| Optiscan Biomedical, Corp. (6) | Medical Devices & Equipment | Warrant | Preferred Series E | 74,424 | 573 | 290 | |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Warrant | Preferred Series A | 500,000 | 402 | 535 | |
| Quanterix Corporation (4) | Medical Devices & Equipment | Warrant | Common Stock | 66,039 | 204 | 539 | |
| Sebacia, Inc. | Medical Devices & Equipment | Warrant | Preferred Series D | 778,301 | 133 | 192 | |
| SonaCare Medical, LLC (p.k.a. US HIFU, LLC) | Medical Devices & Equipment | Warrant | Preferred Series A | 6,464 | 188 | — | |
| Tela Bio, Inc. | Medical Devices & Equipment | Warrant | Preferred Series B | 387,930 | 61 | 215 | |
| ViewRay, Inc. (4)(15) | Medical Devices & Equipment | Warrant | Common Stock | 128,231 | 333 | 419 | |
| Subtotal: Medical Devices & Equipment (0.42%)* | | | | | 5,746 | 4,185 | |

Semiconductors

| | | | | | | | |
|--|----------------|---------|----------------------|-----------|-----|-------|--|
| Achronix Semiconductor Corporation | Semiconductors | Warrant | Preferred Series C | 360,000 | 160 | 515 | |
| | Semiconductors | Warrant | Preferred Series D-2 | 750,000 | 99 | 771 | |
| Total Achronix Semiconductor Corporation | | | | 1,110,000 | 259 | 1,286 | |
| Aquantia Corp. (4) | Semiconductors | Warrant | Common Stock | 19,683 | 4 | 17 | |
| Subtotal: Semiconductors (0.13%)* | | | | | 263 | 1,303 | |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|--------------|-----------------------------------|--------------------------|-----------|---------------------|----------------------|
| Software | | | | | | |
| Actifio, Inc. | Software | Warrant | Common Stock | 73,584 | \$249 | \$ 113 |
| | Software | Warrant | Preferred Series F | 31,673 | 343 | 114 |
| Total Actifio, Inc. | | | | 105,257 | 592 | 227 |
| CareCloud Corporation ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 413,433 | 258 | 23 |
| Clickfox, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 539,818 | 167 | 19 |
| | Software | Warrant | Preferred Series C | 592,019 | 730 | 30 |
| | Software | Warrant | Preferred Series C-A | 2,218,214 | 231 | 314 |
| Total Clickfox, Inc. | | | | 3,350,051 | 1,128 | 363 |
| DNAnexus, Inc. | Software | Warrant | Preferred Series C | 909,091 | 97 | 84 |
| Evernote Corporation | Software | Warrant | Common Stock | 62,500 | 106 | 200 |
| Fuze, Inc. ⁽¹⁵⁾⁽¹⁶⁾ | Software | Warrant | Preferred Series F | 256,158 | 89 | — |
| Lightbend, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C-1 | 391,778 | 79 | 71 |
| Message Systems, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 503,718 | 334 | 502 |
| Neos, Inc. | Software | Warrant | Common Stock | 221,150 | 22 | — |
| NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾ | Software | Warrant | Preferred Series E | 225,586 | 33 | 225 |
| OneLogin, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 381,620 | 305 | 386 |
| Poplicus, Inc. | Software | Warrant | Common Stock | 132,168 | — | — |
| Quid, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series D | 71,576 | 1 | 5 |
| RapidMiner, Inc. | Software | Warrant | Preferred Series C-1 | 4,982 | 24 | 27 |
| RedSeal Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C-Prime | 640,603 | 66 | 39 |
| Signpost, Inc. | Software | Warrant | Preferred Series C | 324,005 | 314 | 157 |
| ThreatConnect, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 134,086 | 26 | 30 |
| Wrike, Inc. | Software | Warrant | Common Stock | 698,760 | 461 | 2,162 |
| Subtotal: Software (0.45%)* | | | | | 3,935 | 4,501 |

Specialty Pharmaceuticals

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| | | | | | | |
|--|------------------------------|---------|--------------------|-----------|-----|-----|
| Alimera Sciences, Inc. ⁽⁴⁾ | Specialty Pharmaceuticals | Warrant | Common Stock | 1,717,709 | 861 | 103 |
| Subtotal: Specialty Pharmaceuticals (0.01%)* | | | | | 861 | 103 |
| Surgical Devices | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Warrant | Preferred Series C | 180,480 | 74 | 30 |
| | Surgical Devices | Warrant | Preferred Series D | 1,575,965 | 321 | 411 |
| Total Gynesonics, Inc. | | | | 1,756,445 | 395 | 441 |
| Transmedics, Inc. | Surgical Devices | Warrant | Preferred Series D | 175,000 | 100 | 363 |
| | Surgical Devices | Warrant | Preferred Series F | 50,544 | 38 | — |
| Total Transmedics, Inc. | | | | 225,544 | 138 | 363 |
| Subtotal: Surgical Devices (0.08%)* | | | | | 533 | 804 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2018

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Series | Shares | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|--------------------------------------|-----------------------------------|----------------------|---------|---------------------|----------------------|
| Sustainable and Renewable Technology | | | | | | |
| Agrivida, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series D | 471,327 | \$ 120 | \$— |
| American Superconductor Corporation ⁽⁴⁾ | Sustainable and Renewable Technology | Warrant | Common Stock | 58,823 | 39 | 66 |
| Calera, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series C | 44,529 | 512 | — |
| Fluidic, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series D | 61,804 | 102 | — |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable Technology | Warrant | Common Stock | 5,310 | 181 | — |
| | Sustainable and Renewable Technology | Warrant | Preferred Series 2-A | 63 | 50 | — |
| Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | | | | 5,373 | 231 | — |
| Fulcrum Bioenergy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series C-1 | 280,897 | 274 | 434 |
| GreatPoint Energy, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series D-1 | 393,212 | 548 | — |
| Kinestral Technologies, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series A | 325,000 | 155 | 97 |
| | Sustainable and Renewable Technology | Warrant | Preferred Series B | 131,883 | 63 | 29 |
| Total Kinestral Technologies, Inc. | | | | 456,883 | 218 | 126 |

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| | | | | | | |
|---|--------------------------------------|---------|----------------------|-----------|-------------|-------------|
| Polyera Corporation ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series C | 311,609 | 338 | — |
| Proterra, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series 4 | 477,517 | 41 | 378 |
| Rive Technology, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series E | 234,477 | 13 | 12 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾ | Sustainable and Renewable Technology | Warrant | Class A Units | 0.69 | — | — |
| 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 | — |
| Subtotal: Sustainable and Renewable Technology (0.10%)* | | | | | 2,924 | 1,016 |
| Total: Warrant Investments (2.97%)* | | | | | 36,482 | 29,843 |
| Total Investments in Securities (175.32%)* | | | | | \$1,813,109 | \$1,760,516 |

* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Interest rate PRIME represents 5.25% at September 30, 2018. Daily LIBOR, 1-month LIBOR, 3-month LIBOR and 12-month LIBOR represent 2.17%, 2.26%, 2.40% and 2.92%, respectively, at September 30, 2018.
- (3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled \$42.0 million, \$102.4 million and \$60.4 million respectively. The tax cost of investments is \$1.8 billion.
- (4) Except for warrants in 39 publicly traded companies and common stock in 21 publicly traded companies, all investments are restricted at September 30, 2018 and were valued at fair value using Level 3 significant unobservable inputs 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.
- (5) Non-U.S. company or the company's principal place of business is outside the United States.
- (6) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the "1940 Act") in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (7) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
- (8) Debt is on non-accrual status at September 30, 2018, and is therefore considered non-income producing. Note that at September 30, 2018, only the \$10.7 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (9) Denotes that all or a portion of the debt investment is convertible debt.
- (10) Indicates assets that the Company deems not "qualifying assets" under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (11)

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- Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (14) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment company, or SBIC, subsidiary. On July 13, 2018, the Company completed repayment of the remaining outstanding Hercules Technology II, L.P., or HT II, debentures and subsequently surrendered the SBA license with respect to HT II.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at September 30, 2018.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at September 30, 2018. Refer to Note 10.
- (18) Denotes unitranche debt with first lien "last-out" senior secured position and security interest in all assets of the portfolio company whereby the "last-out" portion will be subordinated to the "first-out" portion in a liquidation, sale or other disposition.
- (19) Denotes second lien senior secured debt.

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|------------------------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|
| Debt Investments | | | | | | | |
| Biotechnology Tools | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Exicure, Inc. ⁽¹²⁾ | Biotechnology Tools | Senior Secured | September 2019 | Interest rate PRIME + 6.45% | | | |
| | | | | or Floor rate of 9.95%, 3.85% Exit Fee | \$4,999 | \$5,115 | \$5,146 |
| Subtotal: 1-5 Years Maturity | | | | | | 5,115 | 5,146 |
| Subtotal: Biotechnology Tools (0.61%)* | | | | | | 5,115 | 5,146 |
| Communications & Networking | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| OpenPeak, Inc. ⁽⁸⁾ | Communications & Networking | Senior Secured | April 2018 | Interest rate PRIME + 8.75% | | | |
| | | | | or Floor rate of 12.00% | \$11,464 | 8,228 | — |
| Subtotal: Under 1 Year Maturity | | | | | | 8,228 | — |
| Subtotal: Communications & Networking (0.00%)* | | | | | | 8,228 | — |
| Consumer & Business Products | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾ | Consumer & Business Products | Senior Secured | December 2018 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 9.50% | \$1,000 | 1,000 | 1,000 |
| Subtotal: Under 1 Year Maturity | | | | | | 1,000 | 1,000 |
| 1-5 Years Maturity | | | | | | | |

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| | | | | | | | |
|--|------------------------------------|-------------------|---------------|--|----------|--------|--------|
| Antenna79 (p.k.a. Pong Research Corporation) ⁽¹⁵⁾ | Consumer & Business Products | Senior Secured | December 2019 | Interest rate PRIME + 7.45% | | | |
| | | | | or Floor rate of 10.95%, 2.95% Exit Fee | \$18,440 | 18,580 | 18,571 |
| Second Time Around (Simplify Holdings, LLC) ⁽⁷⁾⁽⁸⁾⁽¹⁵⁾ | Consumer & Business Products | Senior Secured | February 2019 | Interest rate PRIME + 7.25% | | | |
| | | | | or Floor rate of 10.75%, 4.75% Exit Fee | \$1,746 | 1,781 | — |
| Subtotal: 1-5 Years Maturity | | | | | | 20,361 | 18,571 |
| Subtotal: Consumer & Business Products (2.33%)* | | | | | | 21,361 | 19,571 |
| Drug Delivery | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Agile Therapeutics, Inc. ⁽¹¹⁾ | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 9.00%, 3.70% Exit Fee | \$10,888 | 11,292 | 11,292 |
| Pulmatrix Inc. ⁽⁹⁾⁽¹¹⁾ | Drug Delivery | Senior Secured | July 2018 | Interest rate PRIME + 6.25% | | | |
| | | | | or Floor rate of 9.50%, 3.50% Exit Fee | \$3,259 | 3,455 | 3,455 |
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ⁽¹¹⁾ | Drug Delivery | Senior Secured | December 2018 | Interest rate PRIME + 2.70% | | | |
| | | | | or Floor rate of 7.95%, 2.87% Exit Fee | \$6,316 | 6,609 | 6,609 |
| Subtotal: Under 1 Year Maturity | | | | | | 21,356 | 21,356 |
| 1-5 Years Maturity | | | | | | | |
| AcelRx Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹⁵⁾ | Drug Delivery | Senior Secured | March 2020 | Interest rate PRIME + 6.05% | | | |
| | | | | or Floor rate of 9.55%, 11.69% Exit Fee | \$18,653 | 18,925 | 18,875 |
| Antares Pharma Inc. ⁽¹⁰⁾⁽¹⁵⁾ | Drug Delivery | Senior Secured | July 2022 | Interest rate PRIME + 4.50% | | | |
| | | | | or Floor rate of 9.00%, 4.25% Exit Fee | \$25,000 | 25,006 | 24,958 |
| Edge Therapeutics, Inc. ⁽¹²⁾ | Drug Delivery | Senior Secured | February 2020 | Interest rate PRIME + 4.65% | | | |
| | | | | or Floor rate of 9.15%, 4.95% Exit Fee | \$20,000 | 20,377 | 20,331 |
| Subtotal: 1-5 Years Maturity | | | | | | 64,308 | 64,164 |
| Subtotal: Drug Delivery (10.17%)* | | | | | | 85,664 | 85,520 |

See notes to consolidated financial statements.

24

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|------------------------------|-----------------------------------|---------------|--|------------------|---------------------|----------------------|
| Drug Discovery & Development | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| CytRx Corporation (11)(15) | Drug Discovery & Development | Senior Secured | August 2018 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 9.50%, 7.09% | | | |
| | | | | Exit Fee | \$9,986 | \$11,172 | \$11,172 |
| Epirus Biopharmaceuticals, Inc. ⁽⁸⁾ | Drug Discovery & Development | Senior Secured | April 2018 | Interest rate PRIME + 4.70% | | | |
| | | | | or Floor rate of 7.95%, 3.00% | | | |
| | | | | Exit Fee | \$3,027 | 3,310 | 340 |
| Subtotal: Under 1 Year Maturity | | | | | | 14,482 | 11,512 |
| 1-5 Years Maturity | | | | | | | |
| Auris Medical Holding, AG ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | January 2020 | Interest rate PRIME + 6.05% | | | |
| | | | | or Floor rate of 9.55%, 5.75% | | | |
| | | | | Exit Fee | \$10,341 | 10,610 | 10,563 |

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| | | | | | | | |
|--|------------------------------|----------------|----------------|-------------------------------|-----------|--------|--------|
| Aveo Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾ | Drug Discovery & Development | Senior Secured | July 2021 | Interest rate PRIME + 4.70% | | | |
| | | | | or Floor rate of 9.45%, 5.40% | | | |
| | | | | Exit Fee | \$ 10,000 | 10,345 | 10,344 |
| | Drug Discovery & Development | Senior Secured | July 2021 | Interest rate PRIME + 4.70% | | | |
| | | | | or Floor rate of 9.45%, 3.00% | | | |
| | | | | Exit Fee | \$ 10,000 | 9,918 | 9,915 |
| Total Aveo Pharmaceuticals, Inc. | | | | | \$ 20,000 | 20,263 | 20,259 |
| Axovant Sciences Ltd. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Senior Secured | March 2021 | Interest rate PRIME + 6.80% | | | |
| | | | | or Floor rate of 10.55% | | | |
| | | | | Exit Fee | \$ 55,000 | 53,631 | 53,448 |
| Brickell Biotech, Inc. ⁽¹²⁾ | Drug Discovery & Development | Senior Secured | September 2019 | Interest rate PRIME + 5.70% | | | |
| | | | | or Floor rate of 9.20%, 6.75% | | | |
| | | | | Exit Fee | \$ 6,090 | 6,380 | 6,361 |
| Chemocentryx, Inc. ⁽¹⁰⁾⁽¹⁵⁾⁽¹⁷⁾ | Drug Discovery & Development | Senior Secured | December 2021 | Interest rate PRIME + 3.30% | | | |
| | | | | or Floor rate of 8.05%, 6.25% | | | |
| | | | | Exit Fee | \$ 5,000 | 4,947 | 4,947 |
| Genocea Biosciences, Inc. ⁽¹¹⁾ | Drug Discovery & Development | Senior Secured | January 2019 | Interest rate | \$ 13,851 | 14,482 | 14,385 |

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| | | | | | | | |
|---|------------------------------------|-------------------|----------------|---|-----------|--------|--------|
| | Development | | | PRIME + 2.25% | | | |
| | | | | or Floor rate of 7.25%, 4.95% | | | |
| Inmed, Incorporated (11) | Drug Discovery & Development | Senior Secured | October 2020 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 9.25%, 4.86% | | | |
| | | | | Exit Fee | \$ 55,000 | 55,425 | 54,963 |
| Metuchen Pharmaceuticals LLC (12)(14) | Drug Discovery & Development | Senior Secured | October 2020 | Interest rate PRIME + 7.25% | | | |
| | | | | or Floor rate of 10.75%, | | | |
| | | | | PIK Interest 1.35%, 2.25% | | | |
| | | | | Exit Fee | \$ 25,561 | 25,721 | 25,643 |
| Motif BioSciences Inc. (15) | Drug Discovery & Development | Senior Secured | September 2021 | Interest rate PRIME + 5.50% | | | |
| | | | | or Floor rate of 10.00%, 2.15% | | | |
| | | | | Exit Fee | \$ 15,000 | 14,651 | 14,651 |
| Myovant Sciences, Ltd. (5)(10)(13)(17) | Drug Discovery & Development | Senior Secured | May 2021 | Interest rate PRIME + 4.00% | \$ 25,000 | 24,704 | 24,704 |
| | | | | or Floor rate of 8.25%, 6.55% | | | |

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|--|------------------------------|----------------|----------------|-------------------------------|-----------|--------|--------|
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽¹⁵⁾ | Drug Discovery & Development | Senior Secured | September 2020 | Exit Fee | | | |
| | | | | Interest rate PRIME + 2.75% | | | |
| | | | | or Floor rate of 8.50%, 4.50% | | | |
| | | | | Exit Fee | \$ 40,000 | 40,144 | 39,829 |
| | Drug Discovery & Development | Senior Secured | September 2020 | Interest rate PRIME + 2.75% | | | |
| | | | | or Floor rate of 8.50%, 4.50% | | | |
| | | | | Exit Fee | \$ 10,000 | 10,040 | 9,958 |
| | Drug Discovery & Development | Senior Secured | September 2020 | Interest rate PRIME + 2.75% | | | |
| | | | | or Floor rate of 8.50%, 2.25% | | | |
| | | | | Exit Fee | \$ 10,000 | 9,964 | 9,895 |
| Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) | | | | | \$ 60,000 | 60,148 | 59,682 |
| PhaseRx, Inc. ⁽¹⁵⁾ | Drug Discovery & Development | Senior Secured | December 2019 | Interest rate PRIME + 5.75% | | | |
| | | | | or Floor rate of 9.25%, 5.85% | | | |
| | | | | Exit Fee | \$ 4,694 | 4,842 | 1,917 |
| Stealth Bio Therapeutics Corp. (5)(10)(12) | Drug Discovery & Development | Senior Secured | January 2021 | Interest rate PRIME + 5.50% | \$ 15,000 | 14,898 | 14,847 |
| | | | | or Floor rate of 9.50%, | | | |

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| | | | | | | | |
|---|------------------------------------|-------------------|---------------|---|-----------|---------|---------|
| | | | | 5.00% | | | |
| | | | | Exit Fee | | | |
| uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾ | Drug Discovery & Development | Senior Secured | May 2020 | Interest rate PRIME + 3.00% | | | |
| | | | | or Floor rate of 8.25%, 5.48% | | | |
| | | | | Exit Fee | \$ 20,000 | 20,579 | 20,543 |
| Verastem, Inc. ⁽¹²⁾⁽¹⁷⁾ | Drug Discovery & Development | Senior Secured | December 2020 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 10.50%, 4.50% | | | |
| | | | | Exit Fee | \$ 5,000 | 4,957 | 4,910 |
| | Drug Discovery & Development | Senior Secured | December 2020 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 10.50%, 4.50% | | | |
| | | | | Exit Fee | \$ 5,000 | 4,996 | 4,949 |
| | Drug Discovery & Development | Senior Secured | December 2020 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 10.50%, 4.50% | | | |
| | | | | Exit Fee | \$ 5,000 | 4,953 | 4,907 |
| Total Verastem, Inc. | | | | | \$ 15,000 | 14,906 | 14,766 |
| Subtotal: 1-5 Years Maturity | | | | | | 346,187 | 341,679 |
| Subtotal: Drug Discovery & Development (42.00%)* | | | | | | 360,669 | 353,191 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|---------------------------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|
| Electronics & Computer Hardware | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| 908 DEVICES INC. ⁽¹⁵⁾ | Electronics & Computer Hardware | Senior Secured | September 2020 | Interest rate PRIME + 4.00% | | | |
| | | | | or Floor rate of 8.25%, 4.25% | | | |
| | | | | Exit Fee | \$ 10,000 | \$ 10,014 | \$ 9,887 |
| Subtotal: 1-5 Years Maturity | | | | | | 10,014 | 9,887 |
| Subtotal: Electronics & Computer Hardware (1.18%)* | | | | | | 10,014 | 9,887 |
| Healthcare Services, Other | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Medsphere Systems Corporation ⁽¹⁴⁾⁽¹⁵⁾ | Healthcare Services, Other | Senior Secured | February 2021 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 9.00%, | | | |
| | | | | PIK Interest 1.75% | \$ 17,607 | 17,437 | 17,437 |
| | | | | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 9.00%, | | | |
| | | | | PIK Interest 1.75% | \$ 5,009 | 4,963 | 4,963 |
| | | | | | \$ 22,616 | 22,400 | 22,400 |

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Total Medsphere Systems Corporation

| | | | | | | | |
|--|-------------------------------|-------------------|----------------|-----------------------------------|-----------|--------|--------|
| Oak Street Health (12) | Healthcare Services, Other | Senior Secured | September 2021 | Interest rate PRIME + 5.00% | | | |
| | | | | or Floor rate of 9.75%, 5.95% | | | |
| | | | | Exit Fee | \$ 20,000 | 19,965 | 19,965 |
| PH Group Holdings (13) | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% | | | |
| | | | | or Floor rate of 10.95% | \$ 20,000 | 19,878 | 19,803 |
| | Healthcare Services, Other | Senior Secured | September 2020 | Interest rate PRIME + 7.45% | | | |
| | | | | or Floor rate of 10.95% | \$ 10,000 | 9,922 | 9,840 |
| Total PH Group Holdings | | | | | \$ 30,000 | 29,800 | 29,643 |
| Subtotal: 1-5 Years Maturity | | | | | | 72,165 | 72,008 |
| Subtotal: Healthcare Services, Other (8.56%)* | | | | | | 72,165 | 72,008 |

Information Services

1-5 Years Maturity

| | | | | | | | |
|--|-------------------------|-------------------|---------------|-----------------------------------|----------|--------|--------|
| MDX Medical, Inc. (14)(15)(17) | Information Services | Senior Secured | December 2020 | Interest rate PRIME + 4.25% | | | |
| | | | | or Floor rate of 8.25%, | | | |
| | | | | PIK Interest 1.70% | \$ 7,568 | 7,369 | 7,327 |
| Netbase Solutions, Inc. (13)(14) | Information Services | Senior Secured | August 2020 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 10.00%, | | | |
| | | | | PIK Interest 2.00%, 3.00% | | | |
| | | | | Exit Fee | \$ 9,051 | 8,730 | 8,730 |
| Subtotal: 1-5 Years Maturity | | | | | | 16,099 | 16,057 |
| Subtotal: Information Services (1.91%)* | | | | | | 16,099 | 16,057 |

See notes to consolidated financial statements.

26

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---------------------------------------|---------------------------------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| Internet Consumer & Business Services | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| AppDirect, Inc. | Internet Consumer & Business Services | Senior Secured | January 2022 | Interest rate PRIME + 5.70% or Floor rate of 9.95%, 3.45% Exit Fee | \$10,000 | \$9,885 | \$9,885 |
| Aria Systems, Inc. (11)(14) | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%, 1.50% Exit Fee | \$2,103 | 2,104 | 1,803 |
| | Internet Consumer & Business Services | Senior Secured | June 2019 | Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%, 1.50% Exit Fee | \$18,832 | 18,839 | 16,144 |
| Total Aria Systems, Inc. | | | | | \$20,935 | 20,943 | 17,947 |
| Greenphire Inc. | | | January 2021 | | \$3,883 | 3,883 | 3,883 |

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| | | | | | | | |
|-----------------------------|---------------------------------------|----------------|--------------|-------------------------------------|----------|--------|--------|
| | Internet Consumer & Business Services | Senior Secured | | Interest rate 3-month LIBOR + 8.00% | | | |
| | | | | or Floor rate of 9.00% | | | |
| | Internet Consumer & Business Services | Senior Secured | January 2021 | Interest rate PRIME + 3.75% | | | |
| | | | | or Floor rate of 7.00% | \$ 1,000 | 1,000 | 1,000 |
| Total Greenphire Inc. | | | | | \$4,883 | 4,883 | 4,883 |
| Intent Media, Inc. (14)(15) | Internet Consumer & Business Services | Senior Secured | May 2019 | Interest rate PRIME + 5.25% | | | |
| | | | | or Floor rate of 8.75%, | | | |
| | | | | PIK Interest 1.00%, 2.00% Exit Fee | \$5,050 | 5,011 | 5,027 |
| | Internet Consumer & Business Services | Senior Secured | May 2019 | Interest rate PRIME + 5.50% | | | |
| | | | | or Floor rate of 9.00%, | | | |
| | | | | PIK Interest 2.35%, 2.00% Exit Fee | \$2,020 | 1,987 | 1,991 |
| | Internet Consumer & Business Services | Senior Secured | May 2019 | Interest rate PRIME + 5.50% | | | |
| | | | | or Floor rate of 9.00%, | | | |
| | | | | PIK Interest 2.50%, 2.00% Exit Fee | \$2,022 | 1,988 | 1,992 |
| Total Intent Media, Inc. | | | | | \$9,092 | 8,986 | 9,010 |
| Interactions Corporation | Internet Consumer & Business Services | Senior Secured | March 2021 | Interest rate 3-month LIBOR + | \$25,000 | 25,013 | 25,013 |

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|---|--|-------------------|--------------|---|----------|---------|---------|
| | | | | 8.60% | | | |
| | | | | or Floor rate of 9.85%, 1.75% Exit Fee | | | |
| LogicSource ⁽¹⁵⁾ | Internet Consumer & Business Services | Senior Secured | October 2019 | Interest rate PRIME + 6.25% | | | |
| | | | | or Floor rate of 9.75%, 5.00% Exit Fee | \$6,452 | 6,701 | 6,726 |
| Snagajob.com, Inc. ⁽¹³⁾⁽¹⁴⁾ | Internet Consumer & Business Services | Senior Secured | July 2020 | Interest rate PRIME + 5.15% | | | |
| | | | | or Floor rate of 9.15%, PIK Interest 1.95%, 2.55% Exit Fee | \$41,023 | 40,633 | 41,036 |
| Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁴⁾ | Internet Consumer & Business Services | Senior Secured | June 2021 | Interest rate FIXED 6.00%, PIK Interest 3.00% | \$20,298 | 20,298 | 19,219 |
| | Internet Consumer & Business Services | Senior Secured | June 2021 | PIK Interest 8.00% | \$11,015 | 240 | — |
| Total Tectura Corporation | | | | | \$31,313 | 20,538 | 19,219 |
| The Faction Group | Internet Consumer & Business Services | Senior Secured | January 2021 | Interest rate 3-month LIBOR + 9.25% | | | |
| | | | | or Floor rate of 10.25% | \$8,000 | 8,000 | 8,000 |
| | Internet Consumer & Business Services | Senior Secured | January 2019 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 8.25% | \$2,000 | 2,000 | 2,000 |
| Total The Faction Group | | | | | \$10,000 | 10,000 | 10,000 |
| Subtotal: 1-5 Years Maturity | | | | | | 147,582 | 143,719 |
| Subtotal: Internet Consumer & Business Services (17.09%)* | | | | | | 147,582 | 143,719 |

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| Media/Content/Info | | | | | | | | |
|--|--------------------|------------------|----------------|---|------------|-----------|---------|---------|
| Under 1 Year Maturity | | | | | | | | |
| Machine Zone, Inc. (14)(16) | Media/Content/Info | Senior Secured | May 2018 | Interest rate PRIME + 2.50% | | | | |
| | | | | or Floor rate of 6.75%, | | | | |
| | | | | PIK Interest 3.00% | \$ 106,986 | 106,641 | 106,641 | |
| Subtotal: Under 1 Year Maturity | | | | | | | 106,641 | 106,641 |
| 1-5 Years Maturity | | | | | | | | |
| Bustle (14)(15) | Media/Content/Info | Senior Secured | June 2021 | Interest rate PRIME + 4.10% | | | | |
| | | | | or Floor rate of 8.35%, | | | | |
| | | | | PIK Interest 1.95%, 1.95% Exit Fee | \$ 15,016 | 14,935 | 14,935 | |
| FanDuel, Inc. (9)(12)(14) | Media/Content/Info | Senior Secured | November 2019 | Interest rate PRIME + 7.25% | | | | |
| | | | | or Floor rate of 10.75%, 10.41% Exit Fee | \$ 19,354 | 19,762 | 19,695 | |
| | Media/Content/Info | Convertible Debt | September 2020 | PIK Interest 25.00% | \$ 1,000 | 1,000 | 1,000 | |
| Total FanDuel, Inc. | | | | | | \$ 20,354 | 20,762 | 20,695 |
| Subtotal: 1-5 Years Maturity | | | | | | | 35,697 | 35,630 |
| Subtotal: Media/Content/Info (16.92%)* | | | | | | | 142,338 | 142,271 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|---|-----------------------------|-----------------------------------|---------------|---|------------------|---------------------|----------------------|
| Medical Devices & Equipment | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Amedica Corporation ⁽⁹⁾⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | January 2018 | Interest rate PRIME + 7.70% | | | |
| | | | | or Floor rate of 10.95%, 8.25% Exit Fee | \$ 605 | \$ 2,255 | \$ 2,255 |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | October 2018 | Interest rate PRIME + 4.00% | | | |
| | | | | or Floor rate of 9.25%, 5.42% Exit Fee | \$ 2,527 | 2,848 | 2,848 |
| Subtotal: Under 1 Year Maturity | | | | | | 5,103 | 5,103 |
| 1-5 Years Maturity | | | | | | | |
| IntegenX, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% | | | |
| | | | | or Floor rate of 10.05%, 6.75% Exit Fee | \$ 12,500 | 13,042 | 12,991 |
| | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% | \$ 2,500 | 2,599 | 2,598 |

