Hercules Capital, Inc.
Form 497
February 28, 2019
Table of Contents

Index to Financial Statements

Filed Pursuant to Rule 497
Registration No. 333-224281

PROSPECTUS SUPPLEMENT

(To prospectus dated June 5, 2018)

Up to 12,000,000 Shares

Common Stock

We have entered into an equity distribution agreement, dated September 8, 2017, or the Equity Distribution Agreement, with JMP Securities LLC, or JMP Securities, relating to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol HTGC. The last reported sale price on the NYSE on February 25, 2018 was $14.04 per share. The net asset value per share of our common stock at December 31, 2018 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $9.90.

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

The Equity Distribution Agreement provides that we may offer and sell up to 12,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent. Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, or 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. As of the date of this prospectus supplement, we have sold approximately 6.7 million shares of our common stock under the Equity Distribution Agreement.

JMP Securities will receive a commission from us to be negotiated from time to time, but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the Equity Distribution Agreement. JMP Securities is not required to sell any specific number or dollar amount of common stock, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-33 of this prospectus supplement. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities commission, will not be less than the net asset value per share of our common stock at the time of such sale.

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

An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See the Supplementary Risk Factors section beginning on page S-16 of this prospectus supplement and the Risk Factors section beginning on page 14 of the accompanying prospectus to read about risks that you should consider before investing in our common stock, including the risk of leverage.

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

JMP Securities

The date of this prospectus supplement is February 28, 2019.

Table of Contents

Index to Financial Statements

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

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

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

Index to Financial Statements

Table of Contents

Index to Financial Statements

FEES AND EXPENSES

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

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Sales load (as a percentage of offering price)(1)	2.00%
Offering expenses	0.92%(2)
Dividend reinvestment plan fees	(3)
Total stockholder transaction expenses (as a percentage of the public offering price)	2.92%
Annual Expenses (as a percentage of net assets attributable to common stock):(4)	
Operating expenses	5.67%(5)(6)
Interest and fees paid in connection with borrowed funds	5.06%(7)
Total annual expenses	10.73%(8)

(1) Represents the estimated commission with respect to the shares of common stock being sold in this offering. JMP Securities will be entitled to compensation up to 2.00% of the gross proceeds of the sale of any shares of our common stock under the Equity Distribution Agreement, with the exact amount of such compensation to be mutually agreed upon by the Company and JMP Securities from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately $1.5 million, assuming all shares are offered under this prospectus supplement.

(3) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan in the accompanying prospectus.

(4) Net assets attributable to common stock equals the weighted average net assets for the year ended December 31, 2018, which is approximately $923.1 million.

(5) Operating expenses represents our estimated operating expenses by annualizing our actual operating expenses incurred for the year ended December 31, 2018, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and Management and Executive Compensation in the accompanying prospectus.

(6) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating

costs associated with employing investment management professionals.

(7) Interest and fees paid in connection with borrowed funds represents our estimated interest, fees and credit facility expenses by annualizing our actual interest, fees, and credit facility expenses incurred for the year ended December 31, 2018, including our then $75.0 million revolving senior secured credit facility with Wells Fargo Capital Finance, LLC, or the Wells Facility, then $100.0 million revolving senior secured credit facility with MUFG Union Bank, N.A., or the Union Bank Facility, and, together with the Wells Facility, the Credit Facilities, 4.625% notes due 2022, or the 2022 Notes, 6.25% notes due 2024, or the 2024 Notes, 5.25% notes due 2025, or the 2025 Notes, 6.25% notes due 2033, or the 2033 Notes, 4.375% convertible notes due 2022, or the 2022 Convertible Notes, fixed rate asset-backed notes due 2021, or the 2021 Asset-Backed Notes, fixed rate asset-backed notes due 2027, or the 2027 Asset-Backed Notes, and the Small Business Administration, or SBA, debentures.

(8) Total annual expenses is the sum of operating expenses, and interest and fees paid in connection with borrowed funds. Total annual expenses is presented as a percentage of weighted average net assets attributable to common stockholders because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.

Table of Contents

Index to Financial Statements

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 common stock investment, assuming a 5% annual return	$ 130	$ 316	$ 482	$ 822

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

Table of Contents

Index to Financial Statements

FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus supplement and the accompanying prospectus, as well as in future oral and written statements by management of Hercules Capital, Inc., that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, could, intends, target, projects, believes, estimates, predicts, potential or 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 prospectus supplement and the accompanying prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus include statements as to:

- our current and future management structure;
- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- our informal relationships with third parties including in the venture capital industry;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access debt markets and equity markets;
- the ability of our portfolio companies to achieve their objectives;

- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company, a small business investment company, or SBIC, and a regulated investment company, or RIC;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any distributions;
- the impact of fluctuations in interest rates on our business;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus supplement and the accompanying prospectus, please see the discussion under Supplementary Risk Factors beginning on page S-16 of this prospectus supplement and Risk Factors beginning on page 14 of the accompanying prospectus. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus.

Table of Contents

Index to Financial Statements

INDUSTRY AND MARKET DATA

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

Table of Contents

Index to Financial Statements

PROSPECTUS SUPPLEMENT SUMMARY

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

Our Company

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

As of December 31, 2018, our total assets were approximately $1.9 billion, of which our investments comprised $1.9 billion at fair value and $2.0 billion at cost. Since inception through December 31, 2018, we have made debt and equity commitments of more than $8.5 billion to our portfolio companies.

We also make investments in qualifying small businesses through Hercules Technology III, L.P., or HT III, which is our wholly owned SBIC. HT III holds approximately $307.5 million in assets which accounted for approximately 14.3% of our total assets, prior to consolidation at December 31, 2018. At December 31, 2018, we have issued $149.0 million in SBA-guaranteed debentures in our SBIC subsidiary. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiary.

As of December 31, 2018, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 36 professionals who have, on average, more than 10 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

Table of Contents

Index to Financial Statements

Organizational Chart

The following chart summarizes our organizational structure as of February 25, 2019. This chart is provided for illustrative purposes only.

Our Market Opportunity

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

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

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

Table of Contents

Index to Financial Statements

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

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

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

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

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

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

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

S-7

Table of Contents

Index to Financial Statements

Our Business Strategy

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

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

Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities. We expect that our investments have the potential to produce attractive risk-adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from warrant and equity-related securities. We believe that we can mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities (typically between 24 48 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment.

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

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

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

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

Recent Developments

Distribution Declaration

On February 13, 2019, our Board of Directors declared a cash distribution of $0.31 per share to be paid on March 11, 2019 to stockholders of record as of March 4, 2019. This distribution represents our fifty-fourth consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to $15.28 per share.

Closed and Pending Commitments

As of February 25, 2019, we have:

Closed debt and equity commitments of approximately $115.0 million to new and existing portfolio companies and funded approximately $107.8 million subsequent to December 31, 2018.

Pending commitments (signed non-binding term sheets) of approximately $310.1 million.

Table of Contents

Index to Financial Statements

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

Closed Commitments and Pending Commitments (in millions)	
January 1 February 25, 2019 Closed Commitments[(a)]	$ 115.0
Pending Commitments (as of February 25, 2019)[(b)]	$ 310.1
Closed and Pending Commitments as of February 25, 2019	$ 425.1

a. Closed Commitments may include renewals of existing credit facilities. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.
b. Not all pending commitments (signed non-binding term sheets) are expected to close and they do not necessarily represent any future cash requirements.

Restricted Stock Unit Grants

On January 31, 2019, we granted 922,494 restricted stock units pursuant to the Hercules Capital, Inc. Amended and Restated 2018 Equity Incentive Plan, or the 2018 Equity Incentive Plan.

ATM Equity Program Issuances

Subsequent to December 31, 2018 and as of February 25, 2019, we did not sell any shares under the Equity Distribution Agreement. As of February 25, 2019, approximately 5.3 million shares remain available for issuance and sale under the Equity Distribution Agreement.

Share Repurchase Program

Subsequent to December 31, 2018 and as of February 25, 2019, we did not repurchase any shares of our common stock. As of February 25, 2019, approximately $20.9 million of common stock remains eligible for repurchase under the stock repurchase plan.

Redemption of 2024 Notes

On December 7, 2018, our Board of Directors approved a full redemption, in two equal transactions, of $83.5 million of the outstanding aggregate principal amount of the 2024 Notes. The 2024 Notes were fully redeemed on January 14, 2019 and February 4, 2019.

Wells Facility

On January 11, 2019, we entered into the Seventh Amendment to the Wells Facility. Among others, the amendment amends certain key provisions of the Wells Facility to increase Wells Fargo Capital Finance s commitments thereunder from $75.0 million to $125.0 million, reduces the current interest rate to LIBOR plus 3.00% with a natural floor of 3.00%, and extends the maturity date to January 2023.

Union Bank Facility

On February 20, 2019, we, through a special purpose wholly-owned subsidiary, Hercules Funding IV LLC, as borrower, entered into the Loan and Security Agreement, or the 2019 Union Bank Credit Facility, with MUFG Union Bank, N.A., or Union Bank, as the arranger and administrative agent, and the lenders party thereto from time to time. Under the 2019 Union Bank Credit Facility, the lenders have made commitments of $200.0 million and the facility contains an uncommitted accordion feature, in which we can increase the credit line up to an aggregate of $300.0 million. Borrowings under the 2019 Union Bank Credit Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.70%, and the facility will generally have an advance rate of 55% against eligible debt investments. The 2019 Union Bank Credit Facility matures on February 20, 2022, plus a 12-month amortization period, unless sooner terminated in accordance with its terms.

Table of Contents

Index to Financial Statements

Election of Directors

On January 11, 2019, the Board of Directors elected Carol L. Foster as our director. Ms. Foster will be entitled to the applicable annual retainer and restricted stock awards pursuant to our director compensation arrangements. Ms. Foster will also be entitled to enter into an indemnification agreement with us. Ms. Foster will hold office as a Class I director for a term expiring in 2020 and does not currently serve on any of our committees.

On February 4, 2019, the Board of Directors elected Gayle Crowell as our director. Ms. Crowell will be entitled to the applicable annual retainer and restricted stock awards pursuant to our director compensation arrangements. Ms. Crowell will also be entitled to enter into an indemnification agreement with us. Ms. Crowell will hold office as a Class II director for a term expiring in 2021 and does not currently serve on any committees.