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| | | | | | | | |
|---|-----------------------------|----------------|-------------|---|----------|--------|--------|
| | | | | or Floor rate of 10.05%, 6.75% Exit Fee | | | |
| | Medical Devices & Equipment | Senior Secured | June 2019 | Interest rate PRIME + 6.05% | | | |
| | | | | or Floor rate of 10.05%, 9.75% Exit Fee | \$2,500 | 2,618 | 2,601 |
| Total IntegenX, Inc. | | | | | \$17,500 | 18,259 | 18,190 |
| Intuity Medical, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | June 2021 | Interest rate PRIME + 5.00% | | | |
| | | | | or Floor rate of 9.25%, 4.95% Exit Fee | \$17,500 | 17,013 | 17,013 |
| Micell Technologies, Inc. ⁽¹²⁾ | Medical Devices & Equipment | Senior Secured | August 2019 | Interest rate PRIME + 7.25% | | | |
| | | | | or Floor rate of 10.50%, 5.00% Exit Fee | \$5,469 | 5,744 | 5,708 |
| Quanta Fluid Solutions ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾ | Medical Devices & Equipment | Senior Secured | April 2020 | Interest rate PRIME + 8.05% | | | |
| | | | | or Floor rate of 11.55%, 5.00% Exit Fee | \$10,117 | 10,432 | 10,386 |
| Quanterix Corporation ⁽¹¹⁾ | Medical Devices & Equipment | Senior Secured | March 2019 | Interest rate PRIME + 2.75% | | | |
| | | | | or Floor rate of 8.00%, 4.00% Exit Fee | \$9,043 | 9,477 | 9,477 |
| Sebacia, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | July 2020 | Interest rate PRIME + 4.35% | \$8,000 | 7,927 | 7,919 |
| | | | | or Floor rate of 8.85%, | | | |

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|--|-----------------------------|----------------|---------------|--|----------|----------|--------|-------|
| | | | | 6.05% Exit Fee | | | | |
| Tela Bio, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Senior Secured | December 2020 | Interest rate PRIME + 4.95% | | | | |
| | | | | or Floor rate of 9.45%, 3.15% Exit Fee | \$ 5,000 | 4,991 | 4,973 | |
| Subtotal: 1-5 Years Maturity | | | | | | 73,843 | 73,666 | |
| Subtotal: Medical Devices & Equipment (9.37%)* | | | | | | 78,946 | 78,769 | |
| Semiconductors | | | | | | | | |
| 1-5 Years Maturity | | | | | | | | |
| Achronix Semiconductor Corporation ⁽¹⁵⁾⁽¹⁷⁾ | Semiconductors | Senior Secured | August 2020 | Interest rate PRIME + 7.00% | | | | |
| | | | | or Floor rate of 11.00%, 12.50% Exit Fee | \$ 5,000 | 5,084 | 5,100 | |
| | Semiconductors | Senior Secured | February 2019 | Interest rate PRIME + 6.00% | | | | |
| | | | | or Floor rate of 10.00% | \$ 4,274 | 4,274 | 4,273 | |
| Total Achronix Semiconductor Corporation | | | | | | \$ 9,274 | 9,358 | 9,373 |
| Subtotal: 1-5 Years Maturity | | | | | | 9,358 | 9,373 | |
| Subtotal: Semiconductors (1.11%)* | | | | | | 9,358 | 9,373 | |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|--------------|-----------------------------------|----------------|--|------------------|---------------------|----------------------|
| Software | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Clickfox, Inc. ⁽¹³⁾ | Software | Senior Secured | May 2018 | Interest rate PRIME + 8.00% or Floor rate of 11.50%, 12.01% Exit Fee | \$6,378 | \$7,671 | \$7,671 |
| Digital Train Limited (p.k.a. Jumpstart Games, Inc.) ⁽¹⁵⁾ | Software | Senior Secured | July 2018 | Interest rate 12-month LIBOR + 2.50% | \$5,671 | 5,671 | 4,073 |
| Subtotal: Under 1 Year Maturity | | | | | | 13,342 | 11,744 |
| 1-5 Years Maturity | | | | | | | |
| Clarabridge, Inc. ⁽¹²⁾⁽¹⁴⁾ | Software | Senior Secured | April 2021 | Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25% | \$40,893 | 40,870 | 41,063 |
| Emma, Inc. | Software | Senior Secured | September 2022 | Interest rate daily LIBOR + 7.75% or Floor rate of 8.75% | \$50,000 | 48,565 | 48,565 |
| Evernote Corporation ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾ | Software | Senior Secured | October 2020 | Interest rate PRIME + | \$6,000 | 5,974 | 6,100 |

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| | | | | | | | | |
|--|----------|----------------|---------------|-------------------------------------|-----------|--------|--------|--|
| | | | | 5.45% | | | | |
| | | | | or Floor rate of 8.95% | | | | |
| | Software | Senior Secured | July 2021 | Interest rate PRIME + 6.00% | | | | |
| | | | | or Floor rate of 9.50%, | | | | |
| | | | | PIK Interest 1.25% | \$ 4,023 | 3,999 | 3,992 | |
| Total Evernote Corporation | | | | | \$ 10,023 | 9,973 | 10,092 | |
| Fuze, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | July 2021 | Interest rate PRIME + 3.70% | | | | |
| | | | | or Floor rate of 7.95%, | | | | |
| | | | | PIK Interest 1.55%, 3.55% | | | | |
| | | | | Exit Fee | \$ 50,332 | 50,464 | 50,420 | |
| Impact Radius Holdings, Inc. ⁽¹⁴⁾⁽¹⁷⁾ | Software | Senior Secured | December 2020 | Interest rate PRIME + 4.25% | | | | |
| | | | | or Floor rate of 8.75%, | | | | |
| | | | | PIK Interest 1.55%, 1.75% | | | | |
| | | | | Exit Fee | \$ 7,544 | 7,552 | 7,498 | |
| Lithium Technologies, Inc. ⁽¹⁷⁾ | Software | Senior Secured | October 2022 | Interest rate 1-month LIBOR + 8.00% | | | | |
| | | | | or Floor rate of 9.00% | \$ 12,000 | 11,740 | 11,740 | |
| Microsystems Holding Company, LLC | Software | Senior Secured | July 2022 | Interest rate 3-month LIBOR + 8.25% | | | | |
| | | | | or Floor rate of 9.25% | \$ 12,000 | 11,821 | 11,821 | |
| OneLogin, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | August 2019 | Interest rate PRIME + 6.45% | \$ 15,883 | 15,811 | 16,071 | |

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| | | | | | | | |
|-----------------------------------|----------|----------------|---------------|--|-----------|--------|--------|
| | | | | or Floor rate of 9.95%, | | | |
| | | | | PIK Interest 3.25% | | | |
| PerfectServe, Inc. | Software | Senior Secured | April 2021 | Interest rate 3-month LIBOR + 9.00% | | | |
| | | | | or Floor rate of 10.00%, 2.50% | | | |
| | | | | Exit Fee | \$ 16,000 | 16,023 | 16,023 |
| | Software | Senior Secured | April 2021 | Interest rate 3-month LIBOR + 9.00% | | | |
| | | | | or Floor rate of 10.00%, 2.50% | | | |
| | | | | Exit Fee | \$ 4,000 | 4,005 | 4,005 |
| Total PerfectServe, Inc. | | | | | \$ 20,000 | 20,028 | 20,028 |
| Pollen, Inc. ⁽¹⁵⁾ | Software | Senior Secured | April 2019 | Interest rate PRIME + 4.25% | | | |
| | | | | or Floor rate of 8.50%, 4.00% | | | |
| | | | | Exit Fee | \$ 7,000 | 6,964 | 6,964 |
| Poplicus, Inc. ⁽⁸⁾⁽¹⁴⁾ | Software | Senior Secured | May 2022 | Interest rate FIXED 6.00%, | | | |
| | | | | PIK Interest 3.00% | \$ 1,250 | 1,250 | — |
| Quid, Inc. ⁽¹⁴⁾⁽¹⁵⁾ | Software | Senior Secured | October 2019 | Interest rate PRIME + 4.75% | | | |
| | | | | or Floor rate of 8.25%, | | | |
| | | | | PIK Interest 2.25%, 3.00% | | | |
| | | | | Exit Fee | \$ 8,303 | 8,397 | 8,430 |
| RapidMiner, Inc. ⁽¹⁴⁾ | Software | Senior Secured | December 2020 | Interest rate PRIME + 5.50% | \$ 7,001 | 6,971 | 6,971 |
| | | | | or Floor rate of 9.75%, | | | |

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| | | | | | | | |
|----------------------------------|----------|-------------------|---------------|--|-----------|--------|--------|
| | | | | PIK Interest 1.65% | | | |
| Regent Education ⁽¹⁴⁾ | Software | Senior Secured | January 2021 | Interest rate FIXED 10.00%, | | | |
| | | | | PIK Interest 2.00%, 6.35% | | | |
| | | | | Exit Fee | \$ 3,285 | 3,291 | 3,291 |
| Signpost, Inc. ⁽¹⁴⁾ | Software | Senior Secured | February 2020 | Interest rate PRIME + 4.15% | | | |
| | | | | or Floor rate of 8.15%, | | | |
| | | | | PIK Interest 1.75%, 3.75% | | | |
| | | | | Exit Fee | \$ 15,510 | 15,603 | 15,685 |
| Vela Trading Technologies | Software | Senior Secured | July 2022 | Interest rate daily LIBOR + 9.50% | | | |
| | | | | or Floor rate of 10.50% | \$ 20,000 | 19,495 | 19,557 |
| Wrike, Inc. ⁽¹⁴⁾⁽¹⁷⁾ | Software | Senior Secured | February 2021 | Interest rate PRIME + 6.00% | | | |
| | | | | or Floor rate of 9.50%, | | | |
| | | | | PIK Interest 2.00%, 3.00% | | | |
| | | | | Exit Fee | \$ 10,165 | 9,971 | 10,007 |
| ZocDoc | Software | Senior Secured | April 2021 | Interest rate 3-month LIBOR + 9.50% | | | |
| | | | | or Floor rate of 10.50%, 1.00% | | | |
| | | | | Exit Fee | \$ 20,000 | 20,011 | 20,011 |
| | Software | Senior Secured | November 2021 | Interest rate 3-month LIBOR + 9.50% | | | |
| | | | | or Floor rate of 10.50%, 1.00% | | | |
| | | | | Exit Fee | \$ 10,000 | 10,005 | 10,005 |

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| | | | |
|------------------------------|----------|---------|---------|
| Total ZocDoc | \$30,000 | 30,016 | 30,016 |
| Subtotal: 1-5 Years Maturity | | 318,782 | 318,219 |
| Subtotal: Software (39.24%)* | | 332,124 | 329,963 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment | Maturity Date | Interest Rate and Floor ⁽²⁾ | Principal Amount | Cost ⁽³⁾ | Value ⁽⁴⁾ |
|--|---------------------------|--------------------|---------------|---|------------------|---------------------|----------------------|
| Specialty Pharmaceuticals | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| Jaguar Animal Health, Inc. ⁽¹¹⁾ | Specialty Pharmaceuticals | Senior Secured | August 2018 | Interest rate PRIME + 5.65% or Floor rate of 9.90%, 7.00% Exit Fee | \$ 1,089 | \$ 1,496 | \$ 1,496 |
| Subtotal: Under 1 Year Maturity | | | | | | 1,496 | 1,496 |
| 1-5 Years Maturity | | | | | | | |
| Alimera Sciences, Inc. ⁽¹¹⁾⁽¹⁴⁾ | Specialty Pharmaceuticals | Senior Secured | November 2020 | Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00%, 4.00% Exit Fee | \$ 35,398 | 35,517 | 35,517 |
| Subtotal: 1-5 Years Maturity | | | | | | 35,517 | 35,517 |
| Subtotal: Specialty Pharmaceuticals (4.40%)* | | | | | | 37,013 | 37,013 |
| Surgical Devices | | | | | | | |
| 1-5 Years Maturity | | | | | | | |
| Transmedics, Inc. ⁽¹³⁾ | Surgical Devices | Senior Secured | February 2020 | Interest rate PRIME + | \$ 8,500 | 8,756 | 8,757 |

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| | | | | | | | |
|---|--------------------------------------|----------------|---------------|---|-----------|--------|--------|
| | | | | 5.30% | | | |
| | | | | or Floor rate of 9.55%, 6.70% Exit Fee | | | |
| Subtotal: 1-5 Years Maturity | | | | | 8,756 | 8,757 | |
| Subtotal: Surgical Devices (1.04%)* | | | | | 8,756 | 8,757 | |
| Sustainable and Renewable Technology | | | | | | | |
| Under 1 Year Maturity | | | | | | | |
| FuelCell Energy, Inc. ⁽¹²⁾ | Sustainable and Renewable Technology | Senior Secured | October 2018 | Interest rate PRIME + 5.50% | | | |
| | | | | or Floor rate of 9.50%, 8.50% Exit Fee | \$ 16,806 | 18,190 | 18,190 |
| Kinestral Technologies Inc. | Sustainable and Renewable Technology | Senior Secured | October 2018 | Interest rate 3-month LIBOR + 7.75% | | | |
| | | | | or Floor rate of 8.75%, 3.23% Exit Fee | \$ 3,867 | 3,882 | 3,882 |
| Subtotal: Under 1 Year Maturity | | | | | 22,072 | 22,072 | |
| 1-5 Years Maturity | | | | | | | |
| ChargePoint Inc. | Sustainable and Renewable Technology | Senior Secured | August 2020 | Interest rate 3-month LIBOR + 8.75% | | | |
| | | | | or Floor rate of 9.75%, 2.00% Exit Fee | \$ 19,394 | 19,416 | 19,416 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾ | Sustainable and Renewable Technology | Senior Secured | August 2019 | Interest rate PRIME + 8.70% | | | |
| | | | | or Floor rate of 12.95%, 4.50% Exit Fee | \$ 14,000 | 13,604 | 13,604 |
| Proterra, Inc. ⁽¹¹⁾⁽¹⁴⁾⁽¹⁷⁾ | Sustainable and Renewable Technology | Senior Secured | November 2020 | Interest rate PRIME + 3.70% | \$ 25,036 | 25,997 | 26,097 |

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or Floor rate
of 7.95%,

PIK Interest
1.75%,
5.95% Exit
Fee

| | | | | | | | |
|---|--|-------------------|---------------|---|-----------|-----------|-----------|
| | Sustainable and Renewable Technology | Senior Secured | November 2020 | Interest rate PRIME + 3.70% | | | |
| | | | | or Floor rate of 7.95%, | | | |
| | | | | PIK Interest 1.75%, 7.00% Exit Fee | \$ 5,007 | 5,173 | 5,190 |
| Total Proterra, Inc. | | | | | \$ 30,043 | 31,170 | 31,287 |
| Rive Technology, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Senior Secured | January 2019 | Interest rate PRIME + 6.20% | | | |
| | | | | or Floor rate of 9.45%, 4.00% Exit Fee | \$ 4,258 | 4,498 | 4,515 |
| Tendril Networks ⁽¹²⁾ | Sustainable and Renewable Technology | Senior Secured | June 2019 | Interest rate FIXED 9.25%, 8.50% Exit Fee | \$ 13,156 | 13,863 | 13,845 |
| Subtotal: 1-5 Years Maturity | | | | | | 82,551 | 82,667 |
| Subtotal: Sustainable and Renewable Technology (12.45%)* | | | | | | 104,623 | 104,739 |
| Total: Debt Investments (168.38%)* | | | | | | 1,440,055 | 1,415,984 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|--|------------------------------|---------------------------|--------------------|-----------|----------|--------------|
| Equity Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| NuGEN Technologies, Inc. (15) | Biotechnology Tools | Equity | Common Stock | 55,780 | \$ 500 | \$— |
| Subtotal: Biotechnology Tools (0.00%)* | | | | | 500 | — |
| Communications & Networking | | | | | | |
| Achilles Technology Management Co II, Inc. (7)(15) | Communications & Networking | Equity | Common Stock | 100 | 3,100 | 242 |
| GlowPoint, Inc. (4) | Communications & Networking | Equity | Common Stock | 114,192 | 102 | 41 |
| Peerless Network Holdings, Inc. | Communications & Networking | Equity | Preferred Series A | 1,000,000 | 1,000 | 5,865 |
| Subtotal: Communications & Networking (0.73%)* | | | | | 4,202 | 6,148 |
| Diagnostic | | | | | | |
| Singulex, Inc. | Diagnostic | Equity | Common Stock | 937,998 | 750 | 720 |
| Subtotal: Diagnostic (0.09%)* | | | | | 750 | 720 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. (4)(10) | Drug Delivery | Equity | Common Stock | 54,240 | 108 | 109 |
| BioQ Pharma Incorporated (15) | Drug Delivery | Equity | Preferred Series D | 165,000 | 500 | 826 |
| Edge Therapeutics, Inc. (4) | Drug Delivery | Equity | Common Stock | 49,965 | 309 | 468 |
| Neos Therapeutics, Inc. (4)(15) | Drug Delivery | Equity | Common Stock | 125,000 | 1,500 | 1,275 |
| Subtotal: Drug Delivery (0.32%)* | | | | | 2,417 | 2,678 |
| Drug Discovery & Development | | | | | | |
| Aveo Pharmaceuticals, Inc. (4)(10)(15) | Drug Discovery & Development | Equity | Common Stock | 1,901,791 | 1,715 | 5,315 |

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| | | | | | | |
|--|---------------------------------|--------|--------------|---------|--------|--------|
| Axovant Sciences Ltd. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Equity | Common Stock | 129,827 | 1,270 | 707 |
| Cerecor, Inc. ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 119,087 | 1,000 | 381 |
| Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 13,550 | 1,000 | 29 |
| Dicerna Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Equity | Common Stock | 142,858 | 1,000 | 1,290 |
| Dynavax Technologies ⁽⁴⁾⁽¹⁰⁾ | Drug Discovery & Development | Equity | Common Stock | 20,000 | 550 | 374 |
| Epirus Biopharmaceuticals, Inc. ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 200,000 | 1,000 | — |
| Genocea Biosciences, Inc. ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 223,463 | 2,000 | 259 |
| Inotek Pharmaceuticals Corporation ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 3,778 | 1,500 | 10 |
| Insmed, Incorporated ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 70,771 | 1,000 | 2,154 |
| Melinta Therapeutics ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 43,840 | 2,000 | 693 |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transept Pharmaceuticals, Inc.) ⁽⁴⁾ | Drug Discovery & Development | Equity | Common Stock | 76,362 | 2,743 | 1,367 |
| Subtotal: Drug Discovery & Development (1.50%)* | | | | | 16,778 | 12,579 |
| Electronics & Computer Hardware | | | | | | |
| Identiv, Inc. ⁽⁴⁾ | Electronics & Computer Hardware | Equity | Common Stock | 6,700 | 34 | 22 |
| Subtotal: Electronics & Computer Hardware (0.00%)* | | | | | 34 | 22 |
| Information Services | | | | | | |
| DocuSign, Inc. | Information Services | Equity | Common Stock | 385,000 | 6,081 | 8,011 |
| Subtotal: Information Services (0.95%)* | | | | | 6,081 | 8,011 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|--|---------------------------------------|---------------------------|-----------------------|-----------|----------|--------------|
| Internet Consumer & Business Services | | | | | | |
| Blurb, Inc. (15) | Internet Consumer & Business Services | Equity | Preferred Series B | 220,653 | \$175 | \$46 |
| Brigade Group, Inc. (p.k.a. Philotic, Inc.) | Internet Consumer & Business Services | Equity | Common Stock | 9,023 | 93 | — |
| Lightspeed POS, Inc. (5)(10) | Internet Consumer & Business Services | Equity | Preferred Series C | 230,030 | 250 | 233 |
| | Internet Consumer & Business Services | Equity | Preferred Series D | 198,677 | 250 | 213 |
| Total Lightspeed POS, Inc. | | | | 428,707 | 500 | 446 |
| OfferUp, Inc. | Internet Consumer & Business Services | Equity | Preferred Series A | 286,080 | 1,663 | 2,236 |
| | Internet Consumer & Business Services | Equity | Preferred Series A-1 | 108,710 | 632 | 850 |
| Total OfferUp, Inc. | | | | 394,790 | 2,295 | 3,086 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Equity | Preferred Series G | 218,351 | 250 | 451 |
| | Internet Consumer & Business Services | Equity | Preferred Series H | 87,802 | 250 | 255 |
| Total Oportun (p.k.a. Progress Financial) | | | | 306,153 | 500 | 706 |
| RazorGator Interactive Group, Inc. | Internet Consumer & Business Services | Equity | Preferred Series AA | 34,783 | 15 | 49 |
| Tectura Corporation (7) | Internet Consumer & Business Services | Equity | Preferred Series BB | 1,000,000 | — | — |
| Subtotal: Internet Consumer & Business Services (0.52%)* | | | | | 3,578 | 4,333 |
| Media/Content/Info | | | | | | |
| Pinterest, Inc. | Media/Content/Info | Equity | Preferred Series Seed | 620,000 | 4,085 | 5,055 |
| Subtotal: Media/Content/Info (0.60%)* | | | | | 4,085 | 5,055 |

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Medical Devices & Equipment

| | | | | | | |
|--|-----------------------------|--------|----------------------|------------|--------|--------|
| AtriCure, Inc. ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 7,536 | 266 | 138 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Equity | Preferred Series AA | 221,893 | 1,500 | — |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Common Stock | 198,202 | — | 879 |
| | Medical Devices & Equipment | Equity | Preferred Series A-1 | 191,210 | 425 | 939 |
| | Medical Devices & Equipment | Equity | Preferred Series A-2 | 191,626 | 500 | 894 |
| Total Gelesis, Inc. | | | | 581,038 | 925 | 2,712 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series E | 136,798 | 250 | 302 |
| | Medical Devices & Equipment | Equity | Preferred Series F | 73,971 | 155 | 225 |
| | Medical Devices & Equipment | Equity | Preferred Series G | 163,934 | 500 | 532 |
| Total Medrobotics Corporation | | | | 374,703 | 905 | 1,059 |
| Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾ | Medical Devices & Equipment | Equity | Preferred Series B | 6,185,567 | 3,000 | 402 |
| | Medical Devices & Equipment | Equity | Preferred Series C | 1,927,309 | 655 | 114 |
| | Medical Devices & Equipment | Equity | Preferred Series D | 55,103,923 | 5,257 | 4,232 |
| | Medical Devices & Equipment | Equity | Preferred Series E | 15,638,888 | 1,307 | 1,457 |
| Total Optiscan Biomedical, Corp. | | | | 78,855,687 | 10,219 | 6,205 |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Equity | Preferred Series B | 232,061 | 527 | 596 |
| Quanterix Corporation ⁽⁴⁾ | Medical Devices & Equipment | Equity | Common Stock | 84,778 | 1,000 | 1,820 |
| Subtotal: Medical Devices & Equipment (1.49%)* | | | | | 15,342 | 12,530 |
| Software | | | | | | |
| CapLinked, Inc. | Software | Equity | Preferred Series A-3 | 53,614 | 51 | 90 |
| Druva, Inc. | Software | Equity | Preferred Series 2 | 458,841 | 1,000 | 1,044 |
| | Software | Equity | Preferred Series 3 | 93,620 | 300 | 312 |
| Total Druva, Inc. | | | | 552,461 | 1,300 | 1,356 |
| ForeScout Technologies, Inc. ⁽⁴⁾ | Software | Equity | Common Stock | 199,844 | 529 | 6,373 |
| HighRoads, Inc. | Software | Equity | Common Stock | 190 | 307 | — |
| NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾ | Software | Equity | Preferred Series E | 669,173 | 963 | 1,544 |
| Palantir Technologies | Software | Equity | Preferred Series E | 727,696 | 5,431 | 4,923 |

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| | | | | | | |
|-----------------------------------|----------|--------|-----------------------|-----------|--------|--------|
| | Software | Equity | Preferred Series G | 326,797 | 2,211 | 2,211 |
| Total Palantir Technologies | | | | 1,054,493 | 7,642 | 7,134 |
| Sprinklr, Inc. | Software | Equity | Common Stock | 700,000 | 3,749 | 4,600 |
| WildTangent, Inc. ⁽¹⁵⁾ | Software | Equity | Preferred Series 3 | 100,000 | 402 | 179 |
| Subtotal: Software (2.53%)* | | | | | 14,943 | 21,276 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|--|--------------------------------------|---------------------------|--------------------|------------------|---------------|---------------|
| Surgical Devices | | | | | | |
| Gynesonics, Inc. (15) | Surgical Devices | Equity | Preferred Series B | 219,298 | \$250 | \$44 |
| | Surgical Devices | Equity | Preferred Series C | 656,538 | 282 | 60 |
| | Surgical Devices | Equity | Preferred Series D | 1,991,157 | 712 | 795 |
| | Surgical Devices | Equity | Preferred Series E | 2,786,367 | 429 | 521 |
| Total Gynesonics, Inc. | | | | 5,653,360 | 1,673 | 1,420 |
| Transmedics, Inc. | | | | | | |
| | Surgical Devices | Equity | Preferred Series B | 88,961 | 1,100 | 376 |
| | Surgical Devices | Equity | Preferred Series C | 119,999 | 300 | 309 |
| | Surgical Devices | Equity | Preferred Series D | 260,000 | 650 | 957 |
| | Surgical Devices | Equity | Preferred Series F | 100,200 | 500 | 531 |
| Total Transmedics, Inc. | | | | 569,160 | 2,550 | 2,173 |
| Subtotal: Surgical Devices (0.43%)* | | | | | 4,223 | 3,593 |
| Sustainable and Renewable Technology | | | | | | |
| Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.) | Sustainable and Renewable Technology | Equity | Common Stock | 19,250 | 761 | — |
| Modumetal, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series C | 3,107,520 | 500 | 477 |
| Proterra, Inc. | Sustainable and Renewable Technology | Equity | Preferred Series 5 | 99,280 | 500 | 539 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6) | Sustainable and Renewable Technology | Equity | Common Stock | 288 | 61,502 | 11,400 |
| Subtotal: Sustainable and Renewable Technology (1.48%)* | | | | | 63,263 | 12,416 |

| | | |
|-------------------------------------|---------|--------|
| Total: Equity Investments (10.63%)* | 136,196 | 89,361 |
|-------------------------------------|---------|--------|

See notes to consolidated financial statements.

33

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|---|------------------------------|---------------------------|----------------------|-----------|-------------|--------------|
| Warrant Investments | | | | | | |
| Biotechnology Tools | | | | | | |
| Labcyte, Inc. (15) | Biotechnology Tools | Warrant | Preferred Series C | 1,127,624 | \$323 | \$458 |
| Subtotal: Biotechnology Tools (0.05%)* | | | | | 323 | 458 |
| Communications & Networking | | | | | | |
| PeerApp, Inc. | Communications & Networking | Warrant | Preferred Series B | 298,779 | 61 | — |
| Peerless Network Holdings, Inc. | Communications & Networking | Warrant | Preferred Series A | 135,000 | 95 | 501 |
| Spring Mobile Solutions, Inc. | Communications & Networking | Warrant | Common Stock | 2,834,375 | 418 | — |
| Subtotal: Communications & Networking (0.06%)* | | | | | 574 | 501 |
| Consumer & Business Products | | | | | | |
| Antenna79 (p.k.a. Pong Research Corporation) (15) | Consumer & Business Products | Warrant | Common Stock | 1,662,441 | 228 | — |
| Intelligent Beauty, Inc. (15) | Consumer & Business Products | Warrant | Preferred Series B | 190,234 | 230 | 221 |
| The Neat Company (15) | Consumer & Business Products | Warrant | Preferred Series C-1 | 540,540 | 365 | — |
| Subtotal: Consumer & Business Products (0.03%)* | | | | | 823 | 221 |
| Drug Delivery | | | | | | |
| AcelRx Pharmaceuticals, Inc. (4)(10)(15) | Drug Delivery | Warrant | Common Stock | 176,730 | 786 | 61 |
| Agile Therapeutics, Inc. (4) | Drug Delivery | Warrant | Common Stock | 180,274 | 730 | 65 |
| BioQ Pharma Incorporated | Drug Delivery | Warrant | Common Stock | 459,183 | 1 | 968 |
| Celsion Corporation (4) | Drug Delivery | Warrant | Common Stock | 13,927 | 428 | — |
| Dance Biopharm, Inc. (15) | Drug Delivery | Warrant | | 110,882 | 74 | — |

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| | | | Common Stock | | | |
|--|---------------|---------|-----------------------|--------|-------|-------|
| Edge Therapeutics, Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 78,595 | 390 | 230 |
| Kaleo, Inc. (p.k.a. Intelliject, Inc.) | Drug Delivery | Warrant | Preferred Series B | 82,500 | 594 | 1,540 |
| Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Delivery | Warrant | Common Stock | 70,833 | 285 | 148 |
| Pulmatrix Inc. ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 25,150 | 116 | 4 |
| ZP Opco, Inc. (p.k.a. Zosano Pharma) ⁽⁴⁾ | Drug Delivery | Warrant | Common Stock | 72,379 | 266 | — |
| Subtotal: Drug Delivery (0.36%)* | | | | | 3,670 | 3,016 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|--|------------------------------|---------------------------|--------------------|---------|-------------|--------------|
| Drug Discovery & Development | | | | | | |
| ADMA Biologics, Inc. (4) | Drug Discovery & Development | Warrant | Common Stock | 89,750 | \$295 | \$12 |
| Anthera Pharmaceuticals, Inc. (4)(15) | Drug Discovery & Development | Warrant | Common Stock | 5,022 | 984 | — |
| Audentes Therapeutics, Inc. (4)(10)(15) | Drug Discovery & Development | Warrant | Common Stock | 9,914 | 62 | 147 |
| Auris Medical Holding, AG (4)(5)(10) | Drug Discovery & Development | Warrant | Common Stock | 156,726 | 249 | 19 |
| Brickell Biotech, Inc. | Drug Discovery & Development | Warrant | Preferred Series C | 26,086 | 119 | 93 |
| Cerecor, Inc. (4) | Drug Discovery & Development | Warrant | Common Stock | 22,328 | 70 | 15 |
| Chroma Therapeutics, Ltd. (5)(10) | Drug Discovery & Development | Warrant | Preferred Series D | 325,261 | 490 | — |
| Cleveland BioLabs, Inc. (4)(15) | Drug Discovery & Development | Warrant | Common Stock | 7,813 | 105 | 3 |
| Concert Pharmaceuticals, Inc. (4)(15) | Drug Discovery & Development | Warrant | Common Stock | 132,069 | 545 | 1,344 |
| CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) (4) | Drug Discovery & Development | Warrant | Common Stock | 29,239 | 165 | 2 |
| CytRx Corporation (4)(15) | Drug Discovery & Development | Warrant | Common Stock | 105,694 | 160 | 58 |
| Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) (4) | Drug Discovery & Development | Warrant | Common Stock | 17,190 | 369 | — |
| Dicerna Pharmaceuticals, Inc. (4)(15) | Drug Discovery & Development | Warrant | Common Stock | 200 | 28 | — |
| Epirus Biopharmaceuticals, Inc. (4) | Drug Discovery & Development | Warrant | Common Stock | 64,194 | 276 | — |
| Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) (4) | Drug Discovery & Development | Warrant | Common Stock | 73,009 | 142 | 29 |
| Genocea Biosciences, Inc. (4) | Drug Discovery & Development | Warrant | Common Stock | 73,725 | 266 | 4 |

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| | | | | | | |
|---|---------------------------------|---------|--------------------|---------|-------|-------|
| Immune Pharmaceuticals ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 10,742 | 164 | — |
| Melinta Therapeutics ⁽⁴⁾ | Drug Discovery & Development | Warrant | Common Stock | 31,655 | 626 | 12 |
| Motif BioSciences Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 73,452 | 282 | 414 |
| Myovant Sciences, Ltd. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 49,800 | 283 | 128 |
| Neothetics, Inc. (p.k.a. Lithera, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 46,838 | 266 | 53 |
| Neuralstem, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 5,783 | 77 | — |
| Ology Bioservices, Inc. (p.k.a. Nanotherapeutics, Inc.) ⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 171,389 | 838 | — |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 75,214 | 178 | 212 |
| PhaseRx, Inc. ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 63,000 | 125 | — |
| Savara Inc. (p.k.a. Mast Therapeutics, Inc.) ⁽⁴⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 32,467 | 203 | 8 |
| Sorrento Therapeutics, Inc. ⁽⁴⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 306,748 | 889 | 453 |
| Stealth Bio Therapeutics Corp. ⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Preferred Series A | 487,500 | 116 | 107 |
| uniQure B.V. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Drug Discovery & Development | Warrant | Common Stock | 37,174 | 218 | 240 |
| XOMA Corporation ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾ | Drug Discovery & Development | Warrant | Common Stock | 9,063 | 279 | 50 |
| Subtotal: Drug Discovery & Development (0.40%)* | | | | | 8,869 | 3,403 |
| Electronics & Computer Hardware | | | | | | |
| 908 DEVICES INC. ⁽¹⁵⁾ | Electronics & Computer Hardware | Warrant | Preferred Series D | 79,856 | 100 | 73 |
| Clustrix, Inc. | Electronics & Computer Hardware | Warrant | Common Stock | 50,000 | 12 | — |
| Subtotal: Electronics & Computer Hardware (0.01%)* | | | | | 112 | 73 |
| Healthcare Services, Other | | | | | | |
| Chromadex Corporation ⁽⁴⁾⁽¹⁵⁾ | Healthcare Services, Other | Warrant | Common Stock | 139,673 | 157 | 329 |
| Subtotal: Healthcare Services, Other (0.04%)* | | | | | 157 | 329 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|--|---------------------------------------|---------------------------|----------------------|------------------|-------------|--------------|
| Information Services | | | | | | |
| INMOBI Inc. ⁽⁵⁾⁽¹⁰⁾ | Information Services | Warrant | Common Stock | 65,587 | \$82 | \$— |
| InXpo, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Preferred Series C | 648,400 | 98 | 21 |
| | Information Services | Warrant | Preferred Series C-1 | 1,165,183 | 74 | 37 |
| Total InXpo, Inc. | | | | 1,813,583 | 172 | 58 |
| MDX Medical, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Common Stock | 2,250,000 | 246 | 129 |
| Netbase Solutions, Inc. | Information Services | Warrant | Preferred Series 1 | 60,000 | 356 | 363 |
| RichRelevance, Inc. ⁽¹⁵⁾ | Information Services | Warrant | Preferred Series E | 112,612 | 98 | — |
| Subtotal: Information Services (0.07%)* | | | | | 954 | 550 |
| Internet Consumer & Business Services | | | | | | |
| Aria Systems, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series G | 231,535 | 73 | — |
| Blurb, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 234,280 | 636 | 9 |
| ClearObject, Inc. (p.k.a. CloudOne, Inc.) | Internet Consumer & Business Services | Warrant | Preferred Series E | 968,992 | 18 | 154 |
| The Faction Group | Internet Consumer & Business Services | Warrant | Preferred Series A | 8,703 | 234 | 234 |
| Intent Media, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Common Stock | 140,077 | 168 | 207 |
| Interactions Corporation | Internet Consumer & Business Services | Warrant | Preferred Series G-3 | 68,187 | 204 | 204 |
| Just Fabulous, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series B | 206,184 | 1,102 | 2,627 |
| Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾ | | Warrant | | 245,610 | 20 | 93 |

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| | | | | | | |
|--|---------------------------------------|---------|----------------------|-----------|-------|-------|
| | Internet Consumer & Business Services | | Preferred Series C | | | |
| LogicSource ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 79,625 | 30 | 36 |
| Oportun (p.k.a. Progress Financial) | Internet Consumer & Business Services | Warrant | Preferred Series G | 174,562 | 78 | 196 |
| ShareThis, Inc. ⁽¹⁵⁾ | Internet Consumer & Business Services | Warrant | Preferred Series C | 493,502 | 547 | — |
| Snagajob.com, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series A | 1,800,000 | 782 | 1,257 |
| Tapjoy, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series D | 748,670 | 316 | 7 |
| TraceLink, Inc. | Internet Consumer & Business Services | Warrant | Preferred Series A-2 | 283,353 | 1,833 | 1,833 |
| Subtotal: Internet Consumer & Business Services (0.82%)* | | | | | 6,041 | 6,857 |
| Media/Content/Info | | | | | | |
| FanDuel, Inc. | Media/Content/Info | Warrant | Common Stock | 15,570 | — | — |
| | Media/Content/Info | Warrant | Preferred Series A | 4,648 | 730 | 1,875 |
| Total FanDuel, Inc. | | | | 20,218 | 730 | 1,875 |
| Machine Zone, Inc. ⁽¹⁶⁾ | Media/Content/Info | Warrant | Common Stock | 1,552,710 | 1,958 | 3,743 |
| Rhapsody International, Inc. ⁽¹⁵⁾ | Media/Content/Info | Warrant | Common Stock | 715,755 | 385 | 4 |
| WP Technology, Inc. (Wattpad, Inc.) ⁽⁵⁾⁽¹⁰⁾ | Media/Content/Info | Warrant | Common Stock | 255,818 | 4 | 17 |
| Zoom Media Group, Inc. | Media/Content/Info | Warrant | Preferred Series A | 1,204 | 348 | 33 |
| Subtotal: Media/Content/Info (0.67%)* | | | | | 3,425 | 5,672 |
| Medical Devices & Equipment | | | | | | |
| Amedica Corporation ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 8,603 | 459 | 1 |
| Aspire Bariatrics, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series B-1 | 112,858 | 455 | 65 |
| Avedro, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series AA | 300,000 | 401 | 275 |
| Flowonix Medical Incorporated | Medical Devices & Equipment | Warrant | Preferred Series AA | 155,325 | 362 | — |
| Gelesis, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 74,784 | 78 | 216 |
| InspireMD, Inc. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | Medical Devices & Equipment | Warrant | Common Stock | 39,364 | 242 | — |
| IntegenX, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series C | 547,752 | 15 | — |
| Intuity Medical, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series 4 | 1,819,078 | 294 | 294 |
| Medrobotics Corporation ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series E | 455,539 | 370 | 411 |

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| | | | | | | | |
|--|-----------------------------|---------|----------------------|------------|-------|-------|--|
| Micell Technologies, Inc. | Medical Devices & Equipment | Warrant | Preferred Series D-2 | 84,955 | 262 | 150 | |
| NetBio, Inc. | Medical Devices & Equipment | Warrant | Preferred Series A | 7,841 | 408 | 56 | |
| NinePoint Medical, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series A-1 | 587,840 | 170 | 82 | |
| Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series D | 10,535,275 | 1,252 | 86 | |
| Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.) | Medical Devices & Equipment | Warrant | Preferred Series A | 500,000 | 402 | 430 | |
| Quanterix Corporation ⁽⁴⁾ | Medical Devices & Equipment | Warrant | Common Stock | 66,039 | 205 | 536 | |
| Sebacia, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series D | 778,301 | 133 | 127 | |
| SonaCare Medical, LLC (p.k.a. US HIFU, LLC) | Medical Devices & Equipment | Warrant | Preferred Series A | 6,464 | 188 | — | |
| Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽⁴⁾ | Medical Devices & Equipment | Warrant | Common Stock | 13,864 | 401 | — | |
| Tela Bio, Inc. ⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Preferred Series B | 387,930 | 62 | 153 | |
| ViewRay, Inc. ⁽⁴⁾⁽¹⁵⁾ | Medical Devices & Equipment | Warrant | Common Stock | 128,231 | 333 | 414 | |
| Subtotal: Medical Devices & Equipment (0.39%)* | | | | | 6,492 | 3,296 | |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|--|----------------|---------------------------|----------------------|------------------|--------------|--------------|
| Semiconductors | | | | | | |
| Achronix Semiconductor Corporation ⁽¹⁵⁾ | Semiconductors | Warrant | Preferred Series C | 360,000 | \$ 160 | \$ 308 |
| | Semiconductors | Warrant | Preferred Series D-2 | 750,000 | 99 | 519 |
| Total Achronix Semiconductor Corporation | | | | 1,110,000 | 259 | 827 |
| Aquantia Corp. ⁽⁴⁾ | Semiconductors | Warrant | Common Stock | 19,683 | 4 | 11 |
| Avnera Corporation | Semiconductors | Warrant | Preferred Series E | 141,567 | 46 | 195 |
| Subtotal: Semiconductors (0.12%)* | | | | | 309 | 1,033 |
| Software | | | | | | |
| Actifio, Inc. | Software | Warrant | Common Stock | 73,584 | 249 | 84 |
| | Software | Warrant | Preferred Series F | 31,673 | 343 | 79 |
| Total Actifio, Inc. | | | | 105,257 | 592 | 163 |
| Braxton Technologies, LLC | Software | Warrant | Preferred Series A | 168,750 | 188 | — |
| CareCloud Corporation ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 413,433 | 258 | 113 |
| Clickfox, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series B | 1,038,563 | 330 | 129 |
| | Software | Warrant | Preferred Series C | 592,019 | 730 | 179 |
| | Software | Warrant | Preferred Series C-A | 2,218,214 | 230 | 4,458 |
| Total Clickfox, Inc. | | | | 3,848,796 | 1,290 | 4,766 |
| DNAexus, Inc. | Software | Warrant | Preferred Series C | 909,091 | 97 | 97 |
| Evernote Corporation ⁽¹⁵⁾ | Software | Warrant | Common Stock | 62,500 | 106 | 175 |
| Fuze, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series F | 256,158 | 89 | 53 |
| Mattersight Corporation ⁽⁴⁾ | Software | Warrant | Common Stock | 357,143 | 538 | 168 |
| Message Systems, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 503,718 | 334 | 639 |
| Mobile Posse, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C | 396,430 | 130 | 353 |
| Neos, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 221,150 | 22 | — |
| NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾ | Software | Warrant | Preferred Series E | 225,586 | 33 | 190 |
| OneLogin, Inc. ⁽¹⁵⁾ | Software | Warrant | Common Stock | 228,972 | 150 | 227 |
| PerfectServe, Inc. | Software | Warrant | Preferred Series C | 129,073 | 720 | 720 |
| Poplicus, Inc. | Software | Warrant | Common Stock | 132,168 | — | — |
| Quid, Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series D | 71,576 | 1 | 7 |

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| | | | | | | |
|--|---------------------------|---------|--------------------------|-----------|-------|-------|
| RapidMiner, Inc. | Software | Warrant | Preferred Series C-1 | 4,982 | 23 | 23 |
| RedSeal Inc. ⁽¹⁵⁾ | Software | Warrant | Preferred Series C-Prime | 640,603 | 66 | 44 |
| Signpost, Inc. | Software | Warrant | Preferred Series C | 324,005 | 314 | 106 |
| Wrike, Inc. | Software | Warrant | Common Stock | 698,760 | 462 | 1,040 |
| Subtotal: Software (1.06%)* | | | | | 5,413 | 8,884 |
| Specialty Pharmaceuticals | | | | | | |
| Alimera Sciences, Inc. ⁽⁴⁾ | Specialty Pharmaceuticals | Warrant | Common Stock | 1,717,709 | 861 | 488 |
| Subtotal: Specialty Pharmaceuticals (0.06%)* | | | | | 861 | 488 |
| Surgical Devices | | | | | | |
| Gynesonics, Inc. ⁽¹⁵⁾ | Surgical Devices | Warrant | Preferred Series C | 180,480 | 75 | 15 |
| | Surgical Devices | Warrant | Preferred Series D | 1,575,965 | 320 | 291 |
| Total Gynesonics, Inc. | | | | 1,756,445 | 395 | 306 |
| Transmedics, Inc. | Surgical Devices | Warrant | Preferred Series B | 40,436 | 225 | 16 |
| | Surgical Devices | Warrant | Preferred Series D | 175,000 | 100 | 429 |
| | Surgical Devices | Warrant | Preferred Series F | 50,544 | 38 | 60 |
| Total Transmedics, Inc. | | | | 265,980 | 363 | 505 |
| Subtotal: Surgical Devices (0.10%)* | | | | | 758 | 811 |

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

| Portfolio Company | Sub-Industry | Type of Investment (1) | Series | Shares | Cost (3) | Value (4) |
|---|--------------------------------------|---------------------------|----------------------|---------|----------|-----------|
| Sustainable and Renewable Technology | | | | | | |
| Agrivida, Inc. (15) | Sustainable and Renewable Technology | Warrant | Preferred Series D | 471,327 | \$ 120 | \$ 88 |
| Alphabet Energy, Inc. (15) | Sustainable and Renewable Technology | Warrant | Preferred Series 1B | 13,667 | 82 | — |
| American Superconductor Corporation (4) | Sustainable and Renewable Technology | Warrant | Common Stock | 58,823 | 39 | 7 |
| Brightsource Energy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series 1 | 116,666 | 104 | — |
| Calera, Inc. (15) | Sustainable and Renewable Technology | Warrant | Preferred Series C | 44,529 | 513 | — |
| EcoMotors, Inc. (15) | Sustainable and Renewable Technology | Warrant | Preferred Series B | 437,500 | 308 | — |
| Fluidic, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series D | 61,804 | 102 | — |
| 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 | 357 |

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| | | | | | | |
|---|--------------------------------------|---------|-----------------------|-----------|-------------|-------------|
| GreatPoint Energy, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series D-1 | 393,212 | 548 | — |
| Kinestral Technologies, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series A | 325,000 | 155 | 155 |
| | Sustainable and Renewable Technology | Warrant | Preferred Series B | 131,883 | 63 | 63 |
| Total Kinestral Technologies, Inc. | | | | 456,883 | 218 | 218 |
| Polyera Corporation ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series C | 311,609 | 338 | — |
| Proterra, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series 4 | 477,517 | 41 | 599 |
| Rive Technology, Inc. ⁽¹⁵⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series E | 234,477 | 12 | 8 |
| Stion Corporation ⁽⁶⁾ | Sustainable and Renewable Technology | Warrant | Preferred Series Seed | 2,154 | 1,378 | — |
| TAS Energy, Inc. | Sustainable and Renewable Technology | Warrant | Preferred Series AA | 428,571 | 299 | — |
| Tendril Networks | Sustainable and Renewable Technology | Warrant | Preferred Series 3-A | 1,019,793 | 189 | — |
| Subtotal: Sustainable and Renewable Technology (0.15%)* | | | | | 4,797 | 1,277 |
| Total: Warrant Investments (4.38%)* | | | | | 43,578 | 36,869 |
| Total Investments in Securities (183.39%)* | | | | | \$1,619,829 | \$1,542,214 |

* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Interest rate PRIME represents 4.50% at December 31, 2017. Daily LIBOR, 1-month LIBOR, 3-month LIBOR and 12-month LIBOR represent 1.44%, 1.57%, 1.69% and 2.11%, respectively, at December 31, 2017.
- (3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled \$32.5 million, \$119.7 million and \$87.2 million respectively. The tax cost of investments is \$1.6 billion.
- (4) Except for warrants in 43 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at December 31, 2017 and were valued at fair value using Level 3 significant unobservable inputs 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.
- (5) Non-U.S. company or the company's principal place of business is outside the United States.
- (6) Affiliate investment as defined under the 1940 Act in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (7) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.

- (8) Debt is on non-accrual status at December 31, 2017 and is therefore considered non-income producing. Note that at December 31, 2017, only the \$11.0 million PIK loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (9) Denotes that all or a portion of the debt investment is convertible debt.
- (10) Indicates assets that the Company deems not "qualifying assets" under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (11) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (14) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly owned SBIC subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at December 31, 2017.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at December 31, 2017. Refer to Note 10.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Description of Business and Basis of Presentation

Hercules Capital, Inc. (the “Company”) is a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a variety of technology, life sciences, and sustainable and renewable technology industries. The Company sources its investments through its principal office located in Palo Alto, CA, as well as through its additional offices in Boston, MA, New York, NY, Washington, DC, Hartford, CT, Westport, CT, Chicago, IL, and San Diego, CA. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). From incorporation through December 31, 2005, the Company was subject to tax as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended (the “Code”). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company (“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. On July 13, 2018, the Company completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II.

As an SBIC, HT III is subject to a variety of regulations concerning, among other things, the size and nature of the companies in which it 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 (“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 III holds approximately \$300.6 million in assets which accounts for approximately 13.6% of the Company’s total assets prior to consolidation at September 30, 2018.

The Company also established wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to hold portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities). By investing through these wholly owned subsidiaries, the Company is able to benefit from the tax treatment of these entities and create a tax structure that is more advantageous with respect to the Company's RIC status. These taxable subsidiaries are consolidated for financial reporting purposes and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), and the portfolio investments held by these taxable subsidiaries are included in the Company's consolidated financial statements and recorded at fair value. These taxable subsidiaries are not consolidated with Hercules for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments.

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. As provided under Regulation S-X and ASC 946, the Company will not consolidate its investment in a portfolio company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC Topic 946.

The accompanying consolidated interim financial statements have been prepared in conformity with U.S. GAAP for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim periods have been included. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the full fiscal year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2017. The year-end Consolidated Statement of Assets and Liabilities data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

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".

Revision of Previously Issued Financial Statements

It was determined that there was a misclassification in the previously issued quarterly consolidated financial statements of \$14.9 million in the distributions for the nine months ended September 30, 2017. The amount had been categorized as distributions of net investment income rather than distributions of realized gains and the components of net assets have been revised in the period to reflect the correct classification. In addition, the financial highlights in Note 9 have been updated to reclassify \$0.18 per share from distributions of net investment income to distributions of realized gains for the nine months ended September 30, 2017. The amounts reclassified are not material individually,

or in the aggregate, and there no impact on previously reported net assets, total distributions, and earnings per share for the nine months ended September 30, 2017.

Valuation of Investments

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

At September 30, 2018, approximately 96.6% 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 Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board of Directors may differ

significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

The Company may from time to time engage an independent valuation firm to provide the Company with valuation assistance with respect to certain portfolio investments. The Company engages independent valuation firms on a discretionary basis. Specifically, on a quarterly basis, the Company will identify portfolio investments with respect to which an independent valuation firm will assist in valuing. The Company selects these portfolio investments based on a number of factors, including, but not limited to, the potential for material fluctuations in valuation results, size, 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 Board of Directors are 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 Board of Directors have 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.

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

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Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of September 30, 2018 and as of December 31, 2017. The Company transfers investments in and out of Level 1, 2 and 3 as of the beginning of the period, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the nine months ended September 30, 2018, there were no transfers between Levels 1 or 2.

| (in thousands) | Balance | Quoted Prices In | | |
|---------------------|---------------------|----------------------------|------------------------------|--------------------------|
| | | Active Markets For | Significant Other Observable | Significant Unobservable |
| September 30, 2018 | September 30, 2018 | Identical Assets (Level 1) | Inputs (Level 2) | Inputs (Level 3) |
| Senior Secured Debt | \$ 1,588,228 | \$ — | \$ — | \$ 1,588,228 |
| Unsecured Debt | 15,047 | — | — | 15,047 |
| Preferred Stock | 67,509 | — | — | 67,509 |
| Common Stock | 59,889 | 39,202 | — | 20,687 |
| Warrants | 29,843 | — | 6,613 | 23,230 |
| Escrow Receivable | 1,095 | — | — | 1,095 |
| Total | \$ 1,761,611 | \$ 39,202 | \$ 6,613 | \$ 1,715,796 |

| (in thousands) | Balance | Quoted Prices In | | |
|---------------------|---------------------|----------------------------|------------------------------|--------------------------|
| | | Active Markets For | Significant Other Observable | Significant Unobservable |
| December 31, 2017 | December 31, 2017 | Identical Assets (Level 1) | Inputs (Level 2) | Inputs (Level 3) |
| Senior Secured Debt | \$ 1,415,984 | \$ — | \$ — | \$ 1,415,984 |
| Preferred Stock | 40,683 | — | — | 40,683 |
| Common Stock | 48,678 | 22,825 | — | 25,853 |
| Warrants | 36,869 | — | 5,664 | 31,205 |
| Escrow Receivable | 752 | — | — | 752 |
| Total | \$ 1,542,966 | \$ 22,825 | \$ 5,664 | \$ 1,514,477 |

The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2018 and the year ended December 31, 2017.

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| | Balance | Net Change in | Unrealized Appreciation | Net Change in | Gross | Gross | Balance | |
|-------------------|--------------------|--|---|-------------------------------------|------------------|--|--|-----------------------|
| (in thousands) | January 1, 2018 | Realized Gains (Losses) ⁽¹⁾ | (Depreciation) (Appreciation) ⁽²⁾ | Purchases ⁽³⁾ (Sales) | Repayments | Level 3 ⁽³⁾ Level 3 ⁽³⁾ | Level 3 ⁽³⁾ Level 3 ⁽³⁾ | September 30, 2018 |
| Senior Debt | \$1,415,984 | \$(13,295) | \$19,147 | \$662,149 | \$— | \$(495,757) | \$— | \$1,588,228 |
| Unsecured Debt | — | — | 185 | 20,533 | — | (5,671) | — | 15,047 |
| Preferred Stock | 40,683 | 2,059 | (469) | 27,483 | (2,247) | — | — | 67,509 |
| Common Stock | 25,853 | (3,299) | (802) | 7,615 | (301) | — | (8,379) | 20,687 |
| Warrants | 31,205 | (765) | (2,411) | 1,594 | (6,177) | — | (216) | 23,230 |
| Escrow Receivable | 752 | 78 | (143) | 892 | (484) | — | — | 1,095 |
| Total | \$1,514,477 | \$(15,222) | \$15,507 | \$720,266 | \$(9,209) | \$(501,428) | \$— | \$1,715,796 |

| | Balance | Net Change in | Unrealized Appreciation | Net Change in | Gross | Gross | Balance | |
|-------------------|--------------------|--|---|-------------------------------------|-------------------|--|--|----------------------|
| (in thousands) | January 1, 2017 | Realized Gains (Losses) ⁽¹⁾ | (Depreciation) (Appreciation) ⁽²⁾ | Purchases ⁽³⁾ (Sales) | Repayments | Level 3 ⁽⁴⁾ Level 3 ⁽⁴⁾ | Level 3 ⁽⁴⁾ Level 3 ⁽⁴⁾ | December 31, 2017 |
| Senior Debt | \$1,323,978 | \$(24,684) | \$29,610 | \$776,648 | \$— | \$(626,897) | \$(62,671) | \$1,415,984 |
| Preferred Stock | 39,418 | (7,531) | 11,955 | 2,683 | (468) | — | (5,374) | 40,683 |
| Common Stock | 10,965 | (487) | (49,462) | 3,748 | (1,582) | 62,671 | — | 25,853 |
| Warrants | 24,246 | 727 | 8,450 | 5,449 | (7,303) | — | (364) | 31,205 |
| Escrow Receivable | 1,382 | 261 | — | 3,127 | (4,018) | — | — | 752 |
| Total | \$1,399,989 | \$(31,714) | \$553 | \$791,655 | \$(13,371) | \$(626,897) | \$62,671 | \$1,514,477 |

- (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 nine months ended September 30, 2018 relate to the initial public offerings of DocuSign, Inc., and Tricida, Inc.
- (4) Transfers out of Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. Initial public offerings of ForeScout Technologies, Inc., Aquantia Corporation, and Quanterix Corporation, and merger of our former portfolio company Cempra, Inc. and current portfolio company Melinta Therapeutics, Inc. into NASDAQ-listed company Melinta Therapeutics, Inc. Transfers into Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.
- (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.

42

For the nine months ended September 30, 2018, approximately \$0.5 million in net unrealized depreciation and \$4.2 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 \$0.1 million in net unrealized depreciation and \$0.5 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, 2017, approximately \$4.2 million in net unrealized appreciation and \$49.2 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. The depreciation on common stock during the period reflects the conversion of the Company's debt investment in Sungevity, Inc. to common stock at cost through a bankruptcy transaction and subsequent depreciation to fair value. For the same period, approximately \$10.5 million in net unrealized depreciation and \$9.0 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

The following tables provide quantitative information about the Company's Level 3 fair value measurements as of September 30, 2018 and December 31, 2017. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

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

| Investment Type - Level | Fair Value at | | | |
|-------------------------|--------------------|------------------------------|---|---------------------------------|
| | September 30, 2018 | Valuation | Unobservable Input ⁽¹⁾ | Weighted Average ⁽²⁾ |
| Three Debt Investments | (in thousands) | Techniques/Methodologies | Unobservable Input ⁽¹⁾ | Range Average ⁽²⁾ |
| Pharmaceuticals | \$44,665 | Originated Within 4-6 Months | Origination Yield | 12.35% 12.41% |
| | | | | - |
| | 409,285 | Market Comparable Companies | Hypothetical Market Yield | 12.62% 10.49% 13.35% |
| | | | | - |
| | | | Premium/(Discount) | 16.06% (0.50%) |
| | | | | - |
| | 65 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 0.50% 100.00% |
| Technology | 147,638 | Originated Within 4-6 Months | Origination Yield | 10.92% 12.05% |
| | | | | - |
| | | | | 19.94% |
| | 496,084 | Market Comparable Companies | Hypothetical Market Yield | 10.19% 12.85% |
| | | | | - |

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| | | | | |
|---|--------------|---|---|------------------------------|
| | | | Premium/(Discount) | 15.72% 0% - 0.50% |
| | 1,987 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 50.00% |
| Sustainable and Renewable Technology | 6,996 | Originated Within 4-6 Months | Origination Yield | 12.50% 12.50% |
| | 78,701 | Market Comparable Companies | Hypothetical Market Yield | 11.29% 13.36% - 16.68% |
| Medical Devices | 37,964 | Originated Within 4-6 Months | Origination Yield | 12.31% 12.58% - |
| | 68,611 | Market Comparable Companies | Hypothetical Market Yield | 12.88% 10.23% 13.42% - |
| | | | Premium/(Discount) | 21.95% 0% - 1.00% |
| | 808 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 5.00% - |
| Lower Middle Market | 34,675 | Originated Within 4-6 Months | Origination Yield | 75.00% 13.67% 13.78% - |
| | 114,775 | Market Comparable Companies | Hypothetical Market Yield | 14.42% 9.25% 13.77% - |
| | | | Premium/(Discount) | 15.9% 0.00% - |
| | 19,672 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | 0.75% 10.00% - |
| | | | | 60.00% |
| Debt Investments Where Fair Value Approximates Cost | | | | |
| | 97,369 | Debt Investments originated within 3 months | | |
| | 43,980 | Debt Investments Maturing in Less than One Year | | |
| | \$ 1,603,275 | Total Level Three Debt Investments | | |

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

• Pharmaceuticals, above, is comprised of debt investments in the Healthcare Services - Other, Drug Discovery & Development, Drug Delivery and Biotechnology Tools industries in the Consolidated Schedule of Investments.

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

Sustainable and Renewable Technology, above, is comprised of debt investments in the Sustainable and Renewable Technology, Internet Consumer & Business Services, and Electronics & Computer Hardware industries in the Consolidated Schedule of Investments.