2028 Asset-Backed Notes

On January 22, 2019, we completed a term debt securitization in connection with which an affiliate of ours made an offering of $250,000,000 in aggregate principal amount of the fixed rate asset-backed notes due 2028, or the 2028 Asset-Backed Notes, which were rated A(sf) by Kroll Bond Rating Agency, Inc., or KBRA. The 2028 Asset-Backed Notes were issued by Hercules Capital Funding Trust 2019-1, or the 2019 Securitization Issuer, pursuant to an indenture, dated as of January 22, 2019, by and between U.S. Bank National Association, as indenture trustee, and the 2019 Securitization Issuer, were offered pursuant to a note purchase agreement, dated as of January 14, 2019, by and among us, Hercules Capital Funding 2019-1 LLC, as trust depositor, or the 2019 Trust Depositor, the 2019 Securitization Issuer, Guggenheim Securities, LLC, as Initial Purchaser, MUFG Securities Americas Inc., as a co-manager, and Wells Fargo Securities, LLC, as a co-manager, 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 December 31, 2018 was approximately $357,179,128. Interest on the 2028 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 4.703% per annum. The 2028 Asset-Backed Notes have a stated maturity of February 22, 2028.

Portfolio Company Developments

As of February 25, 2019, we held warrants or equity positions in six companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. Five companies filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and one company filed a preliminary prospectus in connection with a proposed public offering on the Toronto Stock Exchange (TSX). There can be no assurance that these companies will complete their IPOs in a timely manner or at all. In addition, subsequent to December 31, 2018, our portfolio companies announced or completed the following liquidity events:

- In December 2018, our portfolio company, Art.com, Inc., one of the largest online sellers of art and wall décor globally, entered into a definitive agreement to be acquired by Walmart (NYSE: WMT), a multinational retail corporation that operates a chain of hypermarket, discount department stores and grocery stores. The deal was completed in February 2019. Terms of the acquisition were not disclosed.

In January 2018, our portfolio company, Labcyte, Inc., a global biotechnology tools company developing acoustic liquid handling, was acquired by Beckman Coulter Life Sciences, a developer and manufacturer of products that simplify, automate and innovate complex biomedical testing. Labcyte will transition into Beckman Coulter Life Sciences under the larger Danaher Life Sciences platform of companies. Terms of the acquisition were not disclosed.

In February 2019, our portfolio company Stealth Bio Therapeutics Corp., (NASDAQ: MITO), a clinical-stage biopharmaceutical company developing therapeutics to treat mitochondrial dysfunction,

Table of Contents

Index to Financial Statements

completed its IPO offering 6.5 million American Depositary Shares, or ADS, at an initial public offering price of $12.00 per ADS.

In February 2019, our portfolio company Avedro, Inc. (NASDAQ: AVDR), a leading commercial-stage ophthalmic medical technology company focused on treating corneal ectatic disorders and improving vision to reduce dependency on eyeglasses or contact lenses, completed its IPO offering 5.0 million shares at an initial public offering price of $14.00 per share.

General Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, Washington, DC, Hartford, CT, Westport, CT, Chicago, IL, and San Diego, CA. We maintain a website on the Internet at www.htgc.com. We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

Table of Contents

Index to Financial Statements

THE OFFERING

Common stock offered by us	Up to 12,000,000 shares of our common stock. As of the date of this prospectus supplement, approximately 5.3 million shares of common stock remain available for sale under the Equity Distribution Agreement.
Common stock outstanding prior to this offering	96,446,893 shares
Manner of offering	At the market offering that may be made from time to time through JMP Securities, as sales agent, using commercially reasonable efforts. See Plan of Distribution in this prospectus supplement.
Use of proceeds	We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objectives, to make acquisitions, to retire certain debt obligations and for other general corporate purposes.
	Pending such uses and investments, we will invest a portion of the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. Our ability to achieve our investment objectives may be limited to the extent that the net proceeds of this offering, pending full investment, are held in lower yielding short-term instruments. See Use of Proceeds in this prospectus supplement.
Distribution	To the extent that we have income available, we intend to distribute quarterly distributions to our stockholders. The amount of our distributions, if any, will be determined by our Board of Directors. Any distributions to our stockholders will be declared out of assets legally available for distribution. See Price Range of Common Stock in this prospectus supplement.
Taxation	We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as distributions. To

	maintain our RIC tax status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Price Range of Common Stock in this prospectus supplement and Certain United States Federal Income Tax Considerations in the accompanying prospectus.
New York Stock Exchange symbol	HTGC
Risk factors	An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. In addition, the companies

Table of Contents

Index to Financial Statements

in which we invest are subject to special risks. See Supplementary Risk Factors beginning on page S-16 of this prospectus supplement and Risk Factors beginning on page 14 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.

Table of Contents

Index to Financial Statements

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations,   Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2018, 2017, 2016, 2015, and 2014 and the financial statement of operations data for fiscal years 2018, 2017, 2016, 2015, and 2014 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, but not all of which are presented in this prospectus supplement. The historical data are not necessarily indicative of results to be expected for any future period.

	For the Year Ended December 31,				
(in thousands, except per share amounts)	**2018**	**2017**	**2016**	**2015**	**2014**
Investment income:					
Interest	$ 190,636	$ 172,196	$ 158,727	$ 140,266	$ 126,618
Fees	17,117	18,684	16,324	16,866	17,047
Total investment income	207,753	190,880	175,051	157,132	143,665
Operating expenses:					
Interest	39,435	37,857	32,016	30,834	28,041
Loan fees	7,260	8,728	5,042	6,055	5,919
General and administrative:					
Legal expenses	2,573	4,572	4,823	3,079	1,366
Other expenses	12,915	11,533	11,283	13,579	8,843
Total general and administrative	15,488	16,105	16,106	16,658	10,209
Employee Compensation:					
Compensation and benefits	25,062	24,555	22,500	20,713	16,604
Stock-based compensation	11,779	7,191	7,043	9,370	9,561
Total employee compensation	36,841	31,746	29,543	30,083	26,165
Total operating expenses	99,024	94,436	82,707	83,630	70,334
Other income (loss)			8,000	(1)	(1,581)
Net investment income	108,729	96,444	100,344	73,501	71,750
Net realized gain (loss) on investments	(11,087)	(26,711)	4,576	5,147	20,112
Net change in unrealized appreciation (depreciation) on investments	(21,146)	9,265	(36,217)	(35,732)	(20,674)
Total net realized and unrealized gain (loss)	(32,233)	(17,446)	(31,641)	(30,585)	(562)
Net increase in net assets resulting from operations	$ 76,496	$ 78,998	$ 68,703	$ 42,916	$ 71,188
Change in net assets per common share (basic)	$ 0.83	$ 0.95	$ 0.91	$ 0.60	$ 1.12

Distributions declared per common share:	$ 1.26	$ 1.24	$ 1.24	$ 1.24	$ 1.24

(in thousands,	**For the Year Ended December 31,**				
except per share amounts)	**2018**	**2017**	**2016**	**2015**	**2014**
Balance sheet data:					
Investments, at value	$ 1,880,373	$ 1,542,214	$ 1,423,942	$ 1,200,638	$ 1,020,737
Cash and cash equivalents	34,212	91,309	13,044	95,196	227,116
Total assets	1,945,191	1,654,715	1,464,204	1,334,761	1,299,223
Total liabilities	989,747	813,748	676,260	617,627	640,359
Total net assets	955,444	840,967	787,944	717,134	658,864
Other Data:					
Total return(3)	(7.56%)	1.47%	26.87%	(9.70%)	(1.75%)
Total debt investments, at value	1,733,492	1,415,984	1,328,803	1,110,209	923,906
Total warrant investments, at value	26,669	36,869	27,485	22,987	25,098
Total equity investments, at value	120,212	89,361	67,654	67,442	71,733
Unfunded Commitments(2)	138,982	73,604	59,683	75,402	147,689
Net asset value per share(1)	$ 9.90	$ 9.96	$ 9.90	$ 9.94	$ 10.18

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

Table of Contents

Index to Financial Statements

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

(3) The total return equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the issuance. The total return does not reflect any sales load that must be paid by investors.

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2018. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

	Quarter Ended			
(in thousands, except per share data)	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**
Total investment income	$ 48,700	$ 49,562	$ 52,602	$ 56,889
Net investment income	26,063	22,774	29,302	30,590
Net increase (decrease) in net assets resulting from operations	5,946	52,060	35,629	(17,139)
Change in net assets resulting from operations per common share (basic)	$ 0.07	$ 0.59	$ 0.37	$ (0.18)

	Quarter Ended			
(in thousands, except per share data)	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**
Total investment income	$ 46,365	$ 48,452	$ 45,865	$ 50,198
Net investment income	22,678	25,275	23,973	24,518
Net increase (decrease) in net assets resulting from operations	(5,588)	33,149	33,072	18,365
Change in net assets resulting from operations per common share (basic)	$ (0.07)	$ 0.40	$ 0.40	$ 0.22

Table of Contents

Index to Financial Statements

SUPPLEMENTARY RISK FACTORS

Investing in our securities may be speculative and involves a high degree of risk. You should consider carefully the risks described below and all other information contained in this prospectus supplement. The risks set forth below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Related to our Business Structure

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 December 31, 2018, we had $13.1 million of borrowings outstanding under the Wells Facility and $39.8 million of borrowings outstanding on the Union Bank Facility. In addition, as of December 31, 2018, we had approximately $149.0 million of indebtedness outstanding incurred by our SBIC subsidiary, 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 $200.0 million in aggregate principal amount of 2027 Asset-Backed Notes, in connection with our $284.8 million debt securitization, or the 2018 Debt Securitization, and approximately $230.0 million in aggregate principal amount of 2022 Convertible Notes. Additionally, subsequent to December 31, 2018, (i) the 2024 Notes were fully redeemed in two equal transactions on January 14, 2019 and February 4, 2019 and (ii) we had approximately $250.0 million in aggregate principal amount of 2028 Asset-Backed Notes and, together with the 2027 Asset-Backed Notes, the Asset-Backed Notes, in connection with our $357.2 million debt securitization, or the 2019 Debt Securitization and, together with the 2018 Debt Securitization, the Debt Securitizations.

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.

Table of Contents

Index to Financial Statements

Until December 6, 2018, as a business development company, under the 1940 Act, generally, we were not permitted to incur indebtedness unless immediately after such borrowing we had 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). The Small Business Credit Availability Act, or 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 and December 6, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, 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, as of December 7, 2018, we are able to incur additional indebtedness, subject to certain disclosure requirements 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 December 31, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 214.6% excluding our SBIC debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio and was 197.2% when including all SBA leverage.

Based on assumed leverage equal to 102.6% of our net assets as of December 31, 2018, our investment portfolio would have been required to experience an annual return of at least 2.8% 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 December 31, 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 December 31, 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 December 31, 2018 (214.6%)(1)	(26.15%)	(15.97%)	(5.79%)	4.38%	14.56%
Corresponding return to common stockholder assuming 200% asset coverage(2)	(28.18%)	(17.36%)	(6.53%)	4.30%	15.13%
Corresponding return to common stockholder assuming 150% asset coverage(3)	(43.82%)	(28.00%)	(12.17%)	3.65%	19.48%

(1)

Assumes $1.9 billion in total assets, $980.5 million in debt outstanding, $955.4 million in stockholders equity, and an average cost of funds of 5.6%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2027 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended December 31, 2018. Actual interest payments may be different.

(2) Assumes $2.1 billion in total assets including debt issuance costs on a pro forma basis, $1.1 billion in debt outstanding, $955.4 million in stockholders equity, and an average cost of funds of 5.6%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2027 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended December 31, 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.

Table of Contents

Index to Financial Statements

(3) Assumes $3.0 billion in total assets including debt issuance costs on a pro forma basis, $2.1 billion in debt outstanding, $955.4 million in stockholders equity, and an average cost of funds of 5.6%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2027 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended December 31, 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.

In addition to regulatory requirements that restrict our ability to raise capital, our 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, and Credit Facilities contain various covenants which, if not complied with, could require accelerated repayment under the facility or require us to repurchase the 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

The credit agreements governing our 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, and Credit Facilities require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, debt to equity and interest coverage. Our ability to continue to comply with these covenants in the future depends on many factors, some of which are beyond our control. There are no assurances that we will be able to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver from the lenders under our Credit Facilities and could accelerate repayment under the facilities or the 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay a sufficient amount of distributions and maintain our ability to be subject to tax as a RIC. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases. See Note 4 Borrowings .

The Wells Facility and the Union Bank Facility mature in January 2023 and February 2023, respectively, and any inability to renew, extend or replace our Credit Facilities could adversely impact our liquidity and ability to find new investments or maintain distributions to our stockholders.

As of December 31, 2018, we had two available secured credit facilities, the Wells Facility and the Union Bank Facility, which mature in January 2023 and February 2023, respectively. There can be no assurance that we will be able to renew, extend or replace our Credit Facilities upon maturity on terms that are favorable to us, if at all. Our ability to renew, extend or replace the Credit Facility will be constrained by then-current economic conditions affecting the credit markets. In the event that we are not able to renew, extend or replace either Credit Facility at the time of its maturity, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify as a RIC.

We are subject to certain risks as a result of our interests in connection with the Debt Securitizations and our equity interest in the Securitization Issuers.

On November 1, 2018, in connection with the 2018 Debt Securitization and the offering of the 2027 Asset-Backed Notes by Hercules Capital Funding Trust 2018-1, or the 2018 Securitization Issuer, we sold and/or contributed to Hercules Capital Funding 2018-1 LLC, as trust depositor, or the 2018 Trust Depositor, certain senior loans made to certain of our portfolio companies, or the 2018 Loans, which the 2018 Trust Depositor in turn sold and/or contributed to the 2018 Securitization Issuer in exchange for 100% of the equity interest in the 2018 Securitization Issuer, cash proceeds and other consideration. Following these transfers, the 2018 Securitization Issuer, and not the 2018 Trust Depositor or us, held all of the ownership interest in the 2018 Loans.

On January 22, 2019, in connection with the 2019 Debt Securitization and the offering of the 2028 Asset-Backed Notes by the 2019 Securitization Issuer and, together with the 2018 Securitization Issuer, the Securitization Issuers, we sold and/or contributed to the 2019 Trust Depositor and, together with the 2018 Trust Depositor, the Trust Depositors, certain senior loans made to certain of our portfolio companies, or the 2019 Loans and, together with the 2018 Loans, the Securitization Loans, which the 2019 Trust Depositor in turn sold and/or contributed to the 2019 Securitization Issuer in exchange for 100% of the equity interest in the 2019

Table of Contents

Index to Financial Statements

Securitization Issuer, cash proceeds and other consideration. Following these transfers, the 2019 Securitization Issuer, and not the 2019 Trust Depositor or us, held all of the ownership interest in the 2019 Loans.

As a result of the Debt Securitizations, we hold, indirectly through the Trust Depositors, 100% of the equity interests in the Securitization Issuers. As a result, we consolidate the financial statements of the Trust Depositors and the Securitization Issuers, as well as our other subsidiaries, in our consolidated financial statements. Because each of the Trust Depositors and the Securitization Issuers is disregarded as an entity separate from its owners for U.S. federal income tax purposes, the sale or contribution by us to the Trust Depositors, and by the Trust Depositors to the Securitization Issuers, as applicable, did not constitute a taxable event for U.S. federal income tax purposes. If the IRS were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

Further, a failure of either of the Securitization Issuers to be treated as a disregarded entity for U.S. federal income tax purposes would constitute an event of default pursuant to the applicable indenture under the Debt Securitizations, upon which the trustee under the 2018 Debt Securitization, or the 2018 Trustee, or the 2019 Debt Securitization, or the 2019 Trustee and, together with the 2018 Trustee, the Securitization Trustees, as applicable, may and will at the direction of a supermajority of the holders of the 2027 Asset-Backed Notes, or the 2027 Noteholders, or the holders of the 2028 Asset-Back Notes, or the 2028 Noteholders and, together with the 2027 Noteholders, the Securitization Noteholders, as the case may be, declare the applicable Asset-Backed Notes, to be immediately due and payable and exercise remedies under the applicable indenture, including (i) to institute proceedings for the collection of all amounts then payable on the applicable Asset-Backed Notes, or under the applicable indenture, enforce any judgment obtained, and collect from the applicable Securitization Issuer and any other obligor upon the applicable Asset-Backed Notes monies adjudged due; (ii) institute proceedings from time to time for the complete or partial foreclosure of the applicable indenture with respect to the property of the applicable Securitization Issuer; (iii) exercise any remedies as a secured party under the relevant Uniform Commercial Code and take other appropriate action under applicable law to protect and enforce the rights and remedies of the applicable Securitization Trustee and the applicable Securitization Noteholders; or (iv) sell the property of the applicable Securitization Issuer or any portion thereof or rights or interest therein at one or more public or private sales called and conducted in any matter permitted by law. Any such exercise of remedies could have a material adverse effect on our business, financial condition, results of operations or cash flows.

An event of default in connection with the Debt Securitizations could give rise to a cross-default under our other material indebtedness.

The documents governing our other material indebtedness contain customary cross-default provisions that could be triggered if an event of default occurs in connection with either of the Debt Securitizations. An event of default with respect to our other indebtedness could lead to the acceleration of such indebtedness and the exercise of other remedies as provided in the documents governing such other indebtedness. This could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

We may not receive cash distributions in respect of our indirect ownership interests in the Securitization Issuers.

Apart from fees payable to us in connection with our role as servicer of the Securitization Loans and the reimbursement of related amounts under the documents governing the Debt Securitizations, we receive cash in connection with the Debt Securitizations only to the extent that the Trust Depositors receive payments in respect of their equity interests in the Securitization Issuers. The respective holders of the equity interests in the Securitization Issuers are the residual claimants on distributions, if any, made by the applicable Securitization Issuer after the respective Securitization Noteholders and other claimants have been paid in full on each payment date or upon maturity of the applicable Asset-Backed Notes, subject to the priority of payments under the documents governing the Debt Securitizations. To the extent that the value of a Securitization Issuer s portfolio of loans is reduced as a result of conditions in the credit markets (relevant in the event of a liquidation event), other macroeconomic factors, distressed or defaulted loans or the failure of individual portfolio companies to otherwise meet their obligations in respect of the loans, or for any other reason, the ability of either Securitization Issuer to make cash distributions in respect of the applicable Trust Depositor s equity interests would be negatively affected and consequently, the value of the equity interests in such Securitization Issuer would also be reduced. In the event that we fail to receive cash indirectly from the Securitization Issuers, we could be unable to make distributions, if at all, in amounts sufficient to maintain our ability to be subject to tax as a RIC.

The interests of the Securitization Noteholders may not be aligned with our interests.

The Asset-Backed Notes are debt obligations ranking senior in right of payment to the rights of the holders of the equity interests in the Securitization Issuers, as residual claimants in respect of distributions, if any, made by the Securitization Issuers. As such, there are circumstances in which the interests of the Securitization Noteholders may not be aligned with the interests of holders of the equity interests in the Securitization Issuers. For example, under the terms of the documents governing the Debt Securitizations, the Securitization Noteholders have the right to receive payments of principal and interest prior to holders of the equity interests.

For as long as the Asset-Backed Notes remain outstanding, the respective Securitization Noteholders have the right to act in certain circumstances with respect to the applicable Securitization Loans in ways that may benefit their interests but not the interests of the respective holders of the equity interests in the Securitization Issuers, including by exercising remedies under the documents governing the Debt Securitizations.

If an event of default occurs, the applicable Securitization Noteholders will be entitled to determine the remedies to be exercised, subject to the terms of the documents governing the Debt Securitizations. For example, upon the occurrence of an event of default with respect to the Asset-Backed Notes, the applicable Securitization Trustee may and will at the direction of the holders of a supermajority of the applicable Asset-Backed Notes declare the principal, together with any accrued interest, of the notes to be immediately due and payable. This would have the effect of accelerating the principal on such notes, triggering a repayment obligation on the part of the applicable Securitization Issuer. The applicable Asset-Backed Notes then outstanding will be paid in full before any further payment or distribution on the equity interest is made. There can be no assurance that there will be sufficient funds through collections on the Securitization Loans or through the proceeds of the sale of the Securitization Loans in the event of a bankruptcy or insolvency to repay in full the obligations under the Asset-Backed Notes, or to make any distribution to holders of the equity interests in the Securitization Issuers.