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

Lower Middle Market, above, is comprised of debt investments in the Healthcare Services - Other, Internet Consumer & Business Services, Diversified Financial Services, Sustainable and Renewable Technology, and Software industries in the Consolidated Schedule of Investments.

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

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

43

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| Investment Type - Level | Fair Value at | Valuation | | Weighted | |
|---------------------------|----------------------|-----------------------------|---|---------------|------------------------|
| | December 31, 2017 | Techniques/Methodologies | Unobservable Input ⁽¹⁾ | Range | Average ⁽²⁾ |
| Three Debt Investments | (in | Originated Within 6 Months | Origination Yield | 10.71% | |
| Pharmaceuticals | \$44,301 | | | - | 12.61% 11.89% |
| | 379,841 | Market Comparable Companies | Hypothetical Market Yield | 10.14% | |
| | | | Premium/(Discount) | - | 16.14% 12.94% |
| | | | | (0.25%) | |
| | 2,257 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | - | 0.75% |
| | | | | 100.00% | |
| Technology | 158,916 | Originated Within 6 Months | Origination Yield | 9.4% | |
| | | | | - | 25.11% 11.68% |
| | 290,561 | Market Comparable Companies | Hypothetical Market Yield | 9.47% | |
| | | | Premium/(Discount) | - | 19.21% 13.55% |
| | | | | (0.25%) | |
| | 22,020 | Liquidation ⁽³⁾ | Probability weighting of alternative outcomes | - | 1.00% |
| | | | | 5.00% | |
| Sustainable and Renewable | 33,020 | Originated Within 6 Months | Origination Yield | - | 11.97% |
| Technology | 49,647 | Market Comparable Companies | Hypothetical Market Yield | 20.06% 15.31% | |
| | | | Premium/(Discount) | - | 11.15% |
| | | | | 14.16% 12.13% | |
| | | | | 0.00% | |
| Medical Devices | 17,013 | Originated Within 6 Months | Origination Yield | - | 13.49% 13.49% |
| | 89,869 | Market Comparable Companies | Hypothetical Market Yield | 9.66% | |
| | | | Premium/(Discount) | - | 17.57% 12.28% |
| | | | | 0.00% | |
| | | | | - | 0.50% |
| Lower Middle Market | 97,291 | Originated Within 6 Months | Origination Yield | 8.29% | 12.01% |
| | | | | - | |

| | | | |
|-------------|---|---|---------|
| | | | 12.68% |
| 19,219 | Liquidation ⁽³⁾ | | 10.00% |
| | | Probability weighting of alternative outcomes | - |
| | | | 100.00% |
| | Debt Investments Where Fair Value Approximates Cost | | |
| 35,517 | Imminent Payoffs ⁽⁴⁾ | | |
| 176,512 | Debt Investments Maturing in Less than One Year | | |
| \$1,415,984 | Total Level Three Debt Investments | | |

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

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

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

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

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

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

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

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

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

| Investment Type - Level Three | Fair Value at September 30, 2018 (in thousands) | Valuation Techniques/ Methodologies | Unobservable Input (¹) Range | Weighted Average (⁶) |
|--------------------------------|--|---|--|---|
| Equity and Warrant Investments | \$ 37,796 | Market Comparable Companies | EBITDA Multiple (²) 7.9x - 28.3x | 9.1x |
| Equity Investments | | | Revenue Multiple (²) 0.6x - 12.2x | 4.1x |
| | | | Discount for Lack of Marketability (³) 24.85% | 18.43% |
| | | | Average Industry Volatility (⁴) 35.88% - 98.87% | 63.72% |
| | | | Risk-Free Interest Rate 2.53% - 2.67% | 2.63% |
| | | | Estimated Time to Exit (in months) 11 - 17 | 15 |
| | 17,070 | Market Adjusted OPM Backsolve | Market Equity Adjustment (⁵) (85.76%) - 72.83% | 21.14% |
| | | | Average Industry Volatility (⁴) 36.12% - 98.52% | 79.65% |
| | | | Risk-Free Interest Rate 0.96% - 2.74% | 2.05% |
| | | | Estimated Time to Exit (in months) 11 - 47 | 14 |
| | 8,704 | Liquidation | EBITDA Multiple (²) 11.4x | 11.4x |
| | | | Revenue Multiple (²) 1.6x - 1.8x | 1.7x |
| Warrant Investments | 24,626 | Other(⁷) | | |
| | 16,777 | Market Comparable Companies | EBITDA Multiple (²) 7.7x - 24.3x | 13.2x |
| | | | Revenue Multiple (²) 0.3x - 8.9x | 5.1x |
| | | | Discount for Lack of Marketability (³) 27.01% | 18.14% |
| | | | Average Industry Volatility (⁴) 35.88% - 98.87% | 62.23% |
| | | | Risk-Free Interest Rate 2.53% - 2.91% | 2.64% |
| | | | Estimated Time to Exit (in months) 11 - 47 | 17 |
| | 6,227 | Market Adjusted OPM Backsolve | Market Equity Adjustment (⁵) (82.94%) - 231.78% | 21.28% |
| | | | Average Industry Volatility (⁴) 36.12% - 107.96% | 78.12% |
| | | | Risk-Free Interest Rate 0.97% - 2.74% | 2.18% |

| | 226 | Other ⁽⁷⁾ |
|--------------------------------|------------|----------------------|
| Total Level Three | | |
| Warrant and Equity Investments | \$ 111,426 | |

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

| Investment Type - Level Three | Fair Value at | Valuation Techniques/ | | | Weighted Average (6) |
|--------------------------------|----------------------|----------------------------------|---|---------------------------------|----------------------------|
| | December 31, 2017 | (in thousands) | Methodologies | Unobservable Input (1) Range | |
| Equity and Warrant Investments | \$ 7,684 | Market Comparable Companies | EBITDA Multiple (2) | 5.1x - 40.2x | 13.2x |
| | | | Revenue Multiple (2) | 0.5x - 6.2x | 2.9x |
| | | | Discount for Lack of Marketability (3) | 7.49% - 12.97% | 8.77% |
| | | | Average Industry Volatility (4) | 27.8% - 77.3% | 53.35% |
| | | | Risk-Free Interest Rate | 1.40% - 1.90% | 1.47% |
| | | | Estimated Time to Exit (in months) | 3 - 10 | 5 |
| | 19,323 | Market Adjusted OPM Backsolve | Market Equity Adjustment (5) | (16.43%) - 29.4% | 11.79% |
| | | | Average Industry Volatility (4) | 33.17% - 78.77% | 68.99% |
| | | | Risk-Free Interest Rate | 0.84% - 1.51% | 1.42% |
| | | | Estimated Time to Exit (in months) | 5 - 26 | 13 |
| | 39,529 | Other (7) | | | |
| Warrant Investments | 19,310 | Market Comparable Companies | EBITDA Multiple (2) | 5x - 40.2x | 14.6x |
| | | | Revenue Multiple (2) | 0.5x - 6.4x | 2.6x |
| | | | Discount for Lack of Marketability (3) | 5.16% - 27.41% | 13.57% |
| | | | Average Industry Volatility (4) | 27.8% - 102.77% | 55.15% |
| | | | Risk-Free Interest Rate | 1.31% - 2.09% | 1.66% |
| | | | Estimated Time to Exit (in months) | 2 - 48 | 13 |
| | 6,713 | Market Adjusted OPM Backsolve | Market Equity Adjustment (5) | (68.52%) - 154.5% | 11.76% |
| | | | Average Industry Volatility (4) | 33.17% - 110.32% | 66.97% |
| | | | Risk-Free Interest Rate | 0.96% - 2.09% | 1.59% |
| | | | Estimated Time to Exit (in months) | 5 - 48 | 20 |

5,182 Other ⁽⁷⁾

Total Level Three

Warrant and Equity Investments \$ 97,741

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

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 investment and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

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

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

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

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

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

Equity-Related Securities and Warrants

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

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

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

Escrow Receivables

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of September 30, 2018, there were no material past due escrow receivables.

Portfolio Composition

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

The following table summarizes the Company’s realized gains and losses and changes in unrealized appreciation and depreciation on control and affiliate investments for the three and nine months ended September 30, 2018 and 2017.

| (in thousands) | | For the Three Months Ended September 30, 2018 | | | | | For the Nine Months Ended September 30, 2018 | | | | |
|--|-----------|--|--------------------|---------------|---|-------------------------|---|---------------|---|-------------------------|------------|
| | | Fair Value at September 30, 2018 | Interest Income | Fee Income | Net Change in Unrealized (Depreciation/ Appreciation) | Realized Gain/(Loss) | Interest Income | Fee Income | Net Change in Unrealized (Depreciation/ Appreciation) | Realized Gain/(Loss) | |
| Portfolio Company | Type | | | | | | | | | | |
| Control Investments | | | | | | | | | | | |
| Achilles Technology Management Co II, Inc. | Control | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$ 2,858 | \$(2,900) |
| Gibraltar Business Capital, LLC | Control | 42,715 | 445 | 1 | (9) | — | 945 | 1 | (9) | — | |
| Second Time Around (Simplify Holdings, LLC) | Control | — | — | — | — | — | — | — | 1,781 | (1,743) | |
| Tectura Corporation | Control | 19,672 | 476 | — | 387 | — | 1,403 | — | (915) | 335 | |
| Total Control Investments | | \$ 62,387 | \$ 921 | \$ 1 | \$ 378 | \$— | \$ 2,348 | \$ 1 | \$ 3,715 | \$(4,308) | |
| Affiliate Investments | | | | | | | | | | | |
| Optiscan BioMedical, Corp. | Affiliate | \$ 8,165 | \$— | \$— | \$ 837 | — | \$— | \$— | \$ 1,252 | \$(680) | |
| Solar Spectrum Holdings LLC (p.k.a. | Affiliate | 19,930 | 509 | 71 | (2,205) | — | 1,570 | 263 | (2,696) | — | |

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| | | For the Three Months Ended September 30, 2017 | | | | | For the Nine Months Ended September 30, 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|------|---|-----------------|--------------------------|---------------------------|----------------------|--|------------|---------------------------|----------------------|------------|--|--|---|--|--|--|--|--|--|--|--|--|--|--|---------------|--|--------------------------|--|--|--------------------------|--|--|--|--|-------------------|------|--------------------|-----------------|------------|---------------------------|----------------------|-----------------|------------|---------------------------|----------------------|--|---------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|---------|--|-------|-----|-----|--------|---------|-------|------|-----------|---|---------|-----------------|--|---|---|---|-------|---|---|---|-------|---|---|----------------|--|---|---|---|--------|----------|---|---|--------|---|----------|---------------------|--|--------|-----|---|-------|---|-------|---|-------|---|------|---|--|---|---|---|-----|---|---|---|-----|---|---|---------------------------|--|----------|-------|-----|----------|------------|---------|------|----------|---|------------|-----------------------|--|--|--|--|--|--|--|--|--|--|--|----------------------------|--|---------|-----|-----|------|-----|-----|-----|---------|-----|-----|-------------------|--|---|---|---|---|---|---|---|---|---|---|--|--|--------|-----|---|-------|---|-----|---|----------|---|---|-----------------------------|--|----------|-------|-----|---------|-----|-------|-----|------------|---|-----|---------------------------------------|--|----------|-------|-----|----------|------------|---------|------|------------|---|------------|
| | | Fair Value at | | Net Change in Unrealized | | | Net Change in Unrealized | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Portfolio Company | Type | September 30, 2017 | Interest Income | Fee Income | Appreciation/Depreciation | Realized Gain/(Loss) | Interest Income | Fee Income | Appreciation/Depreciation | Realized Gain/(Loss) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sungevity, Inc.) Stion Corporation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Affiliate | | — | — | — | — | — | — | — | — | 1,378 | (1,378) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Affiliate Investments | | \$28,095 | \$509 | \$71 | \$(1,368) | \$— | \$1,570 | \$263 | \$(66) | — | \$(2,058) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Control & Affiliate Investments | | \$90,482 | \$1,430 | \$72 | \$(990) | \$— | \$3,918 | \$264 | \$3,649 | — | \$(6,366) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (in thousands) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th colspan="2"></th> <th colspan="5">For the Three Months Ended September 30, 2017</th> <th colspan="5">For the Nine Months Ended September 30, 2017</th> </tr> <tr> <th colspan="2"></th> <th colspan="2">Fair Value at</th> <th colspan="3">Net Change in Unrealized</th> <th colspan="3">Net Change in Unrealized</th> <th colspan="2"></th> </tr> <tr> <th>Portfolio Company</th> <th>Type</th> <th>September 30, 2017</th> <th>Interest Income</th> <th>Fee Income</th> <th>Appreciation/Depreciation</th> <th>Realized Gain/(Loss)</th> <th>Interest Income</th> <th>Fee Income</th> <th>Appreciation/Depreciation</th> <th>Realized Gain/(Loss)</th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="12">Control Investments</td> </tr> <tr> <td colspan="12">Achilles Technology Management Co II, Inc.</td> </tr> <tr> <td colspan="2">Control</td> <td>\$242</td> <td>\$2</td> <td>\$1</td> <td>\$(46)</td> <td>\$(485)</td> <td>\$144</td> <td>\$11</td> <td>\$(2,254)</td> <td>—</td> <td>\$(486)</td> </tr> <tr> <td colspan="2">HercGamma, Inc.</td> <td>—</td> <td>—</td> <td>—</td> <td>(523)</td> <td>—</td> <td>—</td> <td>—</td> <td>(523)</td> <td>—</td> <td>—</td> </tr> <tr> <td colspan="2">SkyCross, Inc.</td> <td>—</td> <td>—</td> <td>—</td> <td>15,058</td> <td>(15,058)</td> <td>—</td> <td>—</td> <td>17,294</td> <td>—</td> <td>(15,452)</td> </tr> <tr> <td colspan="2">Tectura Corporation</td> <td>23,140</td> <td>462</td> <td>—</td> <td>2,995</td> <td>—</td> <td>1,361</td> <td>—</td> <td>3,046</td> <td>—</td> <td>(51)</td> </tr> <tr> <td colspan="2">Second Time Around (Simplify Holdings, LLC)</td> <td>—</td> <td>—</td> <td>—</td> <td>140</td> <td>—</td> <td>—</td> <td>—</td> <td>140</td> <td>—</td> <td>—</td> </tr> <tr> <td colspan="2">Total Control Investments</td> <td>\$23,382</td> <td>\$464</td> <td>\$1</td> <td>\$17,624</td> <td>\$(15,543)</td> <td>\$1,505</td> <td>\$11</td> <td>\$17,703</td> <td>—</td> <td>\$(15,989)</td> </tr> <tr> <td colspan="12">Affiliate Investments</td> </tr> <tr> <td colspan="2">Optiscan BioMedical, Corp.</td> <td>\$6,064</td> <td>\$—</td> <td>\$—</td> <td>\$72</td> <td>\$—</td> <td>\$—</td> <td>\$—</td> <td>\$1,192</td> <td>\$—</td> <td>\$—</td> </tr> <tr> <td colspan="2">Stion Corporation</td> <td>—</td> <td>—</td> <td>—</td> <td>—</td> <td>—</td> <td>2</td> <td>—</td> <td>—</td> <td>—</td> <td>—</td> </tr> <tr> <td colspan="2">Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)</td> <td>27,522</td> <td>246</td> <td>2</td> <td>4,537</td> <td>—</td> <td>246</td> <td>2</td> <td>(48,678)</td> <td>—</td> <td>—</td> </tr> <tr> <td colspan="2">Total Affiliate Investments</td> <td>\$33,586</td> <td>\$246</td> <td>\$2</td> <td>\$4,609</td> <td>\$—</td> <td>\$248</td> <td>\$2</td> <td>\$(47,486)</td> <td>—</td> <td>\$—</td> </tr> <tr> <td colspan="2">Total Control & Affiliate Investments</td> <td>\$56,968</td> <td>\$710</td> <td>\$3</td> <td>\$22,233</td> <td>\$(15,543)</td> <td>\$1,753</td> <td>\$13</td> <td>\$(29,783)</td> <td>—</td> <td>\$(15,989)</td> </tr> </tbody> </table> | | | | | | | | | | | | | | For the Three Months Ended September 30, 2017 | | | | | For the Nine Months Ended September 30, 2017 | | | | | | | Fair Value at | | Net Change in Unrealized | | | Net Change in Unrealized | | | | | Portfolio Company | Type | September 30, 2017 | Interest Income | Fee Income | Appreciation/Depreciation | Realized Gain/(Loss) | Interest Income | Fee Income | Appreciation/Depreciation | Realized Gain/(Loss) | | Control Investments | | | | | | | | | | | | Achilles Technology Management Co II, Inc. | | | | | | | | | | | | Control | | \$242 | \$2 | \$1 | \$(46) | \$(485) | \$144 | \$11 | \$(2,254) | — | \$(486) | HercGamma, Inc. | | — | — | — | (523) | — | — | — | (523) | — | — | SkyCross, Inc. | | — | — | — | 15,058 | (15,058) | — | — | 17,294 | — | (15,452) | Tectura Corporation | | 23,140 | 462 | — | 2,995 | — | 1,361 | — | 3,046 | — | (51) | Second Time Around (Simplify Holdings, LLC) | | — | — | — | 140 | — | — | — | 140 | — | — | Total Control Investments | | \$23,382 | \$464 | \$1 | \$17,624 | \$(15,543) | \$1,505 | \$11 | \$17,703 | — | \$(15,989) | Affiliate Investments | | | | | | | | | | | | Optiscan BioMedical, Corp. | | \$6,064 | \$— | \$— | \$72 | \$— | \$— | \$— | \$1,192 | \$— | \$— | Stion Corporation | | — | — | — | — | — | 2 | — | — | — | — | Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | | 27,522 | 246 | 2 | 4,537 | — | 246 | 2 | (48,678) | — | — | Total Affiliate Investments | | \$33,586 | \$246 | \$2 | \$4,609 | \$— | \$248 | \$2 | \$(47,486) | — | \$— | Total Control & Affiliate Investments | | \$56,968 | \$710 | \$3 | \$22,233 | \$(15,543) | \$1,753 | \$13 | \$(29,783) | — | \$(15,989) |
| | | For the Three Months Ended September 30, 2017 | | | | | For the Nine Months Ended September 30, 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Fair Value at | | Net Change in Unrealized | | | Net Change in Unrealized | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Portfolio Company | Type | September 30, 2017 | Interest Income | Fee Income | Appreciation/Depreciation | Realized Gain/(Loss) | Interest Income | Fee Income | Appreciation/Depreciation | Realized Gain/(Loss) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Control Investments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Achilles Technology Management Co II, Inc. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Control | | \$242 | \$2 | \$1 | \$(46) | \$(485) | \$144 | \$11 | \$(2,254) | — | \$(486) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HercGamma, Inc. | | — | — | — | (523) | — | — | — | (523) | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SkyCross, Inc. | | — | — | — | 15,058 | (15,058) | — | — | 17,294 | — | (15,452) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tectura Corporation | | 23,140 | 462 | — | 2,995 | — | 1,361 | — | 3,046 | — | (51) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Second Time Around (Simplify Holdings, LLC) | | — | — | — | 140 | — | — | — | 140 | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Control Investments | | \$23,382 | \$464 | \$1 | \$17,624 | \$(15,543) | \$1,505 | \$11 | \$17,703 | — | \$(15,989) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Affiliate Investments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Optiscan BioMedical, Corp. | | \$6,064 | \$— | \$— | \$72 | \$— | \$— | \$— | \$1,192 | \$— | \$— | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stion Corporation | | — | — | — | — | — | 2 | — | — | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | | 27,522 | 246 | 2 | 4,537 | — | 246 | 2 | (48,678) | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Affiliate Investments | | \$33,586 | \$246 | \$2 | \$4,609 | \$— | \$248 | \$2 | \$(47,486) | — | \$— | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Control & Affiliate Investments | | \$56,968 | \$710 | \$3 | \$22,233 | \$(15,543) | \$1,753 | \$13 | \$(29,783) | — | \$(15,989) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

In March 2018, the Company acquired 100% ownership in Gibraltar Business Capital LLC and classified it as a control investment in accordance with the requirements of the 1940 Act. Gibraltar Business Capital LLC is focused on providing asset-based and other secured financing solutions.

In July 2017, the Company acquired the primary assets of Second Time Around (Simplify Holdings, LLC) as part of an article 9 consensual foreclosure and public auction. These assets represent the remaining possible recovery on the Company's debt and as such this investment is classified as a control investment as of September 30, 2017. In February 2018, all material recoveries had been made and subsequently the Company's investments were deemed wholly worthless and written off for a realized loss.

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

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

In January 2017, the Company's investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In March 2017, the Company's warrants in Tectura Corporation expired and were written off for a realized loss. In May 2018, the Company purchased common shares, thereby obtaining greater than 25% of voting securities of Tectura.

In June 2016, the Company 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 August 2017, the Company's debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, the Company's equity investment in Achilles Technology Management II, Inc. was reduced by \$900,000 in lieu of a success fee on the repayment of our debt investment. In May 2018, the Company received \$375,000 as part of a legal settlement and the remaining equity investment in Achilles Technology Management II, Inc. was deemed wholly worthless and written off for realized loss.

The following table shows the fair value of the Company's portfolio of investments by asset class as of September 30, 2018 and December 31, 2017:

| (in thousands) | September 30, 2018 | | December 31, 2017 | | |
|-----------------------------------|--------------------|-------------------------------|-------------------|-------------------------------|------------|
| | Investments at | Percentage of Total Portfolio | Investments at | Percentage of Total Portfolio | |
| | | | | Fair Value | Fair Value |
| Senior Secured Debt with Warrants | \$695,676 | 39.5 | % \$880,115 | 57.1 | % |
| Senior Secured Debt | 922,395 | 52.4 | % 572,738 | 37.1 | % |
| Unsecured Debt | 15,047 | 0.9 | % — | — | |
| Preferred Stock | 67,509 | 3.8 | % 40,683 | 2.6 | % |
| Common Stock | 59,889 | 3.4 | % 48,678 | 3.2 | % |
| Total | \$1,760,516 | 100.0 | % \$1,542,214 | 100.0 | % |

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

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A summary of the Company's investment portfolio, at value, by geographic location as of September 30, 2018 and December 31, 2017 is shown as follows:

| (in thousands) | September 30, 2018 | | | December 31, 2017 | | |
|----------------|--------------------|---------------|-----------------|-------------------|---------------|-----------------|
| | Investments at | Percentage of | | Investments at | Percentage of | |
| | | Fair Value | Total Portfolio | | Fair Value | Total Portfolio |
| United States | \$1,530,468 | 86.9 | % | \$1,404,235 | 91.1 | % |
| United Kingdom | 137,804 | 7.8 | % | 91,105 | 5.9 | % |
| Australia | 35,519 | 2.0 | % | — | 0.0 | % |
| Netherlands | 21,216 | 1.2 | % | 20,783 | 1.3 | % |
| Cayman Islands | 20,236 | 1.2 | % | 14,954 | 1.0 | % |
| Sweden | 12,214 | 0.7 | % | — | 0.0 | % |
| Switzerland | 2,209 | 0.1 | % | 10,581 | 0.7 | % |
| Canada | 850 | 0.1 | % | 556 | 0.0 | % |
| Total | \$1,760,516 | 100.0 | % | \$1,542,214 | 100.0 | % |

The following table shows the fair value of the Company's portfolio by industry sector at September 30, 2018 and December 31, 2017:

| (in thousands) | September 30, 2018 | | December 31, 2017 | | |
|---------------------------------------|--------------------|---------------|----------------------|---------------|----------|
| | Investments | Percentage of | Investments | Percentage of | |
| | at | Total | at | Total | |
| | Fair Value | Portfolio | Fair Value | Portfolio | |
| Software | \$493,232 | 28.0 | % \$360,123 | 23.4 | % |
| Drug Discovery & Development | 464,333 | 26.4 | % 369,173 | 23.9 | % |
| Internet Consumer & Business Services | 283,296 | 16.1 | % 154,909 | 10.0 | % |
| Sustainable and Renewable Technology | 117,723 | 6.7 | % 118,432 | 7.7 | % |
| Medical Devices & Equipment | 117,391 | 6.7 | % 94,595 | 6.1 | % |
| Healthcare Services, Other | 85,314 | 4.8 | % 72,337 | 4.7 | % |
| Drug Delivery | 49,943 | 2.8 | % 91,214 | 5.9 | % |
| Diversified Financial Services | 42,715 | 2.4 | % — | 0.0 | % |
| Information Services | 35,785 | 2.0 | % 24,618 | 1.6 | % |
| Media/Content/Info | 22,709 | 1.3 | % 152,998 | 9.9 | % |
| Electronics & Computer Hardware | 22,428 | 1.3 | % 9,982 | 0.6 | % |
| Communications & Networking | 6,429 | 0.4 | % 6,649 | 0.4 | % |
| Consumer & Business Products | 6,210 | 0.4 | % 19,792 | 1.3 | % |
| Biotechnology Tools | 5,729 | 0.3 | % 5,604 | 0.4 | % |
| Surgical Devices | 5,385 | 0.3 | % 13,161 | 0.9 | % |
| Semiconductors | 1,303 | 0.1 | % 10,406 | 0.7 | % |
| Diagnostic | 488 | 0.0 | % 720 | 0.1 | % |
| Specialty Pharmaceuticals | 103 | 0.0 | % 37,501 | 2.4 | % |
| Total | \$1,760,516 | 100.0 | % \$1,542,214 | 100.0 | % |

No single portfolio investment represents more than 10% of the fair value of the investments as of September 30, 2018 and December 31, 2017.

Investment Collateral

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At September 30, 2018, approximately 84.4% of the Company's debt investments were in a senior secured first lien position, with 46.6% secured by a first priority security interest in all of the assets of the portfolio company, including its intellectual property, 30.0% secured by a first priority security interest in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property, 1.3% of the Company's debt investments were senior secured by the equipment of the portfolio company and 6.5% of the Company's debt investments were in a first lien "last-out" senior secured position with security interest in all of the assets of the portfolio company, whereby the "last-out" loans will be subordinated to the "first-out" portion of the unitranche loan in a liquidation, sale or other disposition. Another 14.7% of the Company's debt investments were secured by a second priority security interest in the portfolio company's assets, and 0.9% were unsecured.

Cash, Restricted Cash, and Cash Equivalents

Cash and cash equivalents consist 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. Restricted cash and cash equivalents include amounts that are collected and are held by trustees who have been appointed as custodians of the assets securing certain of the Company's financing transactions.

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 September 30, 2018, the Company had two debt investments on non-accrual with a cumulative investment cost and approximate fair value of \$2.8 million and \$65,000, respectively. At December 31, 2017, the Company had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$14.8 million and \$340,000, respectively. The decrease in the cost of debt investments on non-accrual between December 31, 2017 and September 30, 2018 is the result of the removal of three debt investments that were on non-accrual at December 31, 2017 which resulted in a realized loss of approximately \$10.3 million, and a repayment in full from one debt investment.

Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$34.4 million of unamortized fees at September 30, 2018, of which approximately \$28.3 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$6.1 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2017 the Company had approximately \$33.3 million of unamortized fees, of which approximately \$29.3 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$4.0 million was deferred contingent upon the occurrence of a funding or milestone.

The Company recognizes nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Certain fees may still be recognized as one-time fee income, including prepayment penalties, fees related to select covenant default, waiver fees and acceleration of previously deferred loan fees and OID related to early loan pay-off or material modification of the specific debt outstanding. The Company recorded approximately \$1.6 million and \$1.2 million in one-time fee income during the three months ended September 30, 2018 and 2017, respectively. The Company recorded approximately \$6.4 million and \$7.3 million in one-time fee income during the nine months ended September 30, 2018 and 2017, respectively.

In addition, the Company may also be entitled to an exit fee that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At September 30, 2018, the Company had approximately \$23.3 million in exit fees receivable, of which approximately \$21.6 million was included as a component of the cost basis of the Company's current debt investments and approximately \$1.7 million was a deferred receivable related to expired commitments. At December 31, 2017, the Company had approximately \$27.5 million in exit fees receivable, of which approximately \$23.9 million was included

as an offset to the cost basis of the Company's current debt investments and approximately \$3.6 million was deferred related to expired commitments.

The Company has debt investments in its portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on an accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$2.4 million and \$2.5 million in PIK income during the three months ended September 30, 2018 and 2017, respectively. The Company recorded approximately \$7.0 million and \$7.2 million in PIK income during the nine months ended September 30, 2018 and 2017, respectively.

To maintain the Company's ability to be subject to tax as a RIC, PIK and exit fee income generally must be accrued and distributed to stockholders in the form of dividends for U.S. federal income tax purposes even though the cash has not yet been collected. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three and nine months ended September 30, 2018 and 2017.

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 borrowings of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The fair value of the Company's outstanding borrowings is based on observable market trading prices or quotations and unobservable market rates as applicable for each instrument.

Based on market quotations on or around September 30, 2018, the 2022 Notes, 2021 Asset-Backed Notes and 2022 Convertible Notes were quoted for 0.962, 1.000 and 0.969 per dollar at par value, respectively. At September 30, 2018, the 2024 Notes, 2025 Notes, and 2033 Notes were trading on the NYSE for \$25.28, \$24.20, and \$24.09 respectively, per unit at par value. The par value at underwriting for the 2024 Notes, 2025 Notes, and 2033 Notes was \$25.00 per unit. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures is approximately \$149.9 million, compared to the principal amount of \$149.0 million as of September 30, 2018. The fair value of the outstanding borrowings under the Union Bank Facility and the Wells Facility is equal to their principal outstanding balances as of September 30, 2018.