Remedies pursued by the Securitization Noteholders could be adverse to our interests as the indirect holder of the equity interests in the Securitization Issuers. The Securitization Noteholders have no obligation to consider any possible adverse effect on such other interests. Thus, there can be no assurance that any remedies pursued by the Securitization Noteholders will be consistent with the best interests of the Trust Depositors or that we will receive, indirectly through the Trust Depositors, any payments or distributions upon an acceleration of the Asset-Backed Notes. Any failure of the Securitization Issuers to make distributions in respect of the equity interests that we indirectly hold, whether as a result of an event of default and the acceleration of payments on the Asset-Backed Notes or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

Certain events related to the performance of Securitization Loans could lead to the acceleration of principal payments on the Asset-Backed Notes.

The following constitute rapid amortization events, or Rapid Amortization Events, under the documents governing the Debt Securitizations: (i) the aggregate outstanding principal balance of delinquent Securitization Loans, and restructured Securitization Loans that would have been delinquent Securitization Loans had such loans not become restructured loans, in the portfolio of Securitization Loans held by the applicable Securitization

Table of Contents

Index to Financial Statements

Issuer exceeds 10% of the current aggregate outstanding principal balance of the Securitization Loans held by such Securitization Issuer for a period of three consecutive months; (ii) the aggregate outstanding principal balance of defaulted Securitization Loans in the portfolio of Securitization Loans held by the applicable Securitization Issuer exceeds 5% of the initial outstanding principal balance of the Securitization Loans held by such Securitization Issuer determined as of November 1, 2018 (in the case of the 2018 Loans) or January 22, 2019 (in the case of the 2019 Loans) for a period of three consecutive months; (iii) the aggregate outstanding principal balance of the 2027 Asset-Backed Notes or the 2028 Asset-Backed Notes, as applicable, exceeds the applicable borrowing base for a period of three consecutive months; (iv) either Securitization Issuer s pool of Securitization Loans contains Securitization Loans to ten or fewer obligors, as applicable; and (v) the occurrence of an event of default under the applicable documents governing the Debt Securitizations. After a Rapid Amortization Event has occurred, subject to the priority of payments under the documents governing the Debt Securitizations, principal collections on the applicable Securitization Loans will be used to make accelerated payments of principal on the applicable Asset-Backed Notes until the principal balance of such Asset-Back Notes is reduced to zero. Such an event could delay, reduce or eliminate the ability of the applicable Securitization Issuer to make distributions in respect of the equity interests that we indirectly hold, which could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

We have certain repurchase obligations with respect to the Securitization Loans transferred in connection with the Debt Securitizations.

As part of each Debt Securitization, we entered into a sale and contribution agreement and a sale and servicing agreement under which we would be required to repurchase any Securitization Loan (or participation interest therein) which was sold to the applicable Securitization Issuer in breach of certain customary representations and warranties made by us or by the applicable Trust Depositor with respect to such Securitization Loan or the legal structure of the applicable Debt Securitization. To the extent that there is a breach of such representations and warranties and we fail to satisfy any such repurchase obligation, the applicable Securitization Trustee may, on behalf of the applicable Securitization Issuer, bring an action against us to enforce these repurchase obligations.

Regulations governing our operations as a business development company may affect our ability to, and the manner in which, we raise additional capital, which may expose us to risks.

Our business will require a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowings, securitization transactions or other indebtedness, or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities, other evidences of indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Until December 6, 2018, as a business development company, under the 1940 Act, we were 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). 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 and December 6, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, 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, as of December 7, 2018, we are able to incur additional indebtedness, subject to certain disclosure requirements and, therefore, your risk of an investment in us may increase. Rating agencies may also decide 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 consider downgrading such ratings, including a downgrade from an investment grade rating to a non-investment grade rating. Such a downgrade in our credit

Table of Contents

Index to Financial Statements

ratings may adversely affect our securities. See Risk Factors Risks Related to Our Securities A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or our debt securities, if any, or change in the debt markets could cause the liquidity or market value of our debt securities to decline significantly in the accompanying prospectus.

If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such transaction may be disadvantageous. As a result of issuing senior securities, we would also be exposed to risks associated with leverage, including an increased risk of loss. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights and might have rights, preferences, or privileges more favorable than those of our common stockholders and the issuance of preferred stock could have the effect of delaying, deferring, or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

To the extent that we are constrained in our ability to issue debt or other senior securities, we will depend on issuances of common stock to finance operations. Other than in certain limited situations such as rights offerings, as a business development company, we are generally not able to issue our common stock at a price below NAV without first obtaining required approvals from our stockholders and our independent directors. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

Recently passed legislation allows us to incur additional leverage.

Until December 6, 2018, as a business development company, under the 1940 Act, generally we were not permitted to incur indebtedness unless immediately after such borrowing we had 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). 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 and December 6, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, 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, as of December 7, 2018, we are able to incur additional indebtedness, subject to certain disclosure requirements and, therefore, your risk of an investment in us may increase. Rating agencies may also decide 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 consider downgrading such ratings, including a downgrade from an investment grade rating to a non-investment grade rating. Such a downgrade in our credit ratings may adversely affect our securities. See Risk Factors Risks Related to Our Securities A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or our debt securities, if any, or change in the debt markets could cause the liquidity or market value of our debt securities to decline significantly in the accompanying prospectus.

One of our wholly-owned subsidiaries is licensed by the U.S. SBA, and as a result, we will be subject to SBA regulations, which could limit our capital or investment decisions.

Our wholly-owned subsidiary HT III is licensed to act as SBIC and is regulated by the SBA. HT III holds approximately $307.5 million in assets and it accounted for approximately 14.3% of the Company s total assets,

Table of Contents

Index to Financial Statements

prior to consolidation at December 31, 2018. The SBIC license allows our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. On July 13, 2018, we completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to our wholly-owned subsidiary HT II.

The SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. If 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. Such actions by the SBA would, in turn, negatively affect us because HT III is our wholly owned subsidiaries.

HT III was in compliance with the terms of the SBIC s leverage as of December 31, 2018 as a result of having sufficient capital as defined under the SBA regulations. Compliance with SBA requirements may cause HT III to forego attractive investment opportunities that are not permitted under SBA regulations. See Regulation Small Business Administration Regulations in the accompanying prospectus.

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

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to $175.0 million or to a group of SBICs under common control to $350.0 million. An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of December 31, 2018, we have issued $149.0 million in SBA-guaranteed debentures in our SBIC subsidiary, which is the maximum capacity for our SBIC subsidiary under our existing license. During times that we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital is likely to increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

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

The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. HT III has debentures outstanding that become due starting in September 2020. Our SBIC subsidiary will need to generate sufficient cash flow to make required interest payments on the debentures. If our SBIC subsidiary is unable to meet its financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to our SBIC subsidiary s assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under such debentures as the result of a default by us.

Uncertainty about presidential administration initiatives could negatively impact our business, financial condition and results of operations.

The Trump administration has called for significant changes to U.S. trade, healthcare, immigration, foreign and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the Trump administration implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas. Although we cannot predict the impact, if any, of these changes to our business, they could adversely affect our business, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact our business and the business of our competitors over the long term, we will not know if, overall, we will benefit from them or be negatively affected by them.

Further downgrades of the U.S. credit rating, automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government s sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

In addition, disagreement over the federal budget has caused the U.S. federal government to shutdown for periods of time resulting in, among other things, inadequate funding for and/or the shutdown of certain government agencies, including the SEC, SBA, and U.S. Food and Drug Administration, or the FDA, on which the operation of our business may rely. Inadequate funding for and/or the shutdown of these government agencies prevents them from performing their normal business functions, which could impact, among other things, (i) our and our portfolio companies ability to access the public markets and obtain necessary capital in order to, among other things, properly capitalize, continue or expand operations, or, in the case of portfolio investments held by us, liquidate such investments; (ii) our ability to originate SBA loans; and (iii) the ability of the FDA and other governmental agencies to timely review and process regulatory submissions of our portfolio companies. Continued adverse political and economic conditions, including a prolonged U.S. federal government shutdown, could have a material adverse effect on our business, financial condition and results of operations.

Our business and operations could be negatively affected if we become subject to stockholder activism, which could cause us to incur significant expense, hinder the execution of our investment strategy or impact our stock price.

Stockholder activism, which could take many forms, including making public demands that we consider certain strategic alternatives, engaging in public campaigns to attempt to influence our corporate governance and/or our management, and commencing proxy contests to attempt to elect the activists representatives or others to our Board of Directors, or arise in a variety of situations, has been increasing in the business development company industry recently. While we are currently not subject to any stockholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of stockholder activism. Stockholder activism could result in substantial costs and divert management s and our Board of Directors attention and resources from our business. Additionally, such stockholder activism could give rise to perceived uncertainties as to our future and adversely affect our relationships with service providers and our portfolio companies. Also, we may be required to incur significant legal and other expenses related to any activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any stockholder activism.

Table of Contents

Index to Financial Statements

Risks Related to Our Investments

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies.

The following table shows the fair value of the totals of investments held in portfolio companies at December 31, 2018 that represent greater than 5% of our net assets:

	December 31, 2018	
(in thousands)	**Fair Value**	**Percentage of Net Assets**
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)	$ 70,960	7.4%
EverFi, Inc.	60,408	6.3%
BridgeBio Pharma LLC	56,986	6.0%
Businessolver.com, Inc.	53,967	5.6%
Lithium Technologies, Inc.	53,706	5.6%
Fuze, Inc.	51,943	5.4%
Axovant Sciences Ltd.	49,415	5.2%

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

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.

BridgeBio Pharma LLC is a clinical-stage biopharmaceutical company that discovers and develops drugs for patients with genetic diseases.

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.

Lithium Technologies, Inc. is a technology company that develops a software platform that helps customers to connect, engage, and understand their total community.

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.

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

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.

Risks Related to our Securities

Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.

If you are holding debt securities issued by us and such securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid

Table of Contents

Index to Financial Statements

on your debt securities. In addition, if you are holding debt securities issued by us and such securities are subject to mandatory redemption, we may be required to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

On October 24, 2017, our Board of Directors approved a redemption of $75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. On February 9, 2018, our Board of Directors approved a redemption of $100.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on April 2, 2018. Further, on December 7, 2018, our Board of Directors approved a full redemption, in two equal transactions, of $83.5 million of the outstanding aggregate principal amount of the 2024 Notes. The 2024 Notes were fully redeemed on January 14, 2019 and February 4, 2019. We may redeem the 2022 Notes after September 23, 2022, the 2025 Notes after April 30, 2021, and the 2033 Notes after October 30, 2033 at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments. If we choose to redeem the 2022 Notes, 2025 Notes, or 2033 Notes when the fair market value of the 2022 Notes, 2025 Notes, or 2033 Notes is above par value, you would experience a loss of any potential premium.

The 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, while the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes remain senior in priority to our equity securities, they are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes.

The 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes are obligations exclusively of Hercules Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries are or act as guarantors of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes and the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Our secured indebtedness with respect to the SBA debentures is held through our SBIC subsidiary. The assets of any such subsidiary are not directly available to satisfy the claims of our creditors, including holders of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. As a result of not having a direct claim against any of our subsidiaries, the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or

Table of Contents

Index to Financial Statements

establish as financing vehicles or otherwise. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes.

The respective indentures under which the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes were issued contain limited protections for the holders of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes.

The indenture under which 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes were issued offers limited protections to the holders of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes. The terms of the respective indentures and the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes do not restrict our or any of our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on an investment in the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes. In particular, the terms of the respective indentures and the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes do not place any restrictions on our or our subsidiaries ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect to any exemptive relief granted to us by the SEC (currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% thereafter after such borrowings);

- pay distributions on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes, in each case other than distributions, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another business development company (or to us if we determine to seek such similar no-action or other relief) permitting the business development company to declare any cash distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act in order to maintain the business development company s status as a RIC under Subchapter M of the Code (currently, these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 150% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase);

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

enter into transactions with affiliates;

Table of Contents

Index to Financial Statements

- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of distributions or other amounts to us from our subsidiaries.

In addition, the indenture and the 2025 Notes and 2033 Notes do not require us to purchase the 2025 Notes or 2033 Notes in connection with a change of control or any other event.

Furthermore, the terms of the respective indentures and the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes do not protect their respective holders in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes may have important consequences for their holders, including making it more difficult for us to satisfy our obligations with respect to the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes or negatively affecting their trading value.

Certain of our current debt instruments include more protections for their respective holders than the indenture and 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes. See Risks Related to our Business Structure In addition to regulatory requirements that restrict our ability to raise capital, our 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, and Credit Facilities contain various covenants which, if not complied with, could require accelerated repayment under the facility or require us to repurchase the 2022 Notes, 2025 Notes, 2033 Notes, or 2022 Convertible Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions. In addition, other debt we issue or incur in the future could contain more protections for its holders than the respective indentures and the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 2022 Notes, 2025 Notes, 2033 Notes, and 2022 Convertible Notes.

An active trading market for the 2025 Notes or 2033 Notes may not develop or be sustained, which could limit the market price of the 2025 Notes or 2033 Notes or your ability to sell them.

Although the 2025 Notes and 2033 Notes are listed on the NYSE under the symbols HCXZ and HCXY, respectively, we cannot provide any assurances that an active trading market will develop or be sustained for the 2025 Notes or 2033 Notes or that the 2025 Notes or 2033 Notes will be able to be sold. At various times, the 2025 Notes or 2033 Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. To the extent an active trading market is not sustained, the liquidity and trading price for the 2025 Notes or 2033 Notes may be harmed.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, or 2028 Asset-Backed Notes.

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the Union Bank Facility, 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, 2028 Asset-Backed Notes or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on any of our indebtedness, including the 2022 Notes, 2025 Notes,

Table of Contents

Index to Financial Statements

2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, or 2028 Asset-Backed Notes and substantially decrease the market value of the 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, and 2028 Asset-Backed Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Wells Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the Wells Facility or Union Bank Facility or the required holders of our 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, 2028 Asset-Backed Notes or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Wells Facility, Union Bank Facility, 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, 2028 Asset-Backed Notes or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Wells Facility, Union Bank Facility, 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, 2028 Asset-Backed Notes or other debt, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Wells Facility and the Union Bank Facility, could proceed against the collateral securing the debt. Because the Wells Facility and the Union Bank Facility have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the 2022 Notes, 2025 Notes, 2033 Notes, 2022 Convertible Notes, 2027 Asset-Backed Notes, 2028 Asset-Backed Notes, Wells Facility, Union Bank Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

Table of Contents

Index to Financial Statements

USE OF PROCEEDS

Overview

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of the remaining 5,280,833 shares of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of $14.04 per share for our common stock on the NYSE as of February 25, 2019, we estimate that the net proceeds of this offering will be approximately $72.5 million after deducting the estimated sales commission payable to JMP Securities and our estimated offering expenses.

We intend to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objectives, to make acquisitions, to retire certain debt obligations and for other general corporate purposes.

We intend to seek to invest the net proceeds received in this offering as promptly as practicable after receipt thereof consistent with our investment objective. We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within three to six months, depending on market conditions. We anticipate that the remainder will be used for working capital and general corporate purposes, including potential payments or distributions to shareholders. Pending such uses and investments, we will invest a portion of the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. Our ability to achieve our investment objectives may be limited to the extent that the net proceeds of this offering, pending full investment, are held in lower yielding short-term instruments.

Status of the Offering

On September 8, 2017, we established an at-the-market, or ATM, program to which this prospectus supplement relates and through which we may sell, from time to time and at our sole discretion up to 12,000,000 shares of our common stock. During the period from September 8, 2017 through the date of this prospectus supplement, approximately 6.7 million shares of common stock have been issued and sold pursuant to the Equity Distribution Agreement and approximately 5.3 million shares of common stock remain available for sale. Gross proceeds raised through the date of this prospectus were approximately $85.3 million based on an average sale price of $12.69 per share, offset by related underwriting fees and offering expenses of approximately $2.0 million for net proceeds of approximately $83.3 million.

Table of Contents

Index to Financial Statements

PRICE RANGE OF COMMON STOCK

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

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

	NAV(1)	Price Range High	Price Range Low	Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Distribution per Share
2017						
First quarter	$ 9.76	$ 15.43	$ 14.12	58.1%	44.7%	$ 0.310
Second quarter	$ 9.87	$ 15.56	$ 12.66	57.6%	28.3%	$ 0.310
Third quarter	$ 10.00	$ 13.50	$ 12.04	35.0%	20.4%	$ 0.310
Fourth quarter	$ 9.96	$ 13.94	$ 12.44	39.9%	24.9%	$ 0.310
2018						
First quarter	$ 9.72	$ 13.25	$ 11.89	36.3%	22.3%	$ 0.310
Second quarter	$ 10.22	$ 12.97	$ 11.99	26.9%	17.3%	$ 0.310
Third quarter	$ 10.38	$ 13.64	$ 12.71	31.4%	22.4%	$ 0.330(2)
Fourth quarter	$ 9.90	$ 13.28	$ 10.63	34.1%	7.4%	$ 0.310
2019						
First quarter (through February 25, 2019)	*	$ 14.04	$ 11.23	*	*	**

(1) NAV per share is generally determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
(2) Includes a supplemental distribution of $0.02 per share.
* NAV has not yet been calculated for this period.
** Cash distribution per share has not yet been determined for this period.

The last reported price for our common stock on February 25, 2019 was $14.04 per share.

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

Table of Contents

Index to Financial Statements

CAPITALIZATION

The Equity Distribution Agreement provides that we may offer and sell up to 12,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent for the offer and sale of such common stock. The table below assumes that we will sell the remaining 5,280,833 shares at a price of $14.04 per share (the last reported sale price per share of our common stock on the NYSE on February 25, 2019), but there is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than $14.04 depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of December 31, 2018:

- on an actual basis; and

- on an as adjusted basis giving effect to the transactions noted above, no additional sale of shares of common stock subsequent to December 31, 2018 and as of February 25, 2019, and the assumed sale of 5,280,833 shares of our common stock at a price of $14.04 per share (the last reported sale price per share of our common stock on the NYSE on February 25, 2019) less commissions and expenses.

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

	As of December 31, 2018	
	Actual	**As Adjusted**
	(in thousands)	
Investments at fair value	$ 1,880,373	$ 1,880,373
Cash and cash equivalents	$ 34,212	$ 106,673
Debt:		
Accounts payable and accrued liabilities	$ 25,961	$ 25,961
Long-term SBA debentures	147,655	147,655
2022 Convertible Notes	225,051	225,051
2027 Asset-Backed Notes	197,265	197,265
2022 Notes	147,990	147,990
2024 Notes	81,852	81,852
2025 Notes	72,590	72,590
2033 Notes	38,427	38,427
Credit Facilities	52,956	52,956
Total debt	$ 989,747	$ 989,747

Stockholders equity:		
Common stock, par value $0.001 per share; 200,000,000 shares authorized; 96,877,352 shares issued and 96,500,886 shares outstanding, actual, 102,158,185 shares issued and 101,781,719 shares outstanding, as adjusted, respectively	$ 96	$ 101
Capital in excess of par value	1,052,269	1,124,725
Total distributable earnings (loss)	(92,859)	(92,859)
Treasury Stock, at cost, 376,466 shares as of December 31, 2018	(4,062)	(4,062)
Total stockholders equity	$ 955,444	$ 1,027,905
Total capitalization	$ 1,945,191	$ 2,017,652

Table of Contents

Index to Financial Statements

PLAN OF DISTRIBUTION

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

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

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

JMP Securities LLC will receive a commission from us to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities LLC under the Equity Distribution Agreement. We estimate that the total expenses for the offering, excluding compensation payable to JMP Securities LLC under the terms of the Equity Distribution Agreement, will be approximately $1.5 million assuming all shares are offered under this prospectus supplement (including up to $10,000 in reimbursement of the underwriters counsel fees in connection with the review of the terms of the offering by the Financial Industry Regulatory Authority, Inc.).

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

We will report at least quarterly the number of shares of our common stock sold through JMP Securities LLC under the Equity Distribution Agreement and the net proceeds to us.