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

The following tables provide additional information about the fair value and level in the fair value hierarchy of the Company's outstanding borrowings at September 30, 2018 and December 31, 2017:

| (in thousands) | | Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|-------------------------|-----------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Description | September 30, 2018 | | | |
| SBA Debentures | \$ 149,885 | \$ — | \$ — | \$ 149,885 |
| 2022 Notes | 144,354 | — | 144,354 | — |
| 2024 Notes | 84,445 | — | 84,445 | — |
| 2025 Notes | 72,600 | — | 72,600 | — |
| 2033 Notes | 38,544 | — | 38,544 | — |
| 2021 Asset-Backed Notes | 3,515 | — | 3,515 | — |
| 2022 Convertible Notes | 222,859 | — | 222,859 | — |
| Wells Facility | 38,512 | — | — | 38,512 |
| Union Bank Facility | 42,382 | — | — | 42,382 |
| Total | \$ 797,096 | \$ — | \$ 566,317 | \$ 230,779 |

| (in thousands) | | Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|----------------------------|----------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Description ⁽¹⁾ | December 31, 2017 | | | |
| SBA Debentures | \$ 198,038 | \$ — | \$ — | \$ 198,038 |
| 2022 Notes | 152,091 | — | 152,091 | — |

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| | | | | |
|-------------------------|------------|----|--------------|------------|
| 2024 Notes | 188,061 | — | 188,061 | — |
| 2021 Asset-Backed Notes | 49,199 | — | 49,199 | — |
| 2022 Convertible Notes | 236,470 | — | 236,470 | — |
| Total | \$ 823,859 | \$ | — \$ 625,821 | \$ 198,038 |

(1) As of December 31, 2017, there were no borrowings outstanding on both the Wells Facility and Union Bank Facility.

4. Borrowings

Outstanding Borrowings

At September 30, 2018 and December 31, 2017, the Company had the following available and outstanding borrowings:

| (in thousands) | September 30, 2018 | | | December 31, 2017 | | |
|------------------------------------|--------------------|------------|-------------------------------|-------------------|------------|-------------------------------|
| | Total Available | Principal | Carrying Value ⁽¹⁾ | Total Available | Principal | Carrying Value ⁽¹⁾ |
| SBA Debentures ⁽²⁾ | \$ 149,000 | \$ 149,000 | \$ 147,527 | \$ 190,200 | \$ 190,200 | \$ 188,141 |
| 2022 Notes | 150,000 | 150,000 | 147,859 | 150,000 | 150,000 | 147,572 |
| 2024 Notes | 83,510 | 83,510 | 81,791 | 183,510 | 183,510 | 179,001 |
| 2025 Notes | 75,000 | 75,000 | 72,495 | — | — | — |
| 2033 Notes | 40,000 | 40,000 | 38,752 | — | — | — |
| 2021 Asset-Backed Notes | 3,515 | 3,515 | 3,423 | 49,153 | 49,153 | 48,650 |
| 2022 Convertible Notes | 230,000 | 230,000 | 224,660 | 230,000 | 230,000 | 223,488 |
| Wells Facility ⁽³⁾ | 75,000 | 38,512 | 38,512 | 120,000 | — | — |
| Union Bank Facility ⁽³⁾ | 100,000 | 42,382 | 42,382 | 75,000 | — | — |
| Total | \$906,025 | \$811,919 | \$797,401 | \$997,863 | \$802,863 | \$786,852 |

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

(2) At September 30, 2018, the total available borrowings under the SBA debentures were \$149.0 million all of which were available in HT III. On July 13, 2018, the Company completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II. At December 31, 2017, 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) Availability subject to the Company meeting the borrowing base requirements. On July 31, 2018, the Wells Facility was reduced to \$75.0 million as the Company fully repaid the pro-rata portion of outstanding balances of Alostar Bank of Commerce and Everbank Commercial Finance Inc.

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASC Subtopic 835-30 ("Interest – Imputation of Interest"), debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, were as follows as of September 30, 2018 and December 31, 2017:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|----------------|--------------------|-------------------|
|----------------|--------------------|-------------------|

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| | | |
|------------------------------------|-----------|-----------|
| SBA Debentures | \$ 1,473 | \$ 2,059 |
| 2022 Notes | 1,469 | 1,633 |
| 2024 Notes | 1,761 | 4,591 |
| 2025 Notes | 2,505 | — |
| 2033 Notes | 1,248 | — |
| 2021 Asset-Backed Notes | 93 | 503 |
| 2022 Convertible Notes | 3,046 | 3,715 |
| Wells Facility ⁽¹⁾ | 144 | 227 |
| Union Bank Facility ⁽¹⁾ | 235 | 379 |
| Total | \$ 11,974 | \$ 13,107 |

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

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and was able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. On July 13, 2018, the Company completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II. Prior to repayment of debentures and surrender of the license, HT II had paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program in which HT III can borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of September 30, 2018, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of September 30, 2018. As of September 30, 2018, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2018, the Company held investments in HT III in 48 companies with a fair value of approximately \$259.6 million, accounting for approximately 14.7% of the Company's total investment portfolio at September 30, 2018. HT III held approximately \$300.6 million in assets and accounted for approximately 13.6% of the Company's total assets prior to consolidation at September 30, 2018.

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 subsidiary HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT III is periodically examined and audited by the SBA's staff to determine its compliance with SBA regulations. If HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT III from making new investments. In addition, HT III may also be limited in its 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 III is the Company's wholly owned subsidiary. HT III was in compliance with the terms of the SBIC's leverage as of September 30, 2018 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 September 2010 for HT III, the initial maturity of the SBA debentures will occur in September 2020. 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 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 outstanding SBA debentures range from 3.05% to 4.37% when including these annual fees.

On July 13, 2018, the Company completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II. The average amount of debentures outstanding for the three and nine months ended September 30, 2018 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.54% and 3.45%, respectively.

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

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| (in thousands) | Three Months | | Nine Months | |
|--|---------------|---------------|---------------|---------------|
| | Ended | | Ended | |
| | September 30, | September 30, | September 30, | September 30, |
| | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$1,658 | \$1,757 | \$5,113 | \$5,212 |
| Amortization of debt issuance cost (loan fees) | 270 | 158 | 586 | 482 |
| Total interest expense and fees | \$1,928 | \$1,915 | \$5,699 | \$5,694 |
| Cash paid for interest expense | \$3,499 | \$3,499 | \$6,942 | \$6,942 |

At September 30, 2018, with the Company's net investment of \$74.5 million, HT III has the capacity to issue \$149.0 million of SBA-guaranteed debentures which is subject to SBA approval. The Company has issued \$149.0 million in SBA-guaranteed debentures as of September 30, 2018.

The Company reported the following SBA debentures outstanding principal balances as of September 30, 2018 and December 31, 2017:

(in thousands)

| Issuance/Pooling Date | Maturity Date | Interest Rate ⁽¹⁾ | September 30, 2018 | December 31, 2017 |
|-----------------------------|-------------------|------------------------------|--------------------|-------------------|
| March 25, 2009 | March 1, 2019 | 5.53% | \$— | \$18,400 |
| September 23, 2009 | September 1, 2019 | 4.64% | — | 3,400 |
| September 22, 2010 | September 1, 2020 | 3.62% | — | 6,500 |
| September 22, 2010 | September 1, 2020 | 3.50% | 10,000 | 22,900 |
| March 29, 2011 | March 1, 2021 | 4.37% | 28,750 | 28,750 |
| September 21, 2011 | September 1, 2021 | 3.16% | 25,000 | 25,000 |
| March 21, 2012 | March 1, 2022 | 3.28% | 25,000 | 25,000 |
| March 21, 2012 | March 1, 2022 | 3.05% | 11,250 | 11,250 |
| September 19, 2012 | September 1, 2022 | 3.05% | 24,250 | 24,250 |
| March 27, 2013 | March 1, 2023 | 3.16% | 24,750 | 24,750 |
| Total SBA Debentures | | | \$149,000 | \$190,200 |

(1) Interest rate includes annual charge
2019 Notes

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

In April 2015, the Company redeemed \$20.0 million of the \$84.5 million issued and outstanding aggregate principal amount of April 2019 Notes, as previously approved by the Board of Directors. In December 2015, the Company redeemed \$40.0 million of the \$85.9 million issued and outstanding aggregate principal amount of September 2019 Notes, as previously approved by the Board of Directors. The remaining 2019 Notes were fully redeemed on February 24, 2017.

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

| (in thousands) | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2017 |
|--|---------------------------------------|--------------------------------------|
| Interest expense | \$ — | \$ — |
| Amortization of debt issuance cost (loan fees) | \$ — | \$ 1,159 |
| Total interest expense and fees | \$ — | \$ 1,159 |
| Cash paid for interest expense | \$ — | \$ 1,911 |

2022 Notes

On October 23, 2017, the Company issued \$150.0 million in aggregate principal amount of 4.625% Notes due 2022 (the “2022 Notes”). The 2022 Notes were issued pursuant to the Fourth Supplemental Indenture to the Base Indenture, dated October 23, 2017 (the “2022 Notes Indenture”), between the Company and U.S. Bank, National Association, as trustee (the “2022 Trustee”). The sale of the 2022 Notes generated net proceeds of approximately \$147.4 million, including a public offering discount of \$826,500. Aggregate estimated offering expenses in connection with the transaction, including the underwriter’s discounts and commissions of approximately \$975,000, were approximately \$1.8 million.

The 2022 Notes mature on October 23, 2022, unless previously repurchased in accordance with their terms. The 2022 Notes bear interest at a rate of 4.625% per year payable semiannually in arrears on April 23 and October 23 of each year, commencing on April 23, 2018.

The 2022 Notes are unsecured obligations of the Company that rank senior in right of payment to all of the Company’s existing and future indebtedness that is expressly subordinated, or junior, in right of payment to the 2022 Notes. The 2022 Notes are not guaranteed by any of the Company’s current or future subsidiaries. The 2022 Notes rank pari passu, or equally, in right of payment with all of the Company’s existing and future liabilities that are not so subordinated, or junior. The 2022 Notes effectively rank subordinated, or junior, to any of the Company’s secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness. The 2022 Notes rank structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by subsidiaries, financing vehicles or similar facilities of the Company.

The Company may redeem some or all of the 2022 Notes at any time, or from time to time, at the redemption price set forth under the terms of the indenture after September 23, 2022. No sinking fund is provided for the 2022 Notes. The 2022 Notes were issued in denominations of \$2,000 and integral multiples of \$1,000 thereof. As of September 30, 2018, the Company was in compliance with the terms of the 2022 Notes Indenture.

As of September 30, 2018 and December 31, 2017, the components of the carrying value of the 2022 Notes were as follows:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Principal amount of debt | \$ 150,000 | \$ 150,000 |
| Unamortized debt issuance cost | (1,469) | (1,633) |
| Original issue discount, net of accretion | (672) | (795) |
| Carrying value of 2022 Notes | \$ 147,859 | \$ 147,572 |

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2022 Notes are as follows:

| (in thousands) | Three Months Ended September 30, 2018 | | Nine Months Ended September 30, 2017 | |
|--|--|------|---|------|
| Interest expense | \$ 1,734 | \$ — | \$ 5,203 | \$ — |
| Amortization of debt issuance cost (loan fees) | 90 | — | 261 | — |
| Accretion of original issue discount | 41 | — | 123 | — |
| Total interest expense and fees | \$ 1,865 | \$ — | \$ 5,587 | \$ — |
| Cash paid for interest expense | \$ — | \$ — | \$ 3,469 | \$ — |

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 of 1933, as amended (the “Securities Act”), including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

On October 24, 2017, the Board of Directors approved a redemption of \$75.0 million of outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017.

On February 9, 2018, the Board of Directors approved a redemption of \$100.0 million of outstanding aggregate principal amount of the 2024 Notes and notice for such redemption was provided. The Company redeemed this portion of the 2024 Notes on April 2, 2018.

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

During the nine months ended September 30, 2018, the Company did not sell any notes under the debt distribution agreement. During the year ended December 31, 2017, the Company sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. As of September 30, 2018, approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

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

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

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 of 1934, as amended (the “Exchange Act”). The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of September 30, 2018, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

As of September 30, 2018 and December 31, 2017, the components of the carrying value of the 2024 Notes were as follows:

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| (in thousands) | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Principal amount of debt | \$ 83,510 | \$ 183,510 |
| Unamortized debt issuance cost | (1,761) | (4,591) |
| Original issue premium, net of amortization | 42 | 82 |
| Carrying value of 2024 Notes | \$ 81,791 | \$ 179,001 |

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|----------|---------------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$ 1,305 | \$ 4,039 | \$ 5,525 | \$ 12,065 |
| Amortization of debt issuance cost (loan fees) | 110 | 252 | 2,831 | 752 |
| Amortization of original issue premium | (13) | (13) | (40) | (43) |
| Total interest expense and fees | \$ 1,402 | \$ 4,278 | \$ 8,316 | \$ 12,774 |
| Cash paid for interest expense | \$ 1,305 | \$ 4,053 | \$ 6,553 | \$ 12,069 |

57

2025 Notes

On April 26, 2018, the Company issued \$75.0 million in aggregate principal amount of 5.25% notes due 2025 (the “2025 Notes”). The 2025 Notes were issued pursuant to the Fifth Supplemental Indenture to the Base Indenture, dated April 26, 2018 (the “2025 Notes Indenture”), between the Company and U.S. Bank, National Association, as trustee. The sale of the 2025 Notes generated net proceeds of approximately \$72.4 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter’s discount and commissions were approximately \$2.6 million.

The 2025 Notes will mature on April 30, 2025, unless previously repurchased in accordance with their terms. The 2025 Notes bear interest at a rate of 5.25% per year payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2018 and trade on the NYSE under the symbol “HCXZ.”

The 2025 Notes will be the Company’s direct unsecured obligations and rank pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by Hercules Capital, Inc.

The Company may redeem some or all of the 2025 Notes at any time, or from time to time, at the redemption price set forth under the terms of the indenture after April 30, 2021. No sinking fund is provided for the 2025 Notes. The 2025 Notes were issued in denominations of \$25 and integral multiples of \$25 thereof. As of September 30, 2018, the Company was in compliance with the terms of the 2025 Notes Indenture.

As of September 30, 2018, and December 31, 2017, the components of the carrying value of the 2025 Notes were as follows:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|--------------------------------|-----------------------|----------------------|
| Principal amount of debt | \$ 75,000 | \$ — |
| Unamortized debt issuance cost | (2,505) | — |
| Carrying value of 2025 Notes | \$ 72,495 | \$ — |

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2025 Notes are as follows:

| (in thousands) | Three Months Ended September 30, 2018 | | Nine Months Ended September 30, 2017 | |
|--|--|------|---|------|
| Interest expense | \$ 983 | \$ — | \$ 1,695 | \$ — |
| Amortization of debt issuance cost (loan fees) | 69 | \$ — | 126 | \$ — |
| Total interest expense and fees | \$ 1,052 | \$ — | \$ 1,821 | \$ — |
| Cash paid for interest expense | \$ 1,028 | \$ — | \$ 1,028 | \$ — |

2033 Notes

On September 24, 2018, the Company issued \$40.0 million in aggregate principal amount of 6.25% notes due 2033 (the “2033 Notes”). The 2033 Notes were issued pursuant to the Sixth Supplemental Indenture to the Base Indenture, dated September 24, 2018 (the “2033 Notes Indenture”), between the Company and U.S. Bank, National Association, as trustee. The sale of the 2033 Notes generated net proceeds of approximately \$38.8 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter’s discount and commissions were approximately \$1.2 million.

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The 2033 Notes will mature on October 30, 2033, unless previously repurchased in accordance with their terms. The 2033 Notes bear interest at a rate of 6.25% per year payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing on October 30, 2018 and trade on the NYSE under the symbol “HCXY.”

The 2033 Notes will be the Company’s direct unsecured obligations and rank pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by Hercules Capital, Inc.

The Company may redeem some or all of the 2033 Notes at any time, or from time to time, at the redemption price set forth under the terms of the indenture after October 30, 2023. No sinking fund is provided for the 2033 Notes. The 2033 Notes were issued in denominations of \$25 and integral multiples of \$25 thereof. As of September 30, 2018, the Company was in compliance with the terms of the 2033 Notes Indenture.

As of September 30, 2018, and December 31, 2017, the components of the carrying value of the 2033 Notes were as follows:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| Principal amount of debt | \$ 40,000 | \$ — |
| Unamortized debt issuance cost | (1,248) | — |
| Carrying value of 2022 Convertible Notes | \$ 38,752 | \$ — |

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2033 Notes are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|------|--|------|
| (in thousands) | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$ 49 | \$ — | \$ 49 | \$ — |
| Amortization of debt issuance cost (loan fees) | 2 | — | 2 | — |
| Total interest expense and fees | \$ 51 | \$ — | \$ 51 | \$ — |
| Cash paid for interest expense | \$ — | \$ — | \$ — | \$ — |

2021 Asset-Backed Notes

On November 13, 2014, the Company completed a \$237.4 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of fixed rate asset-backed notes (the “2021 Asset-Backed Notes”), which were rated A(sf) by Kroll Bond Rating Agency, Inc. (“KBRA”). The 2021 Asset-Backed Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding 2014-1, LLC as trust depositor (the “2014 Trust Depositor”), Hercules Capital Funding Trust 2014-1 as issuer (the “2014 Securitization Issuer”), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company’s portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes is paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

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

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act (A) in the United States to “qualified institutional buyers” as defined in Rule 144A under the Securities Act and to institutional “accredited investors” (as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are “qualified purchasers” as defined in Section 2(a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

The 2014 Loans are serviced by the Company pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. The Company performs certain servicing and administrative functions with

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

At September 30, 2018 and December 31, 2017, the 2021 Asset-Backed Notes had an outstanding principal balance of \$3.5 million and \$49.2 million, respectively.

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-------|---------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$66 | \$632 | \$689 | \$2,327 |
| Amortization of debt issuance cost (loan fees) | 297 | 197 | 410 | 618 |
| Total interest expense and fees | \$363 | \$829 | \$1,099 | \$2,945 |
| Cash paid for interest expense | \$146 | \$697 | \$823 | \$2,485 |

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 \$2.4 million and \$3.7 million of restricted cash as of September 30, 2018 and December 31, 2017, respectively, funded through interest collections.

Convertible Notes

2022 Convertible Notes

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

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

The 2022 Convertible Notes are unsecured obligations of the Company and rank senior in right of payment to the Company’s future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to the Company’s existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company’s secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company’s subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022

Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of September 30, 2018, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

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

The 2022 Convertible Notes Indenture contains certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the 2022 Convertible Notes and the 2022 Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the 2022 Convertible Notes Indenture. The Company offered and sold the 2022 Convertible Notes to the initial purchaser in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, for resale by the initial purchaser to qualified institutional buyers (as defined in the Securities Act) pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Company relied on

these exemptions from registration based in part on representations made by the initial purchaser in connection with the sale of the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with ASC Subtopic 470-20 (“Debt Instruments with Conversion and Other Options”). In accounting for the 2022 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2022 Convertible Notes were approximately 98.5% and 1.5%, respectively. The original issue discount of 1.5%, or \$3.4 million, attributable to the conversion feature of the 2022 Convertible Notes was recorded in “capital in excess of par value” in the Consolidated Statement of Assets and Liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 4.76%.

As of September 30, 2018 and December 31, 2017, the components of the carrying value of the 2022 Convertible Notes were as follows:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Principal amount of debt | \$ 230,000 | \$ 230,000 |
| Unamortized debt issuance cost | (3,046) | (3,715) |
| Original issue discount, net of accretion | (2,294) | (2,797) |
| Carrying value of 2022 Convertible Notes | \$ 224,660 | \$ 223,488 |

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|---------|---------------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$2,516 | \$2,602 | \$7,547 | \$6,876 |
| Amortization of debt issuance cost (loan fees) | 223 | 213 | 669 | 558 |
| Accretion of original issue discount | 168 | 168 | 504 | 448 |
| Total interest expense and fees | \$2,907 | \$2,983 | \$8,720 | \$7,882 |
| Cash paid for interest expense | \$5,031 | \$5,199 | \$10,063 | \$5,199 |

As of September 30, 2018, the Company is in compliance with the terms of the indentures governing the 2022 Convertible Notes.

Credit Facilities

As of September 30, 2018 and December 31, 2017, the Company has two available credit facilities, the Wells Facility and the Union Bank Facility (together, the “Credit Facilities”).

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, Alostar Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. On July 31, 2018, the Company entered into a further amendment to the Wells Facility to extend the maturity date and fully repay the pro-rata portion of outstanding balances of Alostar Bank of Commerce and Everbank Commercial Finance Inc., thereby resigning both as lenders and terminating their commitments thereunder.

The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the

three and nine months ended September 30, 2018, this non-use fee was \$89,000 and \$318,000, respectively. For the three and nine months ended September 30, 2017, this non-use fee was \$153,000 and \$450,000, respectively.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014.

As of September 30, 2018, the minimum tangible net worth covenant increased to \$869.8 million as a result of the public offering of 18.2 million shares of common stock issued for a total gross proceeds of approximately \$242.8 million under an At-The-Market ("ATM") equity distribution agreement (the "Prior Equity Distribution Agreement") with JMP Securities ("JMP") through February 2017, and a new ATM equity distribution agreement in September 2017 (the "Equity Distribution Agreement") with JMP for the issuance of 1.6 million shares for gross proceeds of \$20.5 million during 2017, and the issuance of 11.9 million shares for gross proceeds of \$147.6 million during the nine months ended September 30, 2018. See "Note 6 – Stockholder's Equity."

The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

On June 20, 2011, the Company paid \$1.1 million in structuring fees in connection with the original Wells Facility. In connection with an amendment to the original Wells Facility in August 2014, and subsequent amendments in December 2015 and July 2018, the Company paid an additional \$750,000, \$188,000, and \$47,000 in structuring fees respectively. These fees are being amortized through the end of the term of the Wells Facility.

The Company had aggregate draws of \$141.1 million on the available facility during the nine months ended September 30, 2018, offset by repayments of \$102.6 million. The Company had aggregate draws of \$8.5 million on the available facility during the nine months ended September 30, 2017, offset by repayments of \$13.5 million. As of September 30, 2018, the Company has borrowings outstanding of \$38.5 million on the facility. There were no borrowings outstanding on the facility at December 31, 2017.

For the three and nine months ended September 30, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|-------|---------------------------------------|-------|
| (in thousands) | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$244 | \$— | \$990 | \$2 |
| Amortization of debt issuance cost (loan fees) | 44 | 66 | 133 | 280 |
| Total interest expense and fees | \$288 | \$66 | \$1,123 | \$282 |
| Cash paid for interest expense | \$345 | \$207 | \$823 | \$677 |

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.

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

if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2018, the company incurred non-use fees of \$60,000 and \$203,000, respectively. For the three and nine months ended September 30, 2017, the company incurred non-use fees under the Prior Union Bank Facility of \$96,000 and \$284,000, respectively.

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

On May 25, 2018, the Company entered into the Second Amendment (the "Amendment") to the Union Bank Facility with MUFG Union Bank, N.A., as the arranger and administrative agent, and the lenders party thereto from time to time. The Amendment amends certain provisions of the Union Bank Facility to increase MUFG Union Bank's commitments thereunder from \$75.0 million to \$100.0 million.

As of September 30, 2018, the minimum tangible net worth covenant increased to \$913.3 million as a result the public offering of 18.2 million shares of common stock issued for a total net proceeds of approximately \$239.8 million under the Prior Equity Distribution Agreement through February 2017, and the issuance of 1.6 million shares for net proceeds of \$20.0 million during 2017, and the issuance of 11.9 million shares for net proceeds of \$143.8 million during the nine months ended September 30, 2018. See "Note 6 - Stockholder's Equity."

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

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

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

The Company had aggregate draws of \$75.0 million on the available facility during the nine months ended September 30, 2018, offset by repayments of \$32.6 million. The Company did not make any draws or repayments on the available facility during the nine months ended September 30, 2017. As of September 30, 2018, the Company has borrowings outstanding of \$42.4 million on the facility. There were no borrowings outstanding on the facility at December 31, 2017.

For the three and nine months ended September 30, 2018 and 2017, 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:

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| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|-------|---------------------------------------|-------|
| (in thousands) | 2018 | 2017 | 2018 | 2017 |
| Interest expense | \$700 | \$— | \$1,265 | \$— |
| Amortization of debt issuance cost (loan fees) | 92 | 91 | 243 | 315 |
| Total interest expense and fees | \$792 | \$91 | \$1,508 | \$315 |
| Cash paid for interest expense | \$793 | \$114 | \$1,074 | \$351 |

5. Income Taxes

The Company intends to operate so as to qualify to be subject to tax as a RIC under Subchapter M of the Code and, as such, will not be subject to U.S. federal income tax on the portion of taxable income (including gains) distributed as dividends for U.S. federal income tax purposes to stockholders. Taxable income includes the Company's taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized.

To qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing dividends of an amount generally at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for distributions paid, to its stockholders. The amount to be paid out as a distribution is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company's earnings fall below the amount of dividend distributions declared, however, a portion of the total amount of the Company's distributions for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

During the three months ended September 30, 2018, the Company declared a distribution of \$0.31 per share. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's taxable year generally based upon its taxable income for the full taxable year and distributions paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. If the Company had determined the tax attributes of our distributions taxable year-to-date as of September 30, 2018, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of the Company's 2018 distributions to stockholders will be.

As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company makes distributions treated as dividends for U.S. federal income tax purposes in a timely manner to its stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of the Company's ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of the Company's capital gain net income (adjusted for certain ordinary losses) for the 1-year period ending October 31 of each such calendar year and (3) any ordinary income and capital gain net income realized, but not distributed, in preceding calendar years (the "Excise Tax Avoidance Requirement"). 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 from such taxable income into the next taxable year and incur a 4% excise tax on such taxable income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next taxable year under the Code is the total amount of distributions paid in the following taxable year, subject to certain declaration and payment guidelines. To the extent the Company chooses to carry over taxable income into the next taxable year, distributions declared and paid by the Company in a taxable year may differ from the Company's taxable income for that taxable year as such distributions may include the distribution of current taxable year taxable income, the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year, or returns of capital.

The Company has taxable subsidiaries which hold certain portfolio investments in an effort to limit potential legal liability and/or comply with source-income type requirements contained in the RIC tax provisions of the Code. These taxable subsidiaries are consolidated for U.S. GAAP and the portfolio investments held by the taxable subsidiaries are included in the Company's consolidated financial statements, and are recorded at fair value. These taxable subsidiaries are not consolidated with the Company for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments. Any income generated by these taxable subsidiaries generally would be subject to tax at normal corporate tax rates based on its taxable income.

Taxable income for the nine months ended September 30, 2018 was approximately \$83.1 million or \$0.93 per share. Taxable net realized gains for the same period were \$7.2 million or approximately \$0.08 per share. Taxable income for the nine months ended September 30, 2017 was approximately \$65.9 million or \$0.80 per share. Taxable net realized losses for the same period were \$7.7 million or approximately \$0.09 per share.

For the nine months ended September 30, 2018, the Company paid approximately \$676,000 of tax expense and had \$100,000 accrued but unpaid tax expense as of the balance sheet date. For the nine months ended September 30, 2017, the Company paid approximately \$1.0 million of tax expense and had no accrued but unpaid tax expense as of the balance sheet date.

The Company distributed 100% of spillover earnings from ordinary income from the Company's taxable year ended December 31, 2017 to the Company's stockholders during the three months ended September 30, 2018.

6. Stockholder's Equity

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

On September 7, 2017, the Company terminated the Prior Equity Distribution Agreement and entered into the new Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior Equity Distribution agreement are no longer available for issuance. The Equity Distribution Agreement provides that the Company may offer and sell up to 12.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market," as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the three and nine months ended September 30, 2018, the Company sold 2.4 million and 5.0 million shares of common stock for total accumulated net proceeds of approximately \$30.9 million and \$62.3 million, respectively, including \$540,000 and \$1.4 million of offering expenses, respectively, under the Equity Distribution Agreement.

During the three months ended September 30, 2017, the Company sold 768,000 shares of common stock for total accumulated net proceeds of approximately \$9.4 million, including \$155,000 of offering expenses under the Equity Distribution Agreement. During the nine months ended September 30, 2017, the Company sold 4.1 million shares of common stock, for total accumulated net proceeds of approximately \$56.3 million, including \$687,000 of offering expenses, of which 3.3 million shares were issued under the Prior Equity Distribution Agreement for total accumulated net proceeds of approximately \$46.9 million, including \$532,000 of offering expenses.

The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of September 30, 2018, approximately 5.4 million shares remain available for issuance and sale under the Equity Distribution Agreement. See "Note 12 – Subsequent Events".

On June 14, 2018, the Company closed its underwritten public offering of 6.9 million shares of common stock, including an over-allotment option to purchase an additional 900,000 shares of common stock ("June 2018 Equity Offering"). The offering generated net proceeds, before expenses, of \$81.3 million, including the underwriting discount and commissions of \$2.6 million.

The Company has issued stock options for common stock subject to future issuance, of which 534,669 and 590,525 were outstanding at September 30, 2018 and December 31, 2017, respectively.

7. Equity Incentive Plans

The Company and its stockholders 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.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the “2006 Plan” and, together with the 2004 Plan, the “Plans”) for purposes of attracting and retaining the services of its Board of Directors. On June 21, 2017, the 2006 Plan expired in accordance with its terms and no additional awards may be granted under the 2006 Plan.

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.