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

The offering of our shares of common stock pursuant to the Equity Distribution Agreement will terminate upon the earlier of (i) the sale of all common stock subject to the Equity Distribution Agreement or (ii) the termination of the

Equity Distribution Agreement. The Equity Distribution Agreement may be terminated by us in our sole discretion under the circumstances specified in the Equity Distribution Agreement by giving notice to JMP Securities LLC. In addition, JMP Securities LLC may terminate the Equity Distribution Agreement under the circumstances specified in the Equity Distribution Agreement by giving notice to us.

Table of Contents

Index to Financial Statements

Potential Conflicts of Interest

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

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

Table of Contents

Index to Financial Statements

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a variety of technology, life sciences and sustainable and renewable technology industries. We source our investments through our principal office located in Palo Alto, CA, as well as through our additional offices in Boston, MA, New York, NY, Washington, DC, Hartford, CT, 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 $307.5 million in assets, which accounted for approximately 14.3% of our total assets, prior to consolidation at December 31, 2018. At December 31, 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 December 31, 2018, we have issued $149.0 million in SBA-guaranteed debentures in our SBIC subsidiary.

Table of Contents

Index to Financial Statements

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 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 and December 6, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, 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, effective December 7, 2018, the asset coverage ratio under the 1940 Act applicable to us decreased from 200% to 150%, permitting us to incur additional leverage.

Portfolio and Investment Activity

The total fair value of our investment portfolio was approximately $1.9 billion at December 31, 2018 as compared to approximately $1.5 billion at December 31, 2017. The fair value of our debt investment portfolio at December 31, 2018 was approximately $1.7 billion, compared to a fair value of approximately $1.4 billion at December 31, 2017. The fair value of the equity portfolio at December 31, 2018 was approximately $120.2 million, compared to a fair value of approximately $89.4 million at December 31, 2017. The fair value of the warrant portfolio at December 31, 2018 was approximately $26.7 million, compared to a fair value of approximately $36.8 million at December 31, 2017.

Table of Contents

Index to Financial Statements

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 years ended December 31, 2018 and 2017 was comprised of the following:

(in millions)	**December 31, 2018**		**December 31, 2017**	
Debt Commitments[1]				
New portfolio company	$	969.2	$	773.2
Existing portfolio company		184.0		98.8
Total	$	1,153.2	$	872.0
Funded and Restructured Debt Investments[2]				
New portfolio company	$	641.6	$	578.9
Existing portfolio company		258.2		175.9
Total	$	899.8	$	754.8
Funded Equity Investments				
New portfolio company		53.4	$	7.1
Existing portfolio company		7.6		2.9
Total	$	61.0	$	10.0
Unfunded Contractual Commitments[3]				
Total	$	139.0	$	73.6
Non-Binding Term Sheets				
New portfolio company	$	55.5	$	122.0
Existing portfolio company				

Total	$	55.5	$	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.

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 year ended December 31, 2018, we received approximately $576.7 million in aggregate principal repayments. Of the approximately $576.7 million of aggregate principal repayments,

Table of Contents

Index to Financial Statements

approximately $90.1 million were scheduled principal payments, and approximately $486.6 million were early principal repayments related to 36 portfolio companies. Of the approximately $486.6 million early principal repayments, approximately $69.3 million were early repayments due to M&A transactions for five portfolio companies.

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

(in millions)	December 31, 2018	December 31, 2017
Beginning portfolio	$ 1,542.2	$ 1,423.9
New fundings and restructures	960.7	764.8
Warrants not related to current period fundings	0.1	0.6
Principal payments received on investments	(90.1)	(119.5)
Early payoffs	(486.6)	(505.6)
Accretion of loan discounts and paid-in-kind principal	34.9	36.5
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(13.5)	(8.1)
New loan fees	(13.8)	(9.8)
Sale of investments	(5.9)	(11.0)
Loss on investments due to write offs	(25.1)	(39.6)
Net change in unrealized appreciation (depreciation)	(22.5)	10.0
Ending portfolio	$ 1,880.4	$ 1,542.2

As of December 31, 2018, we held warrants or equity positions in four companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. Three companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their IPO will do so in a timely manner or at all.

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 December 31, 2018, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from approximately 5.5% to approximately 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, payment-in-kind, or 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

Table of Contents

Index to Financial Statements

nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately $36.3 million of unamortized fees at December 31, 2018, of which approximately $31.1 million was included as an offset to the cost basis of our current debt investments and approximately $5.2 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 December 31, 2018, we had approximately $25.6 million in exit fees receivable, of which approximately $23.3 million was included as a component of the cost basis of our current debt investments and approximately $2.3 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 $9.4 million and $10.0 million in PIK income in the years ended December 31, 2018 and December 31, 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 12.6% and 12.4% during the years ended December 31, 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 13.7% and 14.2% for the years ended December 31, 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 year, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders. The total yield on our investment portfolio was 12.2% and 12.7% for the years ended December 31, 2018 and 2017, respectively. The total yield is derived by dividing total investment income by the weighted average investment portfolio assets outstanding during the year, 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 1.5% during the years ended December 31, 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 distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See Note 9 Financial Highlights included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

Portfolio Composition

Our portfolio companies are primarily privately held companies and public companies which are active in the drug discovery & development, software, internet consumer & business services, media/content/info, sustainable and renewable technology, medical devices & equipment, drug delivery, healthcare services, specialty pharmaceuticals, information services, consumer & business products, surgical devices,

Table of Contents

Index to Financial Statements

semiconductors, electronics & computer hardware, communications & networking, biotechnology tools, diagnostic and diversified financial services industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value for companies in these sectors is often vested in intangible assets and intellectual property.

As of December 31, 2018, approximately 87.8% of the fair value of our portfolio was composed of investments in five industries: 29.2% was composed of investments in the software industry, 28.7% was composed of investments in the drug discovery and development industry, 17.5% was composed of investments in the internet consumer and business services industry, 6.5% was composed of investments in the medical devices and equipment industry, and 5.9% was composed of investments in the sustainable and renewable technology industry.

The following table shows the fair value of our portfolio by industry sector at December 31, 2018 and December 31, 2017:

	December 31, 2018		December 31, 2017	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Software	$ 548,952	29.2%	$ 360,123	23.4%
Drug Discovery & Development	539,977	28.7%	369,173	23.9%
Internet Consumer & Business Services	329,512	17.5%	154,909	10.0%
Medical Devices & Equipment	121,420	6.5%	94,595	6.1%
Sustainable and Renewable Technology	110,303	5.9%	118,432	7.7%
Healthcare Services, Other	60,142	3.2%	72,337	4.7%
Drug Delivery	40,519	2.2%	91,214	5.9%
Diversified Financial Services	39,491	2.1%		0.0%
Information Services	30,940	1.6%	24,618	1.6%
Media/Content/Info	21,666	1.2%	152,998	9.9%
Electronics & Computer Hardware	15,763	0.8%	9,982	0.6%
Biotechnology Tools	6,279	0.3%	5,604	0.4%
Consumer & Business Products	6,179	0.3%	19,792	1.3%
Communications & Networking	4,871	0.3%	6,649	0.4%
Surgical Devices	3,088	0.2%	13,161	0.9%
Semiconductors	899	0.0%	10,406	0.7%
Diagnostic	348	0.0%	720	0.1%
Specialty Pharmaceuticals	24	0.0%	37,501	2.4%
Total	$ 1,880,373	100.0%	$ 1,542,214	100.0%

Industry and sector concentrations vary as new loans are recorded and loans pay off. Loan revenue, consisting of interest, fees, and recognition of gains on equity and 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 years ended December 31, 2018 and 2017, our ten largest portfolio companies represented approximately 28.2% and 34.6% of the total fair value of our investments in portfolio companies, respectively. At December 31, 2018 and December 31, 2017, we had seven investments that represented 5% or more of our net assets. At December 31, 2018 and December 31, 2017, we had five and nine equity investments representing approximately 53.0% and 67.1%, respectively, of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. No single portfolio investment represents more than 10% of the fair value of our total investments as of December 31, 2018 and 2017.

Table of Contents

Index to Financial Statements

As of December 31, 2018, approximately 97.3% 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 most 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 December 31, 2018, approximately 85.3% of our debt investments were in a senior secured first lien position, with 48.5% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, 28.8% 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. 1.1% of our debt investments were senior secured by the equipment of the portfolio company, and 6.9% 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 13.8% 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 original issue discount 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 December 31, 2018, we held warrants in 129 portfolio companies, with a fair value of approximately $26.7 million. The fair value of our warrant portfolio decreased by approximately $10.1 million, as compared to a fair value of $36.8 million at December 31, 2017, primarily related a slight decrease in portfolio companies and valuation of the portfolio.

Our existing warrant holdings would require us to invest approximately $78.7 million to exercise such warrants as of December 31, 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 December 31, 2018 and 2017, respectively:

(in thousands)	**December 31, 2018**			**December 31, 2017**		
Investment Grading	**Number of Companies**	**Debt Investments at Fair Value**	**Percentage of Total Portfolio**	**Number of Companies**	**Debt Investments at Fair Value**	**Percentage of Total Portfolio**
1	13	$ 311,597	18.0%	12	$ 345,191	24.4%
2	43	885,123	51.1%	32	583,017	41.2%

3	25		474,926	27.3%	32		443,775	31.3%
4	7		60,267	3.5%	4		41,744	2.9%
5	2		1,579	0.1%	5		2,257	0.2%
	90	$	1,733,492	100.0%	85	$	1,415,984	100.0%

As of December 31, 2018, our debt investments had a weighted average investment grading of 2.18 on a cost basis, as compared to 2.17 at December 31, 2017. Our policy is to lower the grading on our portfolio

Table of Contents

Index to Financial Statements

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 slight increase in weighted average investment grading at December 31, 2018 from December 31, 2017 is primarily due to an overall decrease in positions with a credit rating of 1.

At December 31, 2018, we had two debt investments on non-accrual with a cumulative investment cost of approximately $2.7 million and zero fair value. At December 31, 2017, we had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately $14.8 million and $340,000, respectively. The decrease in the cumulative cost and fair value of debt investments on non-accrual between December 31, 2018 and December 31, 2017 is the result of the liquidation of two 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 periods ended December 31, 2018 and 2017

Investment Income

Interest Income

Total investment income for the year ended December 31, 2018 was approximately $207.8 million as compared to approximately $190.9 million for the year ended December 31, 2017.