During 2012, the Compensation Committee adopted a policy that provided for awards with different vesting schedules for short and long-term awards. All restricted stock grants under the 2004 Plan made prior to March 4, 2013 continue to vest on a monthly basis following their one year anniversary over the succeeding 36 months. Under the 2004 Plan, restricted stock awarded subsequent to March 3, 2013 vests subject to continued employment based on two vesting schedules: short-term awards vest one-half on the one year anniversary of the date of the grant and quarterly over the succeeding 12 months, and long-term awards vest one-fourth on the one year anniversary of the date of grant and quarterly over the succeeding 36 months. No restricted stock was granted pursuant to the 2004 Plan prior to 2009.

On December 29, 2016, the Board of Directors approved an 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.

On May 2, 2018, the Company granted long-term Retention Performance Stock Unit awards (the "Retention PSUs") and separate cash bonus awards with similar terms (the "Cash Awards") to senior personnel under its 2004 Equity Incentive Plan. The awards are designed to provide incentives that increase along with the total shareholder return ("TSR"). On May 2, 2018, the target number of Retention PSUs granted to senior personnel was 1,299,757 in the aggregate and the target amount of the Cash Awards granted to senior personnel was \$4.0 million in the aggregate. As of September 30, 2018, there were 1,299,757 Retention PSUs outstanding and the target amount of the Cash Awards was \$3.5 million in the aggregate.

The Retention PSUs and Cash Awards do not vest until the fourth anniversary "cliff vest" of the grant date (or a change in control of the Company, if earlier) and the Retention PSUs must generally be held and not disposed of until the fifth anniversary of the grant date, except in the event of death, disability or a change in control (the "Performance Period"). No Retention PSUs or Cash Awards will vest if the Company's TSR relative to certain specified publicly traded business development companies (BDCs) is not at or above the 25th percentile level of such BDCs. 50% of the target Cash Award and target number of Retention PSUs will vest if the Company's TSR performance relative to such BDCs is at the 25th percentile level. 100% of the target Cash Award and target number of Retention PSUs will vest if the Company's TSR performance relative to such BDCs is at the 50th percentile level. 200% of the target Cash Award and target number of Retention PSUs will vest if the Company's TSR performance relative to such BDCs is at the 90th percentile level. If the Company's TSR performance is between the 25th percentile and the 50th percentile, or between the 50th percentile and the 90th percentile, of such BDCs, the amount of the Cash Awards vested and payable and the number of vested and payable Retention PSUs will be determined by linear interpolation between the foregoing metrics. Dividend equivalents will accrue in respect only of the Retention PSUs in the form of additional Retention PSUs, but will not be paid unless the Retention PSUs to which such dividend equivalents relate actually vest. The Cash Awards are not eligible to accrue dividend equivalents.

The Company follows ASC Topic 718 ("Compensation – Stock Compensation") to account for the Retention PSUs and Cash Awards granted. Under ASC Topic 718, compensation cost associated with Retention PSUs is measured at the

grant date based on the fair value of the award and is recognized over the Performance Period. As the Cash Awards are settled in cash, the award is expensed as a liability, and will be re-measured at each reporting period until the Performance Period is complete. The compensation expense for these awards is based on the per unit grant date valuation using a Monte-Carlo simulation multiplied by the target payout level. The payout level is calculated based the Company's TSR relative to specified BDCs during the performance period.

As of September 30, 2018, all of Retention PSUs and Cash Awards were unvested and there was approximately \$16.4 million of total unrecognized compensation costs related to the Retention PSUs. These costs are expected to be recognized over a weighted average remaining vesting period of 3.59 years. As of September 30, 2018, there was approximately \$366,000 of total compensation expense related to the Cash Awards. The accumulated expense related to the Cash Awards is included within the Consolidated Statement of Assets and Liabilities.

On May 13, 2018, the Board of Directors further amended and restated the 2004 Plan and renamed it the Hercules Capital, Inc. Amended and Restated 2018 Equity Incentive Plan (the "2018 Equity Incentive Plan"). Under the 2004 Plan, prior to the amendment and restatement, the Company was authorized to issue 12.0 million shares of common stock. The 2018 Equity Incentive Plan, among other things, increases the number of shares available for issuance to eligible participants by an additional 6.7 million shares. Unless sooner terminated by the Board, the 2018 Equity Incentive Plan will terminate on the day before the tenth anniversary of the date the 2018 Equity Incentive Plan was initially adopted in 2018 by the Board. On May 13, 2018, the Board of Directors adopted the Hercules

Capital, Inc. 2018 Non-employee Director Plan (the “Director Plan”). The Director Plan provides equity compensation in the form of restricted stock to the Company’s non-employee directors. Subject to certain adjustments, the maximum aggregate number of shares of stock that may be authorized for issuance as restricted stock awards granted under the Director Plan is 300,000 shares. Unless sooner terminated by the Board, the Director Plan will terminate on the day before the tenth anniversary of the date the Director Plan was initially adopted in 2018 by the Board. The 2018 Equity Incentive Plan and the Director Plan were each approved by stockholders on June 28, 2018. For further information, please see our Proxy Statement filed with the SEC on May 29, 2018 in connection with our 2018 Annual Meeting of Stockholders. Additionally, on May 29, 2018, the Company filed an exemptive application with the SEC with respect to the 2018 Equity Incentive Plan and the Director Plan for an exemptive order from certain provisions of the 1940 Act. If granted by the SEC, the exemptive order would allow the Company to issue restricted stock to non-employee directors under the Director Plan and restricted stock and restricted stock units to certain of its employees, officers, and directors (excluding non-employee directors) under the 2018 Equity Incentive Plan. Similar to an exemptive order previously received by the Company with respect to Plans, the exemptive order would also (i) allow participants in the Director Plan and the 2018 Equity Incentive Plan 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”) and (ii) permit 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 would be able to make a cash payment at the time of option exercise or to pay taxes on restricted stock. The Company may not make awards under the Director Plan or the 2018 Equity Incentive Plan unless and until the Company receives the exemptive order from the SEC.

The following table summarizes the common stock option activities for the nine months ended September 30, 2018 and 2017:

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|--|------------|--|
| | 2018 | | 2017 | |
| | Common | Weighted Average Exercise Price | Common | Weighted Average Exercise Price |
| | Stock | Options | Stock | Options |
| Outstanding at December 31, | 590,525 | \$ 13.60 | 668,171 | \$ 13.73 |
| Granted | 94,000 | \$ 12.65 | 91,000 | \$ 14.41 |
| Exercised | (63,769) | \$ 11.05 | (26,824) | \$ 11.23 |
| Forfeited | (51,437) | \$ 13.22 | (38,393) | \$ 14.02 |
| Expired | (34,650) | \$ 14.34 | (106,110) | \$ 15.40 |
| Outstanding at September 30, | 534,669 | \$ 13.72 | 587,844 | \$ 13.63 |
| Shares Expected to Vest at September 30, | 163,654 | \$ 13.58 | 210,464 | \$ 13.63 |

The following table summarizes common stock options outstanding and exercisable at September 30, 2018:

(Dollars in thousands,

| Range of exercise prices | Options Outstanding | | | | Options Exercisable | | | |
|--------------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| | Number of | Weighted Average | Aggregate Intrinsic | Weighted Average | Number of shares | Weighted Average | Aggregate Intrinsic | Weighted Average |

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| | shares | Remaining Value | | Exercise | | Remaining Value | | Exercise | |
|-------------------|---------|-----------------|------------|----------|-------|-----------------|-------|------------|----------|
| | | Contractual | Value | Price | | Contractual | Value | Price | |
| | | Life | | | | Life | | | |
| \$9.25 - \$14.56 | 323,669 | 5.70 | \$ 244,910 | \$ | 12.56 | 170,572 | 5.11 | \$ 169,743 | \$ 12.31 |
| \$14.86 - \$16.34 | 211,000 | 3.30 | — | \$ | 15.51 | 200,443 | 3.18 | — | \$ 15.54 |
| \$9.25 - \$16.34 | 534,669 | 4.75 | \$ 244,910 | \$ | 13.72 | 371,015 | 4.07 | \$ 169,743 | \$ 14.05 |

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

All options may be exercised for a period ending seven years after the date of grant. At September 30, 2018 options for 371,015 shares were exercisable at a weighted average exercise price of approximately \$14.05 per share with a weighted average remaining contractual term of 4.07 years.

The Company determined that the fair value of options granted under the Plans during the nine months ended September 30, 2018 and 2017 was approximately \$44,000 and \$63,000, respectively. During the nine months ended September 30, 2018 and 2017, approximately \$42,000 and \$56,000 of share-based cost due to stock option grants was expensed, respectively. As of September 30, 2018, there was approximately \$74,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average remaining vesting period of 2.06 years.

The Company follows ASC Topic 718 (“Compensation – Stock Compensation”) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option

life. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the nine months ended September 30, 2018 and 2017:

| | Nine Months Ended September 30, 2018 2017 | |
|--------------------------|--|--------|
| Expected Volatility | 21.19% | 23.07% |
| Expected Dividends | 10% | 10% |
| Expected term (in years) | 4.5 | 4.5 |
| | 2.19% | |
| | - | 1.57% |
| Risk-free rate | 2.97% | 2.02% |

During the nine months ended September 30, 2018 and 2017, the Company granted 334,995 shares and 10,111 shares, respectively, of restricted stock awards pursuant to the Plans. The Company determined that the fair value, based on grant date close price, of restricted stock awards granted under the Plans during the nine months ended September 30, 2018 and 2017 was approximately \$4.4 million and \$150,000, respectively. As of September 30, 2018, there was approximately \$3.9 million of total unrecognized compensation costs related to restricted stock awards. These costs are expected to be recognized over a weighted average remaining vesting period of 1.99 years.

The following table summarizes the activities for the Company's unvested restricted stock awards for the nine months ended September 30, 2018 and 2017:

| | Nine Months Ended September 30, | | | |
|---------------------------|---------------------------------|--------------------------------------|-----------------|--------------------------------------|
| | 2018 | | 2017 | |
| | Restricted | Weighted Average Grant Date | Restricted | Weighted Average Grant Date |
| | Stock Awards | Fair Value | Stock Awards | Fair Value |
| Unvested at December 31, | 261,245 | \$ 12.43 | 799,558 | \$ 12.54 |
| Granted | 334,995 | \$ 13.04 | 10,111 | \$ 14.83 |
| Vested | (170,264) | \$ 12.55 | (425,511) | \$ 12.63 |
| Forfeited | (3,085) | \$ 11.70 | (9,529) | \$ 12.95 |
| Unvested at September 30, | 422,891 | \$ 12.87 | 374,629 | \$ 12.49 |

During the nine months ended September 30, 2018, and 2017, the Company granted 411,689 shares and 600,461 shares of restricted stock units pursuant to the Plans based on the December 2016 amended terms. The Company determined that the fair value, based on grant date close price, of restricted stock units granted under the Plans during the nine months ended September 30, 2018 and 2017, was approximately \$6.4 million and \$8.5 million respectively. As of September 30, 2018, there was approximately \$7.3 million of total unrecognized compensation costs related to restricted stock units. These costs are expected to be recognized over a weighted average remaining vesting period of 1.84 years.

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The following table summarizes the activities for the Company's unvested restricted stock units for the nine months ended September 30, 2018:

| | Nine Months Ended September 30, 2018 | | Nine Months Ended September 30, 2017 | |
|--------------------------------------|--|--------------------------------------|--|--------------------------------------|
| | Restricted | Weighted Average Grant Date | Restricted | Weighted Average Grant Date |
| | Stock Units | Fair Value | Stock Units | Fair Value |
| Unvested at December 31, | 594,322 | \$ 12.99 | — | \$ — |
| Granted | 411,689 | \$ 13.04 | 600,461 | \$ 14.21 |
| Distribution Equivalent Unit Granted | 75,184 | \$ 12.69 | 41,243 | \$ 13.30 |
| Vested ⁽¹⁾ | (318,240) | \$ 14.10 | — | \$ — |
| Forfeited | (14,085) | \$ 13.40 | (21,252) | \$ 13.65 |
| Unvested at September 30, | 748,870 | \$ 13.48 | 620,452 | \$ 13.28 |

(1) Pursuant to the December 29, 2016 amendment and restatement of the 2004 plan, receipt of the shares of the Company's common stock underlying vested restricted stock units will be deferred for 4 years from grant date unless certain conditions are met. As such, vested restricted stock units will not be issued as common stock upon vesting until the completion of the deferral period.

During the nine months ended September 30, 2018, the Company expensed approximately \$6.2 million of compensation expense related to restricted stock awards and restricted stock units. The Company had approximately \$5.6 million in compensation expense related to restricted stock awards during the nine months ended September 30, 2017.

8. Earnings Per Share

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

| (in thousands, except per share data) | Three Months | | Nine Months Ended | |
|---|--------------------------|----------|--------------------|----------|
| | Ended September 30, 2018 | 2017 | September 30, 2018 | 2017 |
| Numerator | | | | |
| Net increase in net assets resulting from operations | \$35,629 | \$33,072 | \$93,634 | \$60,633 |
| Less: Distributions declared-common and restricted shares | (29,709) | (25,667) | (82,806) | (76,997) |
| Undistributed earnings | 5,920 | 7,405 | 10,828 | (16,364) |
| Undistributed earnings-common shares | 5,894 | 7,368 | 10,770 | (16,364) |
| Add: Distributions declared-common shares | 29,577 | 25,538 | 82,356 | 76,520 |
| Numerator for basic and diluted change in net assets per common share | \$35,471 | \$32,906 | \$93,126 | \$60,156 |
| Denominator | | | | |
| Basic weighted average common shares outstanding | 95,460 | 82,496 | 89,100 | 82,073 |
| Common shares issuable | 211 | 111 | 112 | 100 |
| Weighted average common shares outstanding assuming dilution | 95,671 | 82,607 | 89,212 | 82,173 |
| Change in net assets per common share | | | | |
| Basic | \$0.37 | \$0.40 | \$1.04 | \$0.73 |
| Diluted | \$0.37 | \$0.40 | \$1.04 | \$0.73 |

In the table above, unvested share-based payment awards that have non-forfeitable rights to distributions or distribution equivalents are treated as participating securities for calculating earnings per share. Unvested common stock options and restricted stock units are also considered for the purpose of calculating diluted earnings per share.

For the three and nine months ended September 30, 2018 and 2017, the effect of the 2022 Convertible Notes under the treasury stock method is anti-dilutive and, accordingly, is excluded from the calculation of diluted earnings per share.

The calculation of change in net assets resulting from operations per common share—assuming dilution, excludes all anti-dilutive shares. For the three months ended September 30, 2018, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 3.2 million shares related to 2022 Convertible Notes, 37,015 shares of unvested common stock options, no shares of unvested restricted stock units, and no shares of unvested Retention PSUs. For the nine months ended September 30, 2018, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 4.0 million shares related to 2022 Convertible Notes, 60,756 shares of unvested common stock options, no shares of unvested restricted stock units, and 18,952 shares of unvested Retention PSUs. For the three and nine months ended September 30, 2017, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 3.9 million and 2.5 million shares related to 2022 Convertible Notes, 72,379 shares and 43,593 shares of unvested common stock options, and no shares of unvested restricted stock units, respectively.

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At September 30, 2018 and December 31, 2017, the Company was authorized to issue 200.0 million shares of common stock with a par value of \$0.001. Each share of common stock entitles the holder to one vote.

69

9. Financial Highlights

Following is a schedule of financial highlights for the nine months ended September 30, 2018 and 2017:

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------|
| | 2018 | 2017 |
| Per share data ⁽¹⁾ : | | |
| Net asset value at beginning of period | \$9.96 | \$9.90 |
| Net investment income | 0.88 | 0.88 |
| Net realized gain (loss) on investments | (0.12) | (0.33) |
| Net unrealized appreciation (depreciation) on investments | 0.29 | 0.19 |
| Total from investment operations | 1.05 | 0.74 |
| Net increase (decrease) in net assets from capital share transactions ⁽¹⁾ | 0.21 | 0.23 |
| Distributions of net investment income ^{(6) (7)} | (0.93) | (0.76) |
| Distributions of capital gains ^{(6) (7)} | — | (0.18) |
| Stock-based compensation expense included in investment income ⁽²⁾ | 0.09 | 0.07 |
| Net asset value at end of period | \$10.38 | \$10.00 |
| Ratios and supplemental data: | | |
| Per share market value at end of period | \$13.16 | \$12.90 |
| Total return ⁽³⁾ | 7.59 % | (2.31 %) |
| Shares outstanding at end of period | 96,751 | 83,615 |
| Weighted average number of common shares outstanding | 89,100 | 82,073 |
| Net assets at end of period | \$1,004,180 | \$836,284 |
| Ratio of total expense to average net assets ⁽⁴⁾ | 10.82 % | 11.08 % |
| Ratio of net investment income before investment gains and losses to average net assets ⁽⁴⁾ | 11.62 % | 11.59 % |
| Portfolio turnover rate ⁽⁵⁾ | 33.97 % | 34.54 % |
| Weighted average debt outstanding | \$801,712 | \$773,271 |
| Weighted average debt per common share | \$9.00 | \$9.42 |

(1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.

(2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC Topic 718 (“Compensation – Stock Compensation”), net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.

(3) The total return for the nine months ended September 30, 2018 and 2017 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. As such, the total return is not annualized. The total return does not reflect any sales load that must be paid by investors.

(4) These ratios are calculated based on weighted average net assets for the relevant period and are annualized.

(5) The portfolio turnover rate for the nine months ended September 30, 2018 and 2017 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period. As such, portfolio turnover rate is not annualized.

(6) Includes distributions on unvested restricted stock awards.

(7) The Company reclassified \$14.9 million of distributions from net investment income into distributions from realized gains for the nine months ended September 30, 2017. See “Note 2 – Summary of Significant Accounting Policies.”

10. Commitments and Contingencies

The Company’s commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to the Company’s portfolio companies. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, the Company’s credit agreements contain customary lending provisions which allow the Company relief from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the Company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company’s disclosure of unfunded contractual commitments includes only those which are available at the request of the portfolio company and unencumbered by milestones.

At September 30, 2018, the Company had approximately \$172.0 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 \$42.0 million of non-binding term sheets outstanding at September 30, 2018. Non-binding outstanding term sheets are subject to completion of the Company’s due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

As of September 30, 2018, 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) | Unfunded Commitments (1) |
|------------------------------------|--------------------------------|
| Portfolio Company | |
| ThumbTack, Inc. | \$ 25,000 |
| Tricida, Inc. | 25,000 |
| Couchbase, Inc. | 20,000 |
| Impossible Foods, Inc. | 20,000 |
| Contentful, Inc. | 15,000 |
| Postmates Inc. | 15,000 |
| Chemocentryx, Inc. | 10,000 |
| Xometry, Inc. | 8,000 |
| Evernote Corporation | 7,500 |
| Businessolver.com, Inc. | 6,375 |
| Achronix Semiconductor Corporation | 5,000 |
| Lithium Technologies, Inc. | 3,623 |
| Intent Media, Inc. | 3,000 |
| Emma, Inc. | 2,963 |
| Credible Behavioral Health, Inc. | 2,500 |
| First Insight, Inc. | 1,500 |
| Greenphire, Inc. | 500 |
| Insurance Technologies Corporation | 500 |
| Salsa Labs, Inc. | 500 |
| Total | \$ 171,961 |

(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 or licensed under agreements which expire at various dates through June 2027. Total rent expense amounted to approximately \$522,000 and \$1.5 million during the three and nine months ended September 30, 2018. Total rent expense amounted to approximately \$443,000 and \$1.3 million during the three and nine months ended September 30, 2017.

The Company's contractual obligations as of September 30, 2018 include:

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| | Payments due by period (in thousands) | | | | |
|--|---------------------------------------|------------------------|------------------|------------------|------------------|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | After 5 years |
| Contractual Obligations ⁽¹⁾ | | | | | |
| Borrowings ⁽²⁾⁽³⁾ | \$811,919 | \$42,027 | \$106,132 | \$465,250 | \$198,510 |
| Operating Lease Obligations ⁽⁴⁾ | 16,008 | 2,766 | 5,723 | 5,853 | 1,666 |
| Total | \$827,927 | \$44,793 | \$111,855 | \$471,103 | \$200,176 |

(1) Excludes commitments to extend credit to the Company's portfolio companies.

(2) Includes \$149.0 million in principal outstanding under the SBA debentures, \$150.0 million of the 2022 Notes, \$83.5 million of the 2024 Notes, \$75.0 million of the 2025 Notes, \$40.0 million of the 2033 Notes, \$3.5 million of the 2021 Asset-Backed Notes, \$230.0 million of the 2022 Convertible Notes, \$38.5 million under the Wells Facility, and \$42.4 million under the Union Credit Facility as of September 30, 2018.

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

(4) Facility leases and licenses.

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

11. Recent Accounting Pronouncements

In January 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,” which, among other things, requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the ASU changes the disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. The Company has adopted this standard, which did not have a material impact, on its consolidated financial statements and related disclosures for the periods presented.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which, among other things, requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Additionally, the ASU requires the classification of all cash payments on leases within operating activities in the Consolidated Statement of Cash Flows. ASU 2016-02 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. Early adoption is permitted. The Company anticipates an increase in the recognition of right-of-use assets and lease liabilities, however, the Company does not believe that ASU 2016-02 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. The Company has adopted this standard, which did not have a material impact, on its consolidated financial statements and related disclosures for the periods presented.

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. The Company has adopted this standard, which did not have a material impact, on its consolidated financial statements and related disclosures for the periods presented.

In June 2018, the FASB issued ASU 2018-07, “Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting”. This amendment expands the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. ASU 2018-07 supersedes Subtopic 505-50, Equity—Equity-Based Payments to Non-Employees and is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. The Company does not believe that ASU 2018-07 will have a material impact on its consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement”, which is intended to improve the effectiveness of

fair value measurement disclosures. The amendment, among other things, affects certain disclosure requirements related to transfers between level 1 and level 2 of the fair value hierarchy, and level 3 fair value measurements as they relate to valuation process, unrealized gains and losses, measurement uncertainty, and significant unobservable inputs. The new guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for any interim or annual period. The Company does not believe that ASU 2018-13 will have a material impact on its consolidated financial statements and disclosures.

In August 2018, the Securities and Exchange Commission (“SEC”) issued Final Rule Release No. 33-10532 - “Disclosure Update and Simplification.” This rule amends various SEC disclosure requirements that have been determined to be redundant, duplicative, overlapping, outdated, or superseded. The changes are generally expected to reduce or eliminate certain disclosures; however, the amendments did expand interim period disclosure requirements related to changes in stockholders' equity. This final rule is effective on November 5, 2018. The Company does not believe that the adoption of this standard will have a material impact on its consolidated financial statements and disclosures.

12. Subsequent Events

Distribution Declaration

On October 24, 2018, the Board of Directors declared a cash distribution of \$0.31 per share to be paid on November 19, 2018 to stockholders of record as of November 12, 2018. This distribution represents the Company's fifty-third consecutive distribution since the Company's IPO, bringing the total cumulative distribution to date to \$14.95 per share.

In addition to the cash distribution, on October 24, 2018, the Board of Directors declared a supplemental distribution of \$0.02 per share to be paid on November 19, 2018 to stockholders of record as of November 12, 2018. The total cumulative distribution to date, including the supplemental distribution is \$14.97 per share.

ATM Equity Program Issuances

The Company did not sell any shares subsequent to September 30, 2018 and as of October 29, 2018, under the Equity Distribution Agreement with JMP. As of October 29, 2018, approximately 5.4 million shares remain available for issuance and sale under the Equity Distribution Agreement.

2021 Asset-Backed Notes Repayment

In July 2018, changes in the payment schedule of obligors in the 2021 Asset-Backed Notes collateral pool triggered a rapid amortization event in accordance with the sale and servicing agreement for the 2021 Asset-Backed Notes. Due to this event, the 2021 Asset-Backed Notes were fully repaid as of October 16, 2018.

2027 Asset-Backed Notes

On November 1, 2018, the Company completed a term debt securitization in connection with which an affiliate of the Company made an offering of \$200,000,000 in aggregate principal amount of fixed-rate asset-backed notes (the "2027 Asset-Backed Notes"). The 2027 Asset-Backed Notes were rated A(sf) by KBRA.

The 2027 Asset-Backed Notes were issued by Hercules Capital Funding Trust 2018-1 pursuant to a note purchase agreement, dated as of October 25, 2018, by and among the Company, Hercules Capital Funding 2018-1 LLC, as Trust Depositor (the "2018 Trust Depositor"), Hercules Capital Funding Trust 2018-1, as Issuer (the "2018 Securitization Issuer"), and Guggenheim Securities, LLC, as Initial Purchaser, and are backed by a pool of senior loans made to certain portfolio companies of the Company and secured by certain assets of those portfolio companies and are to be serviced by the Company. The outstanding principal balance of the pool of loans as of September 30, 2018 was approximately \$284,761,977. Interest on the 2027 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 4.605% per annum. The 2027 Asset-Backed Notes have a stated maturity of November 22, 2027.

Portfolio Company Developments

As of October 29, 2018, the Company held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. Both companies filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all. Subsequent to September 30, 2018 and as of October 29, 2018, there were no announced or completed liquidity events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

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

- our current and future management structure;
- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- our informal relationships with third parties including in the venture capital industry;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access debt markets and equity markets;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company, a SBIC and a RIC;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any distributions;
- the impact of fluctuations in interest rates on our business;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Item 1A— “Risk Factors” of Part II of this quarterly report on Form 10-Q, Item 1A— “Risk Factors” of our annual report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 22, 2018 and under “Forward-Looking Statements” of this Item 2.

Overview

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

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

We use the term “structured debt with warrants” to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or other rights to purchase common or preferred stock. Our structured debt with warrants investments typically are secured by some or all of the assets of the portfolio company. We also provide “unitranche” loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position.

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

We also make investments in qualifying small businesses through HT III, which is our wholly owned SBIC. HT III holds approximately \$300.6 million in assets which accounted for approximately 13.6% of our total assets, prior to consolidation at September 30, 2018. At September 30, 2018, with our net investment of \$74.5 million, HT III has the capacity to issue \$149.0 million of SBA-guaranteed debentures which is subject to SBA approval. At September 30, 2018, we have issued \$149.0 million in SBA-guaranteed debentures in our SBIC subsidiary.

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

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

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

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

Reduced Asset Coverage Requirements

The Small Business Credit Availability Act, or the SBCAA, which was signed into law in March 2018, decreased the minimum asset coverage ratio in Section 61(a) of the 1940 Act for business development companies from 200% to 150% (subject to either stockholder approval or approval of both a majority of the board of directors and a majority of directors who are not interested

persons). On September 4, 2018, our Board of Directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act), approved the application to us of the 150% minimum asset coverage ratio set forth in Section 61(a)(2) of the 1940 Act. As a result, the minimum asset coverage ratio applicable to us will be reduced from 200% to 150%, effective as of September 4, 2019, unless approved earlier by a vote of our stockholders, in which case the 150% minimum asset coverage ratio will be effective on the day after such approval. Our Board of Directors also authorized the submission of a proposal for stockholders to accelerate the application of the 150% minimum asset coverage ratio to us at a special meeting of stockholders scheduled to be held on December 6, 2018. As a result of our Board of Director’s approval, effective as of September 4, 2019 (or earlier if our stockholders approve the proposal to accelerate the application of the reduced asset coverage requirements to us), we will be able to incur additional indebtedness and, therefore, your risk of an investment in us may increase.

Portfolio and Investment Activity

The total fair value of our investment portfolio was approximately \$1.8 billion at September 30, 2018 and \$1.5 billion at December 31, 2017. The fair value of our debt investment portfolio at September 30, 2018 was approximately \$1.6 billion, compared to a fair value of approximately \$1.4 billion December 31, 2017. The fair value of the equity portfolio at September 30, 2018 was approximately \$127.4 million, compared to a fair value of approximately \$89.4 million at December 31, 2017. The fair value of the warrant portfolio at September 30, 2018 was approximately \$29.8 million, compared to a fair value of approximately \$36.8 million at December 31, 2017.

Portfolio Activity

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

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

Our portfolio activity for the nine months ended September 30, 2018 and the year ended December 31, 2017 was comprised of the following:

| (in millions) | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| Debt Commitments ⁽¹⁾ | | |
| New portfolio company | \$ 823.7 | \$ 773.2 |
| Existing portfolio company | 103.0 | 98.8 |
| Total | \$ 926.7 | \$ 872.0 |
| Funded and Restructured Debt Investments ⁽²⁾ | | |
| New portfolio company | \$ 559.7 | \$ 578.9 |
| Existing portfolio company | 108.8 | 175.9 |
| Total | \$ 668.5 | \$ 754.8 |

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|--|----------|----------|
| Funded Equity Investments | | |
| New portfolio company | \$ 32.9 | 7.1 |
| Existing portfolio company | 4.8 | 2.9 |
| Total | \$ 37.7 | \$ 10.0 |
| Unfunded Contractual Commitments ⁽³⁾ | | |
| Total | \$ 172.0 | \$ 73.6 |
| Non-Binding Term Sheets | | |
| New portfolio company | \$ 42.0 | \$ 122.0 |
| Existing portfolio company | — | — |
| Total | \$ 42.0 | \$ 122.0 |

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

(2) Funded amounts include borrowings on revolving facilities.

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

76

We receive principal payments on our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the nine months ended September 30, 2018, we received approximately \$489.7 million in aggregate principal repayments. Of the approximately \$489.7 million of aggregate principal repayments, approximately \$67.0 million were scheduled principal payments and approximately \$422.7 million were early principal repayments related to 31 portfolio companies. Of the approximately \$422.7 million early principal repayments, approximately \$58.9 million were early repayments due to merger and acquisition transactions for four portfolio companies.

Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, and escrow receivables) as of and for the nine months ended September 30, 2018 and the year ended December 31, 2017 was as follows:

| (in millions) | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| Beginning portfolio | \$ 1,542.2 | \$ 1,423.9 |
| New fundings and restructures | 706.1 | 764.8 |
| Warrants not related to current period fundings | 0.1 | 0.6 |
| Principal payments received on investments | (67.0) | (119.5) |
| Early payoffs | (422.6) | (505.6) |
| Accretion of loan discounts and paid-in-kind principal | 25.7 | 36.5 |
| Net acceleration of loan discounts and loan fees due to early payoff or restructure | (11.8) | (8.1) |
| New loan fees | (9.2) | (9.8) |
| Sale of investments | (4.8) | (11.0) |
| Loss on investments due to write offs | (23.2) | (39.6) |
| Net change in unrealized appreciation (depreciation) | 25.0 | 10.0 |
| Ending portfolio | \$ 1,760.5 | \$ 1,542.2 |

As of September 30, 2018, we held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. Both companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all.

Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$40.0 million, although we may make investments in amounts above or below that range. As of September 30, 2018, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from 6.0% to 15.7%. In addition to the cash yields received on our debt investments, in some instances, our debt investments may also include any of the following: exit fees, balloon payment fees, commitment fees, success fees, PIK provisions or prepayment fees which may be required to be included in income prior to receipt.

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

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately \$34.4 million of unamortized fees at September 30, 2018, of which approximately \$28.3 million was included as an offset to the cost basis of our current debt investments and approximately \$6.1 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2017, we had approximately \$33.3 million of unamortized fees, of which approximately \$29.3 million was included as an offset to the cost basis of our current debt investments and approximately \$4.0 million was deferred contingent upon the occurrence of a funding or milestone.

Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At September 30, 2018, we had approximately \$23.3 million in exit fees receivable, of which approximately \$21.6 million was included as a component of the cost basis of our current debt investments and approximately \$1.7 million was a deferred receivable related to

expired commitments. At December 31, 2017, we had approximately \$27.5 million in exit fees receivable, of which approximately \$23.9 million was included as a component of the cost basis of our current debt investments and approximately \$3.6 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to tax as a RIC, this non-cash source of income must be distributed to stockholders with other sources of income in the form of dividend distributions even though we have not yet collected the cash. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately \$2.4 million and \$2.5 million in PIK income during the three months ended September 30, 2018 and 2017, respectively. We recorded approximately \$7.0 million and \$7.2 million in PIK income during the nine months ended September 30, 2018 and 2017, respectively.

The core yield on our debt investments, which excludes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events and includes income from expired commitments, was 12.7% and 12.6% during the three months ended September 30, 2018 and 2017, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events, was 13.5% and 14.1% for the three months ended September 30, 2018 and 2017, respectively. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders. The total yield on our investment portfolio was 12.3% and 13.0% during the three months ended September 30, 2018 and 2017, respectively. The total yield is derived by dividing total investment income by the weighted average investment portfolio assets outstanding during the quarter, including non-interest earning assets such as warrants and equity investments at amortized cost.

The total return for our investors was approximately 7.6% and -2.3% during the nine months ended September 30, 2018 and 2017, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus dividend distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See “Note 9 – Financial Highlights” included in the notes to our consolidated financial statements appearing elsewhere in this report.

Portfolio Composition

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

As of September 30, 2018, approximately 83.9% of the fair value of our portfolio was composed of investments in five industries: 28.0% investments in the software industry, 26.4% investments in the drug discovery & development industry, 16.1% investments in the internet consumer & business services industry, 6.7% investments in the sustainable and renewable technology industry, and 6.7% investments in the Medical Devices & Equipment industry.

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

For the nine months ended September 30, 2018 and the year ended December 31, 2017, our ten largest portfolio companies represented approximately 27.9% and 34.6% of the total fair value of our investments in portfolio companies, respectively. At September 30, 2018 and December 31, 2017, we had five and seven investments, respectively, that represented 5% or more of our net assets. At September 30, 2018, we had seven equity investments representing approximately 66.5% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2017, we had nine equity investments which represented approximately 67.1% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of September 30, 2018, approximately 97.0% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR-based interest rate floor. As a result, we believe we are well positioned to benefit should market interest rates continue to rise.

In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property. As of September 30, 2018, approximately 84.4% of our debt investments were in a senior secured first lien position, with 46.6% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, 30.0% secured by a first priority security in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property, 1.3% of our debt investments were senior secured by the equipment of the portfolio company, and 6.5% were in a first lien "last-out" senior secured position with security interest in all of the assets of the portfolio company, whereby the "last-out" loans will be subordinated to the "first-out" portion of the unitranche loan in a liquidation, sale or other disposition. Another 14.7% of our debt investments were secured by a second priority security interest in all of the portfolio company's assets, and 0.9% were unsecured.

Our investments in senior secured debt with warrants have detachable equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. These features are treated as OID and are accreted into interest income over the term of the loan as a yield enhancement. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of September 30, 2018, we held warrants in 130 portfolio companies, with a fair value of approximately \$29.8 million. The fair value of our warrant portfolio decreased by approximately \$7.0 million, as compared to a fair value of \$36.8 million at December 31, 2017 primarily related to the slight decrease in portfolio companies and valuation of the portfolio.

Our existing warrant holdings would require us to invest approximately \$79.2 million to exercise such warrants as of September 30, 2018. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. Of the warrants that we have monetized since inception, we have realized multiples in the range of approximately 1.02x to 29.06x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

Portfolio Grading

We use an investment grading system, which grades each debt investment on a scale of 1 to 5 to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of September 30, 2018 and December 31, 2017, respectively:

| (in thousands) | September 30, 2018 | | | December 31, 2017 | | |
|----------------|--|-----------------------------------|--|------------------------|-----------------------------------|--|
| | Number of Investment Grading Companies | Debt Investments at Fair Value | Percentage of Total Portfolio | Number of Companies | Debt Investments at Fair Value | Percentage of Total Portfolio |
| 1 | 7 | \$ 150,185 | 9.4 % | 12 | \$ 345,191 | 24.4 % |
| 2 | 51 | 987,494 | 61.6 % | 32 | 583,017 | 41.2 % |

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|---|----|--------------|-------|------|--------------|-------|---|
| 3 | 24 | 420,240 | 26.2 | % 32 | 443,775 | 31.3 | % |
| 4 | 5 | 44,483 | 2.7 | % 4 | 41,744 | 2.9 | % |
| 5 | 2 | 873 | 0.1 | % 5 | 2,257 | 0.2 | % |
| | 89 | \$ 1,603,275 | 100.0 | % 85 | \$ 1,415,984 | 100.0 | % |

As of September 30, 2018, our debt investments had a weighted average investment grading of 2.23 on a cost basis, as compared to 2.17 at December 31, 2017. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve. The decline in weighted average investment grading at September 30, 2018 from December 31, 2017 is primarily due to the payoff of five positions with a credit rating 1.

At September 30, 2018, we had two debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$2.8 million and \$65,000, respectively. At December 31, 2017, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$14.8 million and \$340,000, respectively. The decrease in the cumulative cost of debt investments on non-accrual between September 30, 2018 and December 31, 2017 is the result of the liquidation of three debt investments that were on non-accrual at December 31, 2017, which resulted in a realized loss of approximately \$10.3 million, slightly offset by a loan repayment in full from one debt investment.

Results of Operations

Comparison of the three and nine months ended September 30, 2018 and 2017

Investment Income

Interest Income

Total investment income for the three months ended September 30, 2018 was approximately \$52.6 million as compared to approximately \$45.9 million for the three months ended September 30, 2017. Total investment income for the nine months ended September 30, 2018 was approximately \$150.9 million as compared to approximately \$140.7 million for the nine months ended September 30, 2017.

Interest income for the three months ended September 30, 2018 totaled approximately \$49.1 million as compared to approximately \$42.4 million for the three months ended September 30, 2017. Interest income for the nine months ended September 30, 2018 totaled approximately \$137.9 million as compared to approximately \$125.8 million for the nine months ended September 30, 2017. The increase in interest income for the three and nine months ended September 30, 2018 as compared to the same periods ended September 30, 2017, is primarily attributable to an increase in recurring interest income and an increase in the weighted average principal outstanding of loans.

Of the \$49.1 million in interest income for the three months ended September 30, 2018, approximately \$47.7 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$1.4 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$39.7 million and \$2.7 million, respectively, of the \$42.4 million interest income for the three months ended September 30, 2017.

Of the \$137.9 million in interest income for the nine months ended September 30, 2018, approximately \$131.9 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$6.0 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$117.6 million and \$8.2 million, respectively, of the \$125.8 million interest income for the nine months ended September 30, 2017.

The following table shows the PIK-related activity for the nine months ended September 30, 2018 and 2017, at cost:

| (in thousands) | Nine Months Ended September 30, | |
|---|---------------------------------------|-----------|
| | 2018 | 2017 |
| Beginning PIK interest receivable balance | \$ 15,487 | \$ 9,930 |
| PIK interest income during the period | 6,992 | 7,172 |
| PIK accrued (capitalized) to principal | (1,472) | — |
| Payments received from PIK loans | (9,473) | (2,349) |
| Realized gain (loss) | — | (2,183) |
| Ending PIK interest receivable balance | \$ 11,534 | \$ 12,570 |

The slight decrease in PIK interest income during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 is due to a decrease in the weighted average principal outstanding of loans which bear PIK interest.

Fee Income

Fee income from commitment, facility and loan related fees for the three months ended September 30, 2018 totaled approximately \$3.5 million as compared to approximately \$3.4 million for the three months ended September 30, 2017. Fee income from commitment, facility and loan related fees for the nine months ended September 30, 2018 totaled approximately \$12.9 million as compared to approximately \$14.9 million for the nine months ended September 30, 2017. The increase in fee income for three months ended September 30, 2018 is primarily due to an increase in one-time fees due to early repayments. The decrease in fee income for nine months ended September 30, 2018 is primarily due to a decrease in the acceleration of unamortized fees and one-time fees due to early repayments.

Of the \$3.5 million in fee income for the three months ended September 30, 2018, approximately \$1.6 million represents income from recurring fee amortization and approximately \$1.9 million represents income related to the acceleration of unamortized fees due to early repayments, including one-time fees of \$1.6 million for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$1.3 million and \$2.1 million, respectively, of the \$3.4 million in income for the three months ended September 30, 2017.

Of the \$12.9 million in fee income for the nine months ended September 30, 2018, approximately \$4.7 million represents income from recurring fee amortization and approximately \$8.2 million represents income related to the acceleration of unamortized fees due to early repayments, including one-time fees of \$6.4 million for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$4.9 million and \$10.0 million, respectively, of the \$14.9 million in income for the nine months ended September 30, 2017.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three and nine months ended September 30, 2018 or 2017.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$23.3 million and \$21.9 million during the three months ended September 30, 2018 and 2017, respectively. Our operating expenses totaled approximately \$72.7 million and \$68.8 million during the nine months ended September 30, 2018 and 2017, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$11.0 million and \$10.5 million for the three months ended September 30, 2018 and 2017, respectively, and approximately \$34.8 million and \$33.5 million during the nine months ended September 30, 2018 and 2017, respectively. Interest and fee expense during the three and nine months ended September 30, 2018, as compared to the same periods ended September 30, 2017, increased due to the issuance of our 2033 Notes in September 2018, 2025 Notes in April 2018 and 2022 Notes issued in October 2017 as well as interest related to our credit facilities, offset by the partial redemptions of our 2024 Notes and amortization of our 2021 Asset-Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.6% for the three months ended September 30, 2018 and 2017, respectively, and a weighted average cost of debt of approximately 5.8% for the nine months ended September 30, 2018 and 2017, respectively.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses increased to \$3.7 million from \$3.5 million for the three months ended September 30, 2018 and 2017, respectively. Our general and administrative expenses decreased to \$11.4 million from \$12.4 million for the nine months ended September 30, 2018 and 2017. The increase in general and administrative expenses for three months ended September 30, 2018 is primarily due to an increase in workout related costs and outside services for contract labor. The decrease in general and administrative expenses for nine months ended September 30, 2018 is primarily due to a decrease in corporate legal and other expenses.

Employee Compensation

Employee compensation and benefits totaled \$5.3 million for the three months ended September 30, 2018 as compared to \$6.0 million for the three months ended September 30, 2017, and \$18.1 million for the nine months ended September 30, 2018 as compared to \$17.3 million for the nine months ended September 30, 2017. The decrease between the three months ended September 30, 2018 and 2017 was primarily due to reduced payroll related expenses

and the increase between the nine months ended September 30, 2018 and 2017 was primarily due to changes in variable compensation expenses due to company performance objectives.

Employee stock-based compensation totaled \$3.3 million for the three months ended September 30, 2018 as compared to \$1.8 million for the three months ended September 30, 2017, and \$8.5 million for the nine months ended September 30, 2018 as compared to \$5.6 million for the nine months ended September 30, 2017. The increase for the comparative periods was primarily related to restricted stock award vesting and retention rewards.

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

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

A summary of realized gains and losses for the three and nine months ended September 30, 2018 and 2017 is as follows:

| (in thousands) | Three Months | | Nine Months Ended | |
|-----------------------------|--------------------------|------------|--------------------|------------|
| | Ended September 30, 2018 | 2017 | September 30, 2018 | 2017 |
| Realized gains | \$4,618 | \$1,345 | \$12,607 | \$12,898 |
| Realized losses | (1,268) | (25,799) | (23,088) | (39,827) |
| Net realized gains (losses) | \$3,350 | \$(24,454) | \$(10,481) | \$(26,929) |

During the three and nine months ended September 30, 2018, we recognized net realized gains of \$3.3 million and net realized losses of \$10.5 million, respectively. During the three months ended September 30, 2018, we recorded gross realized gains of \$4.6 million primarily from the sale or acquisition of our holdings. These gains were partially offset by gross realized losses of \$1.3 million primarily from the liquidation or write-off of our warrant and equity investments in seven portfolio companies.

During the nine months ended September 30, 2018, we recorded gross realized gains of \$12.6 million primarily from the sale or acquisition of our holdings. These gains were offset by gross realized losses of \$23.1 million primarily from the liquidation or write-off of our warrant and equity investments in twenty portfolio companies and our debt investments in three portfolio companies.

During the three and nine months ended September 30, 2017, we recognized net realized losses of \$24.5 million and \$26.9 million respectively. During the three months ended September 30, 2017, we recorded gross realized gains of \$1.3 million primarily from the sale of our holdings in three portfolio companies. These gains were offset by gross realized losses of \$25.8 million primarily from the liquidation or write-off of our warrant and equity investments in seven portfolio companies and our debt investment in three portfolio companies.

During the nine months ended September 30, 2017, we recorded gross realized gains of \$12.9 million primarily from the sale of our holdings in four portfolio companies. These gains were offset by gross realized losses of \$39.8 million primarily from the liquidation or write-off of our warrant and equity investments in nineteen portfolio companies and our debt investment in four portfolio companies.

The following table summarizes the change in net unrealized appreciation or depreciation of investments for the three and nine months ended September 30, 2018 and 2017:

| (in thousands) | Three Months | | Nine Months Ended | |
|--|--------------------------|----------|--------------------|-----------|
| | Ended September 30, 2018 | 2017 | September 30, 2018 | 2017 |
| Gross unrealized appreciation on portfolio investments | \$14,366 | \$26,421 | \$53,133 | \$114,287 |
| Gross unrealized depreciation on portfolio investments | (9,317) | (15,764) | (53,684) | (125,327) |
| Reversal of prior period net unrealized appreciation (depreciation) upon a realization event | (2,018) | 23,116 | 25,573 | 26,727 |
| Net unrealized appreciation (depreciation) on debt, equity, and warrant investments | 3,031 | 33,773 | 25,022 | 15,687 |
| Other net unrealized appreciation (depreciation) | (54) | (220) | 954 | (50) |
| Total net unrealized appreciation (depreciation) on investments | \$2,977 | \$33,553 | \$25,976 | \$15,637 |

During the three months ended September 30, 2018, we recorded \$3.0 million of net unrealized appreciation which was mainly from our debt, equity and warrant investments. We recorded \$3.5 million of net unrealized appreciation on our debt investments which was attributable to \$4.2 million of unrealized appreciation on the debt portfolio, including \$0.3 million of unrealized appreciation on collateral-based impairments on four portfolio companies, along with \$0.7 million of unrealized depreciation primarily due to the reversal of unrealized appreciation upon pay-off of three portfolio companies.

We recorded \$1.5 million of net unrealized appreciation on our equity investments and \$1.9 million of net unrealized depreciation on our warrant investments during the three months ended September 30, 2018. This net unrealized depreciation of \$0.4 million was primarily attributable to \$1.3 million of unrealized depreciation due to the reversal of unrealized appreciation upon acquisition or liquidation of our equity and warrant investments. This is partially offset by \$0.9 million of unrealized appreciation on the equity and warrant portfolio investments.

During the nine months ended September 30, 2018, we recorded \$26.0 million of net unrealized appreciation, of which \$25.0 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded \$19.3 million of net unrealized appreciation on our debt investments which was primarily related to \$24.7 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon write-off of three portfolio companies and loan repayments from six portfolio companies. This unrealized appreciation was partially offset by \$5.3 million of unrealized depreciation on the debt portfolio, including \$8.0 million of unrealized depreciation on collateral-based impairments on eight portfolio companies.

We recorded \$5.6 million of net unrealized appreciation on our equity investments and \$0.1 million of net unrealized appreciation on our warrant investments during the nine months ended September 30, 2018. This net unrealized appreciation of \$5.7 million was due to \$4.8 million of unrealized appreciation on the equity and warrant portfolio and \$0.9 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon being realized as a gain or loss due to the acquisition or liquidation of our equity and warrant investments.

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

We recorded \$8.8 million of net unrealized appreciation on our equity investments primarily due to the collateral-based impairment on one portfolio company, and \$5.7 million of unrealized appreciation on our public equity portfolio related to portfolio company performance. We also recorded \$2.7 million of net unrealized appreciation on our warrant investments during the three months ended September 30, 2017.

During the nine months ended September 30, 2017, we recorded \$15.6 million of net unrealized appreciation, of which \$15.7 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded \$41.9 million of net unrealized appreciation on our debt investments, which was primarily related to \$41.6 million of unrealized depreciation for collateral-based impairments on eight portfolio companies offset by the reversal of \$52.0 million unrealized depreciation for the prior period collateral-based impairments on eight portfolio companies.

We recorded \$36.9 million of net unrealized depreciation on our equity investments primarily due to \$50.4 million of collateral based impairment on three portfolio companies, and partially offset by \$11.6 million of unrealized appreciation on our equity portfolio. We also recorded \$10.7 million of net unrealized appreciation on our warrant investments during nine months ended September 30, 2017.

Income and Excise Taxes

We account for income taxes in accordance with the provisions of Topic 740 of the FASB's ASC, "Income Taxes", under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We distributed 100% of our spillover earnings from ordinary income for our taxable year ended December 31, 2017 to our stockholders during the three months ended September 30, 2018.

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

For the three months ended September 30, 2018, we had a net increase in net assets resulting from operations of approximately \$35.6 million and for the three months ended September 30, 2017, we had a net increase in net assets resulting from operations of approximately \$33.1 million. For the nine months ended September 30, 2018, we had a net increase in net assets resulting from operations of approximately \$93.6 million and for the nine months ended September 30, 2017, we had a net increase in net assets resulting from operations of approximately \$60.6 million.

Both the basic and fully diluted net change in net assets per common share were \$0.37 per share for the three months ended September 30, 2018 and \$1.04 per share for the nine months ended September 30, 2018. Both the basic and

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

For the purpose of calculating diluted earnings per share for three and nine months ended September 30, 2018 and 2017, the effect of the 2022 Convertible Notes, outstanding options, and restricted stock units under the treasury stock method was considered. The effect of the 2022 Convertible Notes was excluded from these calculations for the three and nine months ended September 30, 2018 and 2017 as our share price was less than the conversion price in effect which results in anti-dilution.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, Credit Facilities and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the turnover of our portfolio and from public and private offerings of securities to finance our investment objectives. We may also raise

additional equity or debt capital through registered offerings off a shelf registration, ATM and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries.

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

On September 7, 2017, we terminated the Prior Equity Distribution Agreement and entered into the Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior Equity Distribution agreement are no longer available for issuance. The Equity Distribution Agreement provides that the Company may offer and sell up to 12.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market," as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the nine months ended September 30, 2018, we sold 5.0 million shares of common stock, which were issued under the Equity Distribution Agreement, for a total accumulated net proceeds of approximately \$62.3 million, including \$1.4 million of offering expenses. As of September 30, 2018, approximately 5.4 million shares remain available for issuance and sale under the Equity Distribution Agreement. See "– Subsequent Events".

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

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of our 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallocments on April 29, 2016. On June 27, 2016, we closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallocments, resulting in total aggregate principal of \$69.0 million from the offering. The 2024 Notes rank equally in right of payment and form a single series of notes.

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

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

We did not sell any notes under the program during the nine months ended September 30, 2018. During the year ended December 31, 2017, we sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. As of September 30, 2018, approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

On January 25, 2017, we issued \$230.0 million in aggregate principal amount of 2022 Convertible Notes, which amount includes the additional \$30.0 million aggregate principal amount issued pursuant to the initial purchaser's exercise in full of its overallotment option. The sale generated net proceeds of approximately \$225.5 million, including \$4.5 million of debt issuance costs. Aggregate issuances costs include the initial purchaser's discount of approximately \$5.2 million, offset by the reimbursement of \$1.2 million by the initial purchaser.

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

On October 23, 2017, we issued \$150.0 million in aggregate principal amount of the 2022 Notes pursuant to the 2022 Notes Indenture. The sale of the 2022 Notes generated net proceeds of approximately \$147.4 million, including a public offering discount of \$826,500. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions of approximately \$975,000, were approximately \$1.8 million.

On November 23, 2017, we redeemed \$75.0 million of the \$258.5 million issued and outstanding aggregate principal amount of our 2024 Notes. On April 2, 2018, we redeemed an additional \$100.0 million of the remaining outstanding aggregate principal amount of the 2024 Notes.

On April 26, 2018, we issued \$75.0 million in aggregate principal amount of the 2025 Notes pursuant to the 2025 Notes Indenture. The sale of the 2025 Notes generated net proceeds of approximately \$72.4 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions were approximately \$2.6 million.

On May 25, 2018, the Company entered into the Amendment to the Union Bank Facility. The Amendment amends certain provisions of the Union Bank Facility to increase the commitments thereunder from \$75.0 million to \$100.0 million.

On June 14, 2018, we closed the June 2018 Equity Offering. The offering generated net proceeds, before expenses, of \$81.3 million, including the underwriting discount and commissions of \$2.6 million.

On July 31, 2018, we entered into a further amendment to the Wells Facility to extend the maturity date and fully repay the pro-rata portion of outstanding balances of Alostar Bank of Commerce and Everbank Commercial Finance Inc., thereby resigning both as lenders and terminating their commitments thereunder.

On September 20, 2018, we issued \$40.0 million in aggregate principal amount of the 2033 Notes pursuant to the 2033 Notes Indenture. The sale of the 2033 Notes generated net proceeds of approximately \$38.8 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions were approximately \$1.2 million.

At September 30, 2018, we had \$149.0 million of SBA debentures, \$150.0 million of 2022 Notes, \$83.5 million of 2024 Notes, \$75.0 million of 2025 Notes, \$40.0 million of 2033 Notes, \$3.5 million of 2021 Asset-Backed Notes, and \$230.0 million of 2022 Convertible Notes payable along with \$38.5 million of borrowings outstanding on the Wells Facility and \$42.4 million of borrowings outstanding on the Union Bank Facility.

At September 30, 2018, we had \$137.3 million in available liquidity, including \$43.2 million in cash and cash equivalents. We had available borrowing capacity of \$36.5 million under the Wells Facility and \$57.6 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At September 30, 2018, we had \$74.5 million of capital outstanding in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investment of \$74.5 million in HT III, we have the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval. At September 30, 2018, we have issued \$149.0 million in SBA guaranteed debentures in our SBIC subsidiaries. On July 13, 2018, we completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II.

At September 30, 2018, we had approximately \$2.4 million of restricted cash, which consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized 2021

Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations.

During the nine months ended September 30, 2018, we principally funded our operations from (i) cash receipts from interest, dividend and fee income from our investment portfolio and (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments.

During the nine months ended September 30, 2018, our operating activities used \$115.4 million of cash and cash equivalents, compared to \$76.6 million provided during the nine months ended September 30, 2017. This \$192.0 million increase in cash used in operating activities is primarily related to an increase in investment purchases of \$218.8 million, partially offset by an increase in investment repayments of \$17.0 million.

During the nine months ended September 30, 2018, our investing activities used approximately \$325,000 of cash, compared to \$127,000 used during the nine months ended September 30, 2017. The \$198,000 increase in cash used in investing activities was due to an increase in purchase of capital equipment.

During the nine months ended September 30, 2018, our financing activities provided \$66.3 million of cash, compared to \$50.5 million provided during the nine months ended September 30, 2017. \$15.8 million increase in cash provided by financing activities was primarily due to the issuance of \$75.0 million of our 2025 Notes in April 2018, issuance of \$40.0 million of our 2033 Notes in September 2018, increase in credit facilities borrowings of \$208.0 million, and issuance of our common stock of \$87.2 million, partially offset by the repayment of \$100.0 million of our 2024 Notes in April 2018, increase in repayment of our credit facility borrowings of \$121.7 million, and amortization of our 2021 Asset-Backed Notes.

As of September 30, 2018, net assets totaled \$1.0 billion, with a NAV per share of \$10.38. We intend to continue to operate in order to generate cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% through September 4, 2019 and 150% thereafter (or earlier if our stockholders approve the proposal to accelerate the application of the reduced asset coverage requirements to us) after each issuance of senior securities. As of September 30, 2018 our asset coverage ratio under our regulatory requirements as a business development company was 251.0% excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200% through September 4, 2019 and 150% thereafter (or earlier if our stockholders approve the proposal to accelerate the application of the reduced asset coverage requirements to us), which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total asset coverage ratio when including our SBA debentures was 223.3% at September 30, 2018.

Outstanding Borrowings

At September 30, 2018 and December 31, 2017, we had the following available borrowings and outstanding amounts:

| (in thousands) | September 30, 2018 | | | December 31, 2017 | | |
|------------------------------------|--------------------|------------|-------------------------------|-------------------|------------|-------------------------------|
| | Total Available | Principal | Carrying Value ⁽¹⁾ | Total Available | Principal | Carrying Value ⁽¹⁾ |
| SBA Debentures ⁽²⁾ | \$ 149,000 | \$ 149,000 | \$ 147,527 | \$ 190,200 | \$ 190,200 | \$ 188,141 |
| 2022 Notes | 150,000 | 150,000 | 147,859 | 150,000 | 150,000 | 147,572 |
| 2024 Notes | 83,510 | 83,510 | 81,791 | 183,510 | 183,510 | 179,001 |
| 2025 Notes | 75,000 | 75,000 | 72,495 | — | — | — |
| 2033 Notes | 40,000 | 40,000 | 38,752 | — | — | — |
| 2021 Asset-Backed Notes | 3,515 | 3,515 | 3,423 | 49,153 | 49,153 | 48,650 |
| 2022 Convertible Notes | 230,000 | 230,000 | 224,660 | 230,000 | 230,000 | 223,488 |
| Wells Facility ⁽³⁾ | 75,000 | 38,512 | 38,512 | 120,000 | — | — |
| Union Bank Facility ⁽³⁾ | 100,000 | 42,382 | 42,382 | 75,000 | — | — |
| Total | \$906,025 | \$811,919 | \$797,401 | \$997,863 | \$802,863 | \$786,852 |

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

(2)

At September 30, 2018, the total available borrowings under the SBA debentures were \$149.0 million which were available in HT III. On July 13, 2018, we completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II. At December 31, 2017, 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) Availability subject to us meeting the borrowing base requirements. On July 31, 2018, the Wells Facility was reduced to \$75.0 million as we fully repaid the pro-rata portion of outstanding balances of Alostair Bank of Commerce and Everbank Commercial Finance Inc. See “Note 4 – Borrowings”.

86

Debt issuance costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASC Subtopic 835-30 (“Interest – Imputation of Interest”), debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, as of September 30, 2018 and December 31, 2017 were as follows:

| | September | December |
|------------------------------------|-----------|-----------|
| (in thousands) | 30, 2018 | 31, 2017 |
| SBA Debentures | \$ 1,473 | \$ 2,059 |
| 2022 Notes | 1,469 | 1,633 |
| 2024 Notes | 1,761 | 4,591 |
| 2025 Notes | 2,505 | — |
| 2033 Notes | 1,248 | — |
| 2021 Asset-Backed Notes | 93 | 503 |
| 2022 Convertible Notes | 3,046 | 3,715 |
| Wells Facility ⁽¹⁾ | 144 | 227 |
| Union Bank Facility ⁽¹⁾ | 235 | 379 |
| Total | \$ 11,974 | \$ 13,107 |

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

Refer to “Note 4 – Borrowings” included in the notes to our consolidated financial statements appearing elsewhere in this report for a discussion of the contract terms, interest expense, and fees associated with each outstanding borrowing as of and for the three and nine months ended September 30, 2018.

Commitments

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

At September 30, 2018, we had approximately \$172.0 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones.