Interest income for the year ended December 31, 2018 totaled approximately $190.6 million as compared to approximately $172.2 million for the year ended December 31, 2017. The increase in interest income for the year ended December 31, 2018 as compared to the year ended December 31, 2017 is primarily attributable to debt investment portfolio growth and an increase in the weighted average principal outstanding between the periods, the acceleration of income due to early repayments and other one-time events during the period and changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of December 31, 2018, approximately, 97.3% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor, compared to 96.4% as of December 31, 2017.

Of the $190.6 million in interest income for the year ended December 31, 2018, approximately $184.1 million represents recurring income from the contractual servicing of our loan portfolio and approximately $6.5 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from the contractual servicing of our loan portfolio and the acceleration of interest income due to early loan repayments and other one-time events represented $160.3 million and $11.9 million, respectively, of the $172.2 million interest income for the year ended December 31, 2017.

The following table shows the PIK-related activity, for the years ended December 31, 2018 and 2017, at cost:

(in thousands)	Year Ended December 31, 2018	2017
Beginning PIK interest receivable balance	$ 15,487	$ 9,930
PIK interest income during the period	9,406	9,960
PIK accrued (capitalized) to principal	(1,630)	129
Payments received from PIK loans	(10,546)	(2,349)
Realized loss		(2,183)
Ending PIK interest receivable balance	$ 12,717	$ 15,487

Table of Contents

Index to Financial Statements

The decrease in PIK interest income during the year ended December 31, 2018 as compared to the year ended December 31, 2017 is due to a lower average principal outstanding for loans which bear PIK interest. PIK receivable for both December 31, 2018 and December 31, 2017 represents approximately 1% of total debt investments.

Fee Income

Fee income from commitment, facility and loan related fees for the year ended December 31, 2018 totaled approximately $17.1 million as compared to approximately $18.7 million for the year ended December 31, 2017. The decrease in fee income is primarily attributable to a decrease in the acceleration of unamortized fees due to early repayments and one-time fees during the period.

Of the $17.1 million in fee income from commitment, facility and loan related fees for the year ended December 31, 2018, approximately $7.0 million represents income from recurring fee amortization and approximately $10.1 million represents income related to the acceleration of unamortized fees during the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented $6.4 million and $12.3 million, respectively, of the $18.7 million income for the year ended December 31, 2017.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the years ended December 31, 2018 and 2017, respectively.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Operating expenses totaled approximately $99.0 million and $94.4 million during the years ended December 31, 2018 and 2017, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately $46.7 million and $46.6 million for the years ended December 31, 2018 and 2017, respectively. Interest and fee expense for the year ended December 31, 2018 as compared to December 31, 2017 increased primarily due to the issuance of our 2027 Asset-Backed Notes in November 2018, 2033 Notes in September 2018, and 2025 Notes in April 2018, as well as increased average borrowings under our credit facilities, and acceleration of amortized fees from early redemption of the 2024 notes, offset by the partial redemptions of our 2024 Notes and amortization of our fixed-rate asset backed notes due 2021, or the 2021 Asset-Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.6% and 5.9% for the years ended December 31, 2018 and 2017, respectively. The slight decrease between comparative periods was primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments compared to the prior period, specifically the impact of redemptions on our 2024 Notes and amortization of our 2021 Asset-Backed Notes along with lower interest rates due to the issuance of the 2027 Asset-Backed Notes.

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 were $15.5 million and $16.1 million for the years ended December 31, 2018 and 2017, respectively. This decrease in general and administrative expenses is primarily due to a decrease in workout related costs and corporate legal fees.

Table of Contents

Index to Financial Statements

Employee Compensation

Employee compensation and benefits totaled approximately $25.1 million for the year ended December 31, 2018 as compared to approximately $24.6 million for the year ended December 31, 2017. The increase between comparative periods was primarily due to changes in variable incentive compensation related to the achievement of origination and strategic corporate objectives.

Employee stock-based compensation totaled approximately $11.8 million for the year ended December 31, 2018 as compared to approximately $7.2 million for the year ended December 31, 2017. The increase between comparative periods was primarily related to the number and amount of restricted stock awards vesting along with long-term retention performance stock units and separate cash bonus awards granted to senior personnel on May 2, 2018.

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

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

A summary of realized gains and losses for the years ended December 31, 2018 as and 2017 is as follows:

	Year Ended December 31,	
(in thousands)	**2018**	**2017**
Realized gains	$ 14,050	$ 14,163
Realized losses	(25,137)	(40,874)
Net realized gains (losses)	$ (11,087)	$ (26,711)

During the year ended December 31, 2018, we recognized net realized losses of approximately $11.1 million on the portfolio. These net realized losses included gross realized losses of approximately $25.1 million, primarily from the liquidation or write-off of our debt, equity or warrant investments. These losses were partially offset by gross realized gains of approximately $14.0 million, primarily from the sale of our investments during the period.

During the year ended December 31, 2017, we recognized net realized losses of approximately $26.7 million on the portfolio. These net realized losses included gross realized losses of approximately $40.9 million, primarily from the liquidation or write-off of our debt, equity or warrant investments. These losses were offset by gross realized gains of approximately $14.2 million, primarily from the sale of our investments during the period.

Table of Contents

Index to Financial Statements

The net unrealized appreciation and depreciation of our investments is based on the fair value of each investment determined in good faith by our Board of Directors. The following table summarizes the change in net unrealized appreciation or depreciation of investments for the years ended December 31, 2018, and 2017:

(in thousands)	Year Ended December 31, 2018	2017
Gross unrealized appreciation on portfolio investments	$ 60,648	$ 130,272
Gross unrealized depreciation on portfolio investments	(110,768)	(148,345)
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	27,584	28,042
Net unrealized appreciation (depreciation) on debt, equity, and warrant investments	(22,536)	9,969
Other net unrealized appreciation (depreciation)	1,390	(704)
Total net unrealized appreciation (depreciation) on investments	$ (21,146)	$ 9,265

During the year ended December 31, 2018, we recorded approximately $21.1 million of net unrealized depreciation, of which $22.5 million is net unrealized depreciation from our debt, equity and warrant investments. We recorded $4.6 million of net unrealized appreciation on our debt investments, which was primarily related to $25.7 million of unrealized appreciation due to loan repayments and the reversal of unrealized depreciation upon write-off. This unrealized appreciation was partially offset by $21.1 million of unrealized depreciation on the debt portfolio, including $17.1 million of unrealized depreciation on collateral-based impairments during the period.

We recorded $24.8 million of net unrealized depreciation on our equity investments and $2.3 million of net unrealized depreciation on our warrant investments during the year ended December 31, 2018. This net unrealized depreciation of $27.1 million was primarily attributable to $29.0 million of unrealized depreciation on the equity and warrant portfolio partially offset by the $1.9 million reversal of unrealized depreciation upon acquisition or liquidation of our equity and warrants investments.

During the year ended December 31, 2017, we recorded approximately $9.3 million of net unrealized appreciation, of which $10.0 million is net unrealized appreciation from our debt, equity and warrant investments. We recorded $32.1 million of net unrealized appreciation on our debt investments, which primarily relates to the reversal of $53.7 million of prior period collateral-based impairments and the reversal of $31.0 million of prior period unrealized depreciation upon payoff or liquidation of our debt investments, offset by $49.6 million of unrealized depreciation for collateral-based impairments during the period.

We recorded $32.8 million of net unrealized depreciation on our equity investments for the year ended December 31, 2017, which primarily relates to $51.9 million of unrealized depreciation for collateral-based impairments, offset by $9.7 million and $6.6 million of unrealized appreciation on our public and private equity portfolios, respectively, related to portfolio company and industry performance.

Finally, for the year ended December 31, 2017, we recorded $10.7 million of unrealized appreciation on our warrant investments, which primarily relates to $9.4 million and $5.2 million of unrealized appreciation on our private and public portfolio companies, respectively, related to portfolio company and industry performance. This unrealized appreciation was offset by the reversal of $3.4 million of unrealized appreciation upon being recognized as a gain or loss due to the acquisition or liquidation of our warrant investments.

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC Topic 740, Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities

Table of Contents

Index to Financial Statements

given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We intend to distribute 100% of our spillover earnings from ordinary income for our taxable year ended December 31, 2018 to our stockholders during 2019.

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

For the years ended December 31, 2018 and 2017, we had a net increase in net assets resulting from operations totaling approximately $76.5 million and approximately $79.0 million, respectively.

The basic and fully diluted net change in net assets per common share for the year ended December 31, 2018 was $0.83, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2017 was $0.95.

For the purpose of calculating diluted earnings per share for year ended December 31, 2018, the dilutive 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 year ended December 31, 2018 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, 2027 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 an ATM equity distribution agreement, or the Prior Equity Distribution Agreement, with JMP Securities. On March 7, 2016, we renewed the Prior Equity Distribution Agreement and on December 21, 2016, we further amended the agreement to increase the total shares available under the program. The Prior Equity Distribution Agreement, as amended, provided that we may offer and sell up to 12.0 million shares of our common stock from time to time through JMP Securities, as our sales agent.

On September 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 we may offer and sell up to 12.0 million shares of its common stock from time to time through JMP Securities, as its sales agent. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the year ended December 31, 2018, we sold 5.1 million shares of common stock, which were issued under the Equity Distribution Agreement for a total accumulated net proceeds of approximately $63.3 million, including $1.5 million of offering expenses. As of December 31, 2018, approximately 5.3 million shares remain available for issuance and sale under the Equity Distribution Agreement. See Subsequent Events.

Table of Contents

Index to Financial Statements

Our 6.00% convertible notes due, or the 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 overallotments on April 29, 2016. On June 27, 2016, we closed an underwritten public offering of an additional $60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional $9.0 million in aggregate principal to cover overallotments, resulting in total aggregate principal of $69.0 million from the offering. 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, LLC, as borrower, entered the Union Bank Facility. The Union Bank Facility replaced our credit facility, or the Prior Union Bank Facility, entered into on August 14, 2014 (as amended and restated from time to time) with MUFG Union Bank, N.A., or Union Bank, as the arranger and administrative agent, and the lenders party thereto from time to time. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

On October 11, 2016, we entered into a debt distribution agreement, 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 2018. During the year ended December 31, 2017, we sold 225,457 notes for approximately $5.6 million in aggregate principal amount. As of December 31, 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. The 2022 Notes were issued pursuant to the Fourth Supplemental Indenture to the Base Indenture, dated September 7, 2017, or the 2022 Notes Indenture, between us and U.S. Bank, National Association, as 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 discount and commissions of approximately $975,000, were approximately $1.8 million.