We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

We also had approximately \$42.0 million of non-binding term sheets outstanding to three new and no existing companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

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As of September 30, 2018, our unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

| (in thousands) | Unfunded Commitments (1) |
|------------------------------------|--------------------------------|
| Portfolio Company | |
| ThumbTack, Inc. | \$ 25,000 |
| Tricida, Inc. | 25,000 |
| Couchbase, Inc. | 20,000 |
| Impossible Foods, Inc. | 20,000 |
| Contentful, Inc. | 15,000 |
| Postmates Inc. | 15,000 |
| Chemocentryx, Inc. | 10,000 |
| Xometry, Inc. | 8,000 |
| Evernote Corporation | 7,500 |
| Businessolver.com, Inc. | 6,375 |
| Achronix Semiconductor Corporation | 5,000 |
| Lithium Technologies, Inc. | 3,623 |
| Intent Media, Inc. | 3,000 |
| Emma, Inc. | 2,963 |
| Credible Behavioral Health, Inc. | 2,500 |
| First Insight, Inc. | 1,500 |
| Greenphire, Inc. | 500 |
| Insurance Technologies Corporation | 500 |
| Salsa Labs, Inc. | 500 |
| Total | \$ 171,961 |

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

Contractual Obligations

The following table shows our contractual obligations as of September 30, 2018:

| | Payments due by period (in thousands) | | | | |
|---------------------------------|---------------------------------------|------------------------|----------------|----------------|------------------|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | After 5 years |
| Contractual Obligations (1) | | | | | |
| Borrowings (2)(3) | \$811,919 | \$42,027 | \$106,132 | \$465,250 | \$198,510 |
| Operating Lease Obligations (4) | 16,008 | 2,766 | 5,723 | 5,853 | 1,666 |
| Total | \$827,927 | \$44,793 | \$111,855 | \$471,103 | \$200,176 |

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

- (2) Includes \$149.0 million in principal outstanding under the SBA debentures, \$150.0 million of the 2022 Notes, \$83.5 million of the 2024 Notes, \$75.0 million of the 2025 Notes, \$40.0 million of the 2033 Notes, \$3.5 million of the 2021 Asset-Backed Notes, \$230.0 million of the 2022 Convertible Notes, \$38.5 million under the Wells Facility, and \$42.4 million under the Union Credit Facility as of September 30, 2018.
- (3) Amounts represent future principal repayments and not the carrying value of each liability. See Note 4 to the Company's consolidated financial statements.
- (4) Facility leases and licenses.

Certain premises are leased or licensed under agreements which expire at various dates through June 2027. Total rent expense amounted to approximately \$522,000 and \$1.5 million during the three and nine months ended September 30, 2018. Total rent expense amounted to approximately \$443,000 and \$1.3 million during the three and nine months ended September 30, 2017.

Indemnification Agreements

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

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

Distributions

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

| Date Declared | Record Date | Payment Date | Amount Per Share |
|---|-------------------|-------------------|------------------------|
| Cumulative distributions declared and paid prior to January 1, 2016 | | | \$ 11.23 |
| February 17, 2016 | March 7, 2016 | March 14, 2016 | 0.31 |
| April 27, 2016 | May 16, 2016 | May 23, 2016 | 0.31 |
| July 27, 2016 | August 15, 2016 | August 22, 2016 | 0.31 |
| October 26, 2016 | November 14, 2016 | November 21, 2016 | 0.31 |
| February 16, 2017 | March 6, 2017 | March 13, 2017 | 0.31 |
| April 26, 2017 | May 15, 2017 | May 22, 2017 | 0.31 |
| July 26, 2017 | August 14, 2017 | August 21, 2017 | 0.31 |
| October 25, 2017 | November 13, 2017 | November 20, 2017 | 0.31 |
| February 14, 2018 | March 5, 2018 | March 12, 2018 | 0.31 |
| April 25, 2018 | May 14, 2018 | May 21, 2018 | 0.31 |
| July 25, 2018 | August 13, 2018 | August 20, 2018 | 0.31 |
| October 24, 2018 | November 12, 2018 | November 19, 2018 | 0.31 |
| October 24, 2018 | November 12, 2018 | November 19, 2018 | 0.02 * |
| | | | \$ 14.97 |

* Supplemental Distribution

On October 24, 2018, the Board of Directors declared a cash distribution of \$0.31 per share to be paid on November 19, 2018 to stockholders of record as of November 12, 2018. This distribution represents our fifty-third consecutive distribution since our initial public offering. In addition to the cash distribution, on October 24, 2018, the Board of Directors declared a supplemental distribution of \$0.02 per share to be paid on November 19, 2018 to stockholders of record as of November 12, 2018. The total cumulative distribution to date, including the supplemental distribution is \$14.97 per share.

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

Distributions from our taxable income (including gains) to a stockholder generally will be treated as a dividend for U.S. federal income tax purposes to the extent of such stockholder's allocable share of our current or accumulated earnings and profits. Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of a stockholder's tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions paid for the full taxable year. As a result, any determination of the tax attributes of our distributions made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. Of the distributions declared during the year ended December 31, 2017, 100% were distributions derived from

our current and accumulated earnings and profits.

During the three months ended September 30, 2018, we declared a distribution of \$0.31 per share. If we had determined the tax attributes of our distributions year-to-date as of September 30, 2018, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2018 distributions to stockholders will actually be.

We maintain an “opt out” dividend reinvestment plan that provides for reinvestment of our distribution on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board of Directors authorizes, and we declare a cash distribution, then our stockholders who have not “opted out” of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions.

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

We expect to qualify to be subject to tax as a RIC under Subchapter M of the Code. In order to be subject to tax as a RIC, we are required to satisfy certain annual gross income and quarterly asset composition tests, as well as make distributions to our stockholders each taxable year treated as dividends for federal income tax purposes of an amount at least equal to 90% of the sum of our investment company taxable income, determined without regard to any deduction for dividends paid, plus our net tax-exempt income, if any. Upon being eligible to be subject to tax as a RIC, we would be entitled to deduct such distributions we pay to our stockholders in determining the overall components of our "taxable income." Components of our taxable income include our taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes net unrealized appreciation or depreciation as such gains or losses are not included in taxable income until they are realized. In connection with maintaining our ability to be subject to tax as a RIC, among other things, we have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount at least equal to the Excise Tax Avoidance Requirement. We will not be subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's retained net capital gains).

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

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

We distributed 100% of our spillover earnings, which consists of ordinary income, from the year ended December 31, 2017 to our stockholders during the three months ended September 30, 2018.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets

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

Revision of Previously Issued Financial Statements

It was determined that there was a misclassification in the previously issued quarterly consolidated financial statements of \$14.9 million in the distributions for the nine months ended September 30, 2017. The amount had been categorized as distributions of net investment income rather than distributions of realized gains and the components of net assets have been revised in the period to reflect the correct classification. In addition, the financial highlights in Note 9 have been updated to reclassify \$0.18 per share from distributions of net investment income to distributions of realized gains for the nine months ended September 30, 2017. The amounts reclassified are not material individually, or in the aggregate, and there no impact on previously reported net assets, total distributions, and earnings per share for the nine months ended September 30, 2017.

Valuation of Investments

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

At September 30, 2018, approximately 96.6% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

Refer to “Note 2 – Summary of Significant Accounting Policies” included in the notes to our consolidated financial statements appearing elsewhere in this report for a discussion of our valuation policies for the three and nine months ended September 30, 2018.

Income Recognition

See “— Changes in Portfolio” for a discussion of our income recognition policies and results during the three and nine months ended September 30, 2018. See “— Results of Operations” for a comparison of investment income for the three and nine months ended September 30, 2018 and 2017.

Stock Based Compensation

We have issued and may, from time to time, issue stock options and restricted stock to employees under the 2018 Equity Incentive Plan and the Director Plan. We follow the guidelines set forth under ASC Topic 718, (“Compensation –

Stock Compensation”) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Recent Accounting Pronouncements

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

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

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. We have adopted this standard, which did not have a material impact, on our consolidated financial statements and related disclosures for the periods presented.

In June 2018, the FASB issued ASU 2018-07, “Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting”. This amendment expands the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. ASU 2018-07 supersedes Subtopic 505-50, Equity—Equity-Based Payments to Non-Employees and is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2018. We do not believe that ASU 2018-07 will have a material impact on our consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement”, which is intended to improve the effectiveness of fair value measurement disclosures. The amendment, among other things, affects certain disclosure requirements related to transfers between level 1 and level 2 of the fair value hierarchy, and level 3 fair value measurements as they relate to valuation process, unrealized gains and losses, measurement uncertainty, and significant unobservable inputs. The new guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for any interim or annual period. We do not believe that ASU 2018-13 will have a material impact on our consolidated financial statements and disclosures.

In August 2018, the SEC issued Final Rule Release No. 33-10532 - “Disclosure Update and Simplification.” This rule amends various SEC disclosure requirements that have been determined to be redundant, duplicative, overlapping, outdated, or superseded. The changes are generally expected to reduce or eliminate certain disclosures; however, the amendments did expand interim period disclosure requirements related to changes in stockholders' equity. This final rule is effective on November 5, 2018. We do not believe that the adoption of this standard will have a material impact on our consolidated financial statements and disclosures.

Subsequent Events

Distribution Declaration

On October 24, 2018, the Board of Directors declared a cash distribution of \$0.31 per share to be paid on November 19, 2018 to stockholders of record as of November 12, 2018. This distribution represents our fifty-third consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$14.95 per share.

In addition to the cash distribution, on October 24, 2018, the Board of Directors declared a supplemental distribution of \$0.02 per share to be paid on November 19, 2018 to stockholders of record as of November 12, 2018. The total cumulative distribution to date, including the supplemental distribution is \$14.97 per share.

ATM Equity Program Issuances

We did not sell any shares subsequent to September 30, 2018 and as of October 29, 2018, under the Equity Distribution Agreement with JMP. As of October 29, 2018, approximately 5.4 million shares remain available for issuance and sale under the Equity Distribution Agreement.

2021 Asset-Backed Notes Repayment

In July 2018, changes in the payment schedule of obligors in the 2021 Asset-Backed Notes collateral pool triggered a rapid amortization event in accordance with the sale and servicing agreement for the 2021 Asset-Backed Notes. Due to this event, the 2021 Asset-Backed Notes were fully repaid as of October 16, 2018.

2027 Asset-Backed Notes

On November 1, 2018, we completed a term debt securitization in connection with which an affiliate of ours made an offering of \$200,000,000 in aggregate principal amount of 2027 Asset-Backed Notes. The 2027 Asset-Backed Notes were rated A(sf) by KBRA.

The 2027 Asset-Backed Notes were issued by Hercules Capital Funding Trust 2018-1 pursuant to a note purchase agreement, dated as of October 25, 2018, by and among us, the 2018 Trust Depositor, the 2018 Securitization Issuer, and Guggenheim Securities, LLC, as Initial Purchaser, and are backed by a pool of senior loans made to certain portfolio companies of ours and secured by certain assets of those portfolio companies and are to be serviced by us. The outstanding principal balance of the pool of loans as of September 30, 2018 was approximately \$284,761,977. Interest on the 2027 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 4.605% per annum. The 2027 Asset-Backed Notes have a stated maturity of November 22, 2027.

Portfolio Company Developments

As of October 29, 2018, we held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. Both companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all. Subsequent to September 30, 2018 and as of October 29, 2018, there were no companies that announced or completed liquidity events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle fund investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of September 30, 2018, approximately 97.0% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Our borrowings under the Credit Facilities bear interest at a floating rate and the borrowings under our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, and 2022 Convertible Notes bear interest at a fixed rate. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of September 30, 2018, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

| (in thousands) | Interest | Interest | Net | |
|--------------------|----------|----------|----------|--------------------|
| Basis Point Change | Income | Expense | Income | EPS ⁽¹⁾ |
| 25 | \$4,303 | \$ 46 | \$4,257 | \$ 0.04 |
| 50 | \$7,921 | \$ 93 | \$7,828 | \$ 0.08 |
| 75 | \$11,720 | \$ 139 | \$11,581 | \$ 0.12 |
| 100 | \$15,518 | \$ 186 | \$15,332 | \$ 0.16 |
| 200 | \$31,188 | \$ 372 | \$30,816 | \$ 0.32 |
| 300 | \$45,681 | \$ 558 | \$45,123 | \$ 0.47 |

(1) Earnings per share impact calculated based on basic weighted average shares outstanding of 95,460.

We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations (and foreign currency) by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates (and foreign currency), they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the nine months ended September 30, 2018, we did not engage in interest rate (or foreign currency) hedging activities.

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including borrowings under our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes and Credit Facilities that could affect the net increase in net assets resulting from operations, or net income. It also does not assume any repayments from borrowers. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

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

would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by variable rate assets in our investment portfolio.

For additional information regarding the interest rate associated with each of our, SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities, please refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources - Outstanding Borrowings” in this quarterly report on Form 10-Q and “Note 4 – Borrowings” included in the notes to our consolidated financial statements appearing elsewhere in this report.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

In addition to the risks discussed below, important risk factors that could cause results or events to differ from current expectations are described in Part I, Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on February 22, 2018.

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies September 30, 2018 that represent greater than 5% of our net assets:

| (in thousands) | September 30, 2018 | |
|--|--------------------|--------------------------|
| | Fair Value | Percentage of Net Assets |
| Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) | \$71,238 | 7.1 % |
| Axovant Sciences Ltd. | 54,576 | 5.4 % |
| Fuze, Inc. | 51,714 | 5.1 % |
| Businessolver.com, Inc. | 51,292 | 5.1 % |
| EverFi, Inc. | 50,365 | 5.0 % |

Paratek Pharmaceuticals, Inc. is a biopharmaceutical company focused on the development and commercialization of innovative therapies based upon its expertise in novel tetracycline chemistry

Axovant Sciences Ltd. is a clinical-stage biopharmaceutical company focused on acquiring, developing and commercializing novel therapeutics for the treatment of dementia.

Fuze, Inc. is a technology company that provides a cloud-based unified communications-as-a-service platform to server message block, mid-market, and small enterprise customers worldwide.

Businessolver.com, Inc. is a technology company that provides a cloud-based SaaS platform for employee benefit administration designed to manage and monitor enrollment and payroll dashboards with real-time data.

EverFi, Inc. is a technology company that offers a web-based media platform to teach and certify students in the core concepts of financial literacy, from student loan defaults and sub-prime mortgages to credit card debt and rising bankruptcy rates.

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

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

Lenders have fixed dollar claims on our assets that are superior to the claims of stockholders, and we have granted, and may in the future grant, lenders a security interest in our assets in connection with borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. In addition, borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets increases, then leverage would cause the NAV attributable to our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause the NAV attributable to our common stock to decline more than it otherwise would have had we not used leverage. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on common stock. Our ability to

service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. We and, indirectly, our stockholders will bear the cost associated with our leverage activity. If we are not able to service our substantial indebtedness, our business could be harmed materially.

Our Credit Facilities, our 2022 Notes, our 2024 Notes, our 2025 Notes, our 2033 Notes, our 2027 Asset-Backed Notes, and our 2022 Convertible Notes contain financial and operating covenants that could restrict our business activities, including our ability to declare dividend distributions if we default under certain provisions.

As of September 30, 2018, we had \$38.5 million of borrowings outstanding on the Wells Facility and \$42.4 million of borrowings outstanding on the Union Bank Facility. In addition, as of September 30, 2018, we had approximately \$149.0 million of SBA debentures, approximately \$150.0 million in aggregate principal amount of 2022 Notes, approximately \$83.5 million in aggregate principal amount of 2024 Notes, approximately \$75.0 million in aggregate principal amount of 2025 Notes, approximately \$40.0 million in aggregate principal amount of 2033 Notes, approximately \$3.5 million in aggregate principal amount of 2021 Asset-Backed Notes, and approximately \$230.0 million in aggregate principal amount of 2022 Convertible Notes. Additionally, subsequent to September 30, 2018, we repaid the 2021 Asset-Backed Notes in full, and we had approximately \$200.0 million in aggregate principal amount of 2027 Asset-Backed Notes.

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

As a business development company, under the 1940 Act, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such distribution or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. The SBCAA, which was signed into law in March 2018, modifies this section of the 1940 Act and decreases this percentage from 200% to 150% (subject to either stockholder approval or approval of both a majority of the board of directors and a majority of directors who are not interested persons).

On September 4, 2018, our Board of Directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act), approved the application to us of the 150% minimum asset coverage ratio set forth in Section 61(a)(2) of the 1940 Act. As a result, the minimum asset coverage ratio applicable to us will be reduced from 200% to 150%, effective as of September 4, 2019, unless approved earlier by a vote of our stockholders, in which case the 150% minimum asset coverage ratio will be effective on the day after such approval. Our Board of Directors also authorized the submission of a proposal for stockholders to accelerate the application of the 150% minimum asset coverage ratio to us at a special meeting of stockholders scheduled to be held on December 6, 2018. As a result of our Board of Director’s approval, effective as of September 4, 2019 (or earlier if our stockholders approve the proposal to accelerate the application of the reduced asset coverage requirements to us), we will be able to incur additional indebtedness and, therefore, your risk of an investment in us may increase. Rating agencies have reviewed, and may continue to review, our credit ratings and those of other business development companies in light of this new law as well as any corresponding changes to asset coverage ratios and, in certain cases, downgrade such ratings. Such a downgrade in our credit ratings may adversely affect our securities.

As of September 30, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 251.0% excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio and was 223.3% when including all SBA leverage.

Based on assumed leverage equal to 80.9% of our net assets as of September 30, 2018, our investment portfolio would have been required to experience an annual return of at least 2.6% to cover annual interest payments on our additional indebtedness.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming that we employ (1) our actual asset coverage ratio as of September 30, 2018 (excluding our SBA debentures as permitted by our exemptive relief), (2) a hypothetical asset coverage ratio of 200% (excluding our SBA debentures as permitted by our exemptive relief), and (3) a hypothetical asset coverage ratio of 150% (excluding our SBA debentures as permitted by our exemptive relief), each at various annual returns on our portfolio as of September 30, 2018, net of expenses.

The calculations in the table below are hypothetical, and actual returns may be higher or lower than those appearing in the table below.

| | Annual Return on Our Portfolio (Net of Expenses) | | | | |
|--|---|----------|----------|-------|--------|
| | -10% | -5% | 0% | 5% | 10% |
| Corresponding return to common stockholder assuming actual asset coverage as of September 30, 2018 (251.0%) ⁽¹⁾ | (22.83%) | (13.75%) | (4.67%) | 4.40% | 13.48% |
| Corresponding return to common stockholder assuming 200% asset coverage ⁽²⁾ | (28.19%) | (17.41%) | (6.64%) | 4.14% | 14.91% |
| Corresponding return to common stockholder assuming 150% asset coverage ⁽³⁾ | (43.96%) | (28.19%) | (12.41%) | 3.36% | 19.13% |

(1) Assumes \$1.8 billion in total assets, \$811.9 million in debt outstanding, \$1.0 billion in stockholders' equity, and an average cost of funds of 5.8%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended September 30, 2018. Actual interest payments may be different.

(2) Assumes \$2.2 billion in total assets including debt issuance costs on a pro forma basis, \$1.2 billion in debt outstanding, \$1.0 billion in stockholders' equity, and an average cost of funds of 5.8%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended September 30, 2018, along with the hypothetical estimated incremental cost of debt that would be incurred on offering the maximum permissible debt under the 200% asset coverage. Actual interest payments may be different.

(3) Assumes \$3.2 billion in total assets including debt issuance costs on a pro forma basis, \$2.2 billion in debt outstanding, \$1.0 billion in stockholders' equity, and an average cost of funds of 5.8%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended September 30, 2018, along with the hypothetical estimated incremental cost of debt that would be incurred on offering the maximum permissible debt under the 150% asset coverage. Actual interest payments may be different.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Dividend Reinvestment Plan

During the nine months ended September 30, 2018, we issued 107,828 shares of common stock to stockholders in connection with the dividend reinvestment plan. These issuances were not subject to the registration requirements of the Securities Act. The aggregate value of the shares of our common stock issued under our dividend reinvestment plan was approximately \$1,372,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

On October 26, 2018, the Company through a special purpose wholly owned subsidiary, Hercules Funding II, entered into the Sixth Amendment (the "Amendment") to the Wells Facility with Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill LLC), as the arranger and the administrative agent, and the lenders party thereto from time to time. The Amendment amends certain provisions of the Wells Facility to, among other things, extend the maturity date.

ITEM 6. EXHIBITS

Exhibit

Number Description

- 4.1 Sixth Supplemental Indenture, dated as of September 24, 2018, between the Registrant and U.S. Bank, National Association.⁽¹⁾
- 4.2 Form of 6.25% Note due 2033, dated September 24, 2018 (included as part of Exhibit 4.1).⁽¹⁾
- 10.1* Fifth Amendment to the Amended and Restated Loan and Security Agreement, dated as of July 31, 2018, by and among Hercules Funding II LLC as borrower, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as Administrative Agent, and the Lenders party thereto from time to time.
- 10.2* Sixth Amendment to the Amended and Restated Loan and Security Agreement, dated as of October 26, 2018, by and among Hercules Funding II LLC as borrower, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as Administrative Agent, and the Lenders party thereto from time to time.
- 11 Computation of Per Share Earnings (included in Note 8 to the Consolidated Financial Statements included in this report).
- 31.1* Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith.

(1) Previously filed as part of Post-Effective Amendment No. 2, as filed on September 24, 2018 (File No. 333-224281), to the Registration Statement on Form N-2 of the Company.

100

Schedule 12 – 14

HERCULES CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

For the Nine Months Ended September 30, 2018

(in thousands)

| Portfolio Company | Investment ⁽¹⁾ | Amount of Interest Credited to Income ⁽²⁾ | Realized Gain (Loss) | As of December 31, 2017 Fair Value | Gross Additions | Gross Reductions ⁽⁴⁾ | Net Change in Unrealized Appreciation ⁽³⁾ | As of September 30, 2018 Fair Value |
|---|---------------------------|--|----------------------|------------------------------------|-----------------|---------------------------------|--|-------------------------------------|
| Control Investments | | | | | | | | |
| Majority Owned Control Investments | | | | | | | | |
| Achilles Technology Management Co II, Inc. | Common Stock | \$ — | \$(2,900) | \$242 | \$— | \$(3,100) | \$2,858 | \$ — |
| Gibraltar Business Capital, LLC ⁽⁸⁾ | Senior Debt | 945 | — | — | 14,718 | — | 147 | 14,865 |
| | Preferred Stock | — | — | — | 26,122 | — | (146) | 25,976 |
| | Common Stock | — | — | — | 1,884 | — | (10) | 1,874 |
| Total Majority Owned Control Investments | | \$ 945 | \$(2,900) | \$242 | \$12,724 | \$(3,100) | \$ 2,849 | \$ 42,715 |
| Other Control Investments | | | | | | | | |
| Second Time Around | | | | | | | | |
| (Simplify Holdings, LLC) ⁽⁷⁾ | Senior Debt | \$ — | \$(1,743) | \$— | \$— | \$(1,781) | \$ 1,781 | \$ — |
| Tectura Corporation ⁽⁵⁾ | Senior Debt | 1,403 | 335 | 19,219 | 803 | (335) | (15) | 19,672 |
| | Preferred Stock | — | — | — | — | — | — | — |
| | Common Stock | — | — | — | 900 | — | (900) | — |
| Total Other Control Investments | | \$ 1,403 | \$(1,408) | \$19,219 | \$1,703 | \$(2,116) | \$ 866 | \$ 19,672 |
| Total Control Investments | | \$ 2,348 | \$(4,308) | \$19,461 | \$14,427 | \$(5,216) | \$ 3,715 | \$ 62,387 |
| Affiliate Investments | | | | | | | | |
| Optiscan BioMedical, Corp. | Preferred Warrants | \$ — | \$(680) | \$86 | \$— | \$(680) | \$ 883 | \$ 289 |
| | Preferred Stock | — | — | 6,205 | 1,301 | — | 369 | 7,875 |
| Solar Spectrum Holdings LLC (p.k.a. | Senior Debt | 1,570 | — | 13,604 | 1,622 | (4,000) | — | 11,226 |

| Sungevity, Inc.) ⁽⁶⁾ | | | | | | | | |
|---|--------------------|----------|-------------|-----------|----------|--------------|----------|-----------|
| | Common Stock | — | — | 11,400 | — | — | (2,696) | 8,704 |
| | Common Warrants | — | — | — | — | — | — | — |
| Stion Corporation | Preferred Warrants | — | (1,378) | — | — | (1,378) | 1,378 | — |
| Total Affiliate Investments | | \$ 1,570 | \$ (2,058) | \$ 31,295 | \$ 2,923 | \$ (6,058) | \$ (66) | \$ 28,094 |
| Total Control and Affiliate Investments | | \$ 3,918 | \$ (6,366) | \$ 50,756 | \$ 7,350 | \$ (11,274) | \$ 3,649 | \$ 90,481 |

- (1) Stock and warrants are generally non-income producing and restricted.
- (2) Represents the total amount of interest or dividends credited to income for the period an investment was an affiliate or control investment.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include previously recognized depreciation on investments that become control or affiliate investments during the period.
- (5) As of March 31, 2017, the Company's investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In May 2018, the Company purchased common shares, thereby obtaining greater than 25% of voting securities of Tectura as of June 30, 2018.
- (6) As of September 30, 2017, the Company's investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as an affiliate investment due to a reduction in equity ownership. Note that this investment was classified as a control investment as of June 30, 2017 after the Company obtained a controlling financial interest.
- (7) As of February 2018, the Company's investments in Second Time Around (Simplify Holdings, LLC) were deemed wholly worthless and written off for a realized loss.
- (8) As of March 31, 2018, the Company's investment in Gibraltar Business Capital, LLC became classified as a control investment as a result of obtaining a controlling financial interest

Schedule 12 – 14

HERCULES CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

As of September 30, 2018

(in thousands)

| Portfolio Company | Industry | Type of Investment ⁽¹⁾ | Maturity Date | Interest Rate and Floor | Principal or Shares | Cost | Value ⁽²⁾ |
|---|---------------------------------------|-----------------------------------|---------------|--|---------------------|-----------|----------------------|
| Control Investments | | | | | | | |
| Majority Owned Control Investments | | | | | | | |
| Gibraltar Business Capital, LLC | Diversified Financial Services | Unsecured Debt | March 2023 | Interest rate FIXED 14.50% | \$ 15,000 | \$ 14,718 | \$ 14,865 |
| | Diversified Financial Services | Preferred Series A | | | 10,602,752 | 26,122 | 25,976 |
| | Diversified Financial Services | Common Stock | | | 830,000 | 1,884 | 1,874 |
| Total Gibraltar Business Capital, LLC | | | | | | \$42,724 | \$42,715 |
| Total Majority Owned Control Investments (4.25%)* | | | | | | \$42,724 | \$42,715 |
| Other Control Investments | | | | | | | |
| Tectura Corporation | Internet Consumer & Business Services | Senior Secured Debt | June 2021 | Interest rate FIXED 6.00%, PIK Interest 3.00% | \$ 20,766 | \$ 20,766 | \$ 19,672 |
| | Internet Consumer & Business Services | Senior Secured Debt | June 2021 | PIK Interest 8.00% | \$ 10,680 | 240 | — |
| | Internet Consumer & Business Services | Preferred Series BB Equity | | | 1,000,000 | — | — |
| | Internet Consumer & Business Services | Common Stock | | | 414,994,863 | 900 | — |
| Total Tectura Corporation | | | | | | \$21,906 | \$ 19,672 |
| Total Other Control Investments (1.96%)* | | | | | | \$21,906 | \$ 19,672 |
| Total Control Investments (6.21%)* | | | | | | \$64,630 | \$62,387 |

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| Affiliate Investments | | | | | | | |
|--|--------------------------------------|-----------------------------|---------------|---|----------|-----------|----------|
| Optiscan BioMedical, Corp. | Medical Devices & Equipment | Preferred Series B Equity | | | 61,855 | \$3,000 | \$474 |
| | Medical Devices & Equipment | Preferred Series C Equity | | | 19,273 | 655 | 137 |
| | Medical Devices & Equipment | Preferred Series D Equity | | | 551,038 | 5,257 | 4,203 |
| | Medical Devices & Equipment | Preferred Series E Equity | | | 311,989 | 2,609 | 3,061 |
| | Medical Devices & Equipment | Preferred Series E Warrants | | | 74,424 | 573 | 290 |
| Total Optiscan BioMedical, Corp. | | | | | | \$12,094 | \$8,165 |
| Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | Sustainable and Renewable Technology | Senior Secured Debt | August 2019 | Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee | \$10,000 | \$9,999 | \$9,999 |
| | Sustainable and Renewable Technology | Senior Secured Debt | November 2018 | PIK Interest 10.00% | \$634 | 634 | 634 |
| | Sustainable and Renewable Technology | Senior Secured Debt | November 2018 | Interest rate PRIME + 10.70% or Floor rate of 15.70%, PIK Interest 2.00% | \$600 | 593 | 593 |
| | Sustainable and Renewable Technology | Common Stock | | | 288 | 61,502 | 8,704 |
| | Sustainable and Renewable Technology | Class A Units | | | 0.69 | — | — |
| Total Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) | | | | | | \$72,728 | \$19,930 |
| Total Affiliate Investments (2.80%)* | | | | | | \$84,822 | \$28,095 |
| Total Control and Affiliate Investments (9.01%)* | | | | | | \$149,452 | \$90,482 |

* Value as a percent of net assets

(1) Stock and warrants are generally non-income producing and restricted.

(2) All of the Company's control and affiliate investments are Level 3 investments valued using significant unobservable inputs.

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERCULES CAPITAL, INC. (Registrant)

Dated: November 1, 2018 /S/ MANUEL A. HENRIQUEZ
Manuel A. Henriquez
Chairman, President, and Chief Executive Officer

Dated: November 1, 2018 /S/ DAVID LUND
David Lund
Interim Chief Financial Officer, and

Interim Chief Accounting Officer