Table of Contents

Index to Financial Statements

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. Further, on December 7, 2018, our Board of Directors approved a full redemption, in two equal transactions, of $83.5 million of the outstanding aggregate principal amount of the 2024 Notes. The 2024 Notes were fully redeemed on January 14, 2019 and February 4, 2019.

On April 26, 2018, we issued $75.0 million in aggregate principal amount of the 2025 Notes pursuant to the Fifth Supplemental Indenture to the Base Indenture, dated April 26, 2018, between us and U.S. Bank, National Association, as trustee, or 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 an 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, 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, or 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 Sixth Supplemental Indenture to the Base Indenture, dated September 24, 2018, between us and U.S. Bank, National Association, as trustee, or 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.

On November 1, 2018, we issued $200.0 million in aggregate principal amount of the 2027 Asset-Backed Notes. The sale of the 2027 Asset-Backed Notes generated net proceeds of approximately $197.2 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter s discount and commissions were approximately $2.8 million.

On December 17, 2018, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to $25.0 million of our common stock. We may repurchase shares of our common stock in the open market, including block purchases, at prices that may be above or below the NAV as reported in the most recently published financial statements, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act. We expect that the share repurchase program will be in effect until June 18, 2019, or until the approved dollar amount has been used to repurchase shares. During the year ended December 31, 2018, we repurchased 376,466 shares of our common stock at an average price per share of $10.77 and a total cost of approximately $4.1 million. As of December 31, 2018, approximately $20.9 million of common stock remain eligible for repurchase under the stock repurchase plan. See Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for further information on the repurchases made during the period.

At December 31, 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, $200.0 million of 2027 Asset-Backed Notes, and $230.0 million of 2022 Convertible Notes payable, along with $13.1 million of borrowings outstanding on the Wells Facility and $39.8 million of borrowings outstanding on the Union Bank Facility.

Table of Contents

Index to Financial Statements

At December 31, 2018, we had $156.2 million in available liquidity, including $34.2 million in cash and cash equivalents. We had available borrowing capacity of $61.9 million under the Wells Facility and $60.2 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At December 31, 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 $149.0 million in SBA guaranteed debentures, subject to SBA approval. At December 31, 2018, we have issued $149.0 million in SBA guaranteed debentures in our SBIC subsidiary. 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, 2018, we had approximately $11.6 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 2027 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolio, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations.

During the year ended December 31, 2018, we principally funded our operations from (i) cash receipts from interest and fee income from our investment portfolio (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments and (iii) debt and equity offerings along with borrowings on our credit facilities.

During the year ended December 31, 2018, our operating activities used $249.0 million of cash and cash equivalents, compared to $18.4 million used during the year ended December 31, 2017. The $230.6 million increase in cash used by operating activities is primarily due to an increase in investment purchases of $196.0 million, and a decrease in investment repayments of $47.5 million.

During the year ended December 31, 2018, our investing activities used $475,000 of cash, compared to $274,000 used during the year ended December 31, 2017. The $201,000 increase in cash used by investing activities was due to an increase in purchase of capital equipment.

During the year ended December 31, 2018, our financing activities provided $200.3 million of cash, compared to $92.3 million provided during the year ended December 31, 2017. The $108.0 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, issuance of $200.0 million of our 2027 Asset-Backed Notes in November 2018, increase in credit facilities borrowings of $345.1 million, and issuance of our common stock of $77.5 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 $287.1 million, and full retirement of our 2021 Asset-Backed Notes.

As of December 31, 2018, net assets totaled $955.4 million, with a NAV per share of $9.90. 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.

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 and December 6, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, 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, effective December 7, 2018, the asset coverage ratio under the 1940 Act applicable to us decreased from 200% to 150%, permitting us to incur additional leverage. As of December 31, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 214.6%, 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 150%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total asset coverage when including our SBA debentures was 197.2% at December 31, 2018.

Outstanding Borrowings

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

	December 31, 2018			December 31, 2017		
(in thousands)	**Total Available**	**Principal**	**Carrying Value(1)**	**Total Available**	**Principal**	**Carrying Value(1)**
SBA Debentures(2)	$ 149,000	$ 149,000	$ 147,655	$ 190,200	$ 190,200	$ 188,141
2022 Notes	150,000	150,000	147,990	150,000	150,000	147,572
2024 Notes	83,510	83,510	81,852	183,510	183,510	179,001
2025 Notes	75,000	75,000	72,590			
2033 Notes	40,000	40,000	38,427			
2021 Asset-Backed Notes(3)				49,153	49,153	48,650
2027 Asset-Backed Notes	200,000	200,000	197,265			
2022 Convertible Notes	230,000	230,000	225,051	230,000	230,000	223,488
Wells Facility(4)	75,000	13,107	13,107	120,000		
Union Bank Facility(4)	100,000	39,849	39,849	75,000		
Total	$ 1,102,510	$ 980,466	$ 963,786	$ 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 December 31, 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) The 2021 Asset-Backed Notes were fully repaid as of October 16, 2018.

(4) 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 Alostar Bank of Commerce and Everbank Commercial Finance Inc. On May 25, 2018, we entered into an amendment to the Union

Bank Facility to increase the commitments thereunder from $75.0 million to $100.0 million. See Note 4 Borrowings .

Table of Contents

Index to Financial Statements

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 December 31, 2018 and December 31, 2017 were as follows:

(in thousands)	December 31, 2018	December 31, 2017
SBA Debentures	$ 1,345	$ 2,059
2022 Notes	1,379	1,633
2024 Notes	1,686	4,591
2025 Notes	2,410	
2033 Notes	1,573	
2021 Asset-Backed Notes(1)		503
2027 Asset-Backed Notes	2,735	
2022 Convertible Notes	2,823	3,715
Wells Facility(2)	100	227
Union Bank Facility(2)	165	379
Total	$ 14,216	$ 13,107

(1) The 2021 Asset-Backed Notes were fully repaid as of October 16, 2018.

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

Refer to Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement for a discussion of the contract terms, interest expense, and fees associated with each outstanding borrowing as of and for the year ended December 31, 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 December 31, 2018, we had approximately $139.0 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 $55.5 million of non-binding term sheets outstanding to four new companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding

Table of Contents

Index to Financial Statements

outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

As of December 31, 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)

Portfolio Company		**Unfunded Commitments**[1]
Thumbtack, Inc.	$	25,000
Couchbase, Inc.		20,000
Impossible Foods, Inc.		20,000
Postmates, Inc.		15,000
Businessolver.com, Inc.		9,563
DocuTAP, Inc.		6,000
Achronix Semiconductor Corporation		5,000
Clarabridge, Inc.		5,000
Evernote Corporation		5,000
PH Group Holdings		5,000
Xometry, Inc.		4,000
Lithium Technologies, Inc.		3,623
Fastly, Inc.		3,333
Intent Media, Inc.		3,000
Emma, Inc.		2,963
Convercent, Inc.		2,500
Credible Behavioral Health, Inc.		2,500
Greenphire, Inc.		500
Insurance Technologies Corporation		500
Salsa Labs, Inc.		500
Total	$	138,982

(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 December 31, 2018:

	Payments due by period (in thousands)				
Contractual Obligations[1]	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Borrowings[2][3][5]	$ 980,466	$ 96,617	$ 103,599	$ 465,250	$ 315,000
Operating Lease Obligations[4]	15,915	3,217	5,766	5,420	1,512
Total	$ 996,381	$ 99,834	$ 109,365	$ 470,670	$ 316,512

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

(2) Includes $149.0 million 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, $200.0 million of the 2027 Asset-Backed Notes, $230.0 million

of the 2022 Convertible Notes, $13.1 million under the Wells Facility, and $39.8 million under the Union Credit Facility as of December 31, 2018.

(3) Amounts represent future principal repayments and not the carrying value of each liability. See Outstanding Borrowings.

(4) Facility leases and licenses.

(5) Reflects announced redemption of a portion of the 2024 Notes in December 2018. See Subsequent Events.

Certain premises are leased or licensed under agreements which expire at various dates through June 2027. Total rent expense amounted to approximately $2.1 million, $1.8 million and $1.7 million during the years ended December 31, 2018, 2017, and 2016, respectively.

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

On February 13, 2019, the Board of Directors declared a cash distribution of $0.31 per share to be paid on March 11, 2019 to shareholders of record as of March 4, 2019. This distribution represents our fifty-fourth consecutive distribution since our IPO, bringing the total cumulative distribution to date to $15.28 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. Of the distributions declared during the fiscal years ended December 31, 2018, 2017, and 2016, 100% were distributions derived from our current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2019 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.

Table of Contents

Index to Financial Statements

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 sum of (1) 98% of our ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of our 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, or 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 intend to distribute 100% of our spillover earnings from ordinary income for the year ended December 31, 2018 to our stockholders during 2019.

Table of Contents

Index to Financial Statements

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.

Valuation of Investments

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

At December 31, 2018, approximately 96.7% 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 intend to continue to engage an independent valuation firm to provide us with valuation 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. 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. 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 prospectus supplement for a discussion of our valuation policies for the years ended December 31, 2018 and 2017.

Income Recognition

See Changes in Portfolio for a discussion of our income recognition policies and results during the year ended December 31, 2018 and 2017. See Results of Operations for a comparison of investment income for the year ended December 31, 2018 and 2017.

Table of Contents

Index to Financial Statements

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 Hercules Capital, Inc. 2018 Non-employee 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.

Income Taxes

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

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

Depending on the level of taxable income earned in a taxable year, we may choose to carry over taxable income in excess of current taxable year distributions 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 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 intend to distribute 100% of our spillover earnings from ordinary income for the taxable year ended December 31, 2018 to our stockholders during 2019. We distributed 100% of our spillover earnings from ordinary income for our taxable year ended December 31, 2017 to our stockholders during 2018.

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

Table of Contents

Index to Financial Statements

Subsequent Events

Distribution Declaration

On February 13, 2019, our Board of Directors declared a cash distribution of $0.31 per share to be paid on March 11, 2019 to shareholders of record as of March 4, 2019.This distribution represents our fifty-fourth consecutive distribution since our IPO, bringing the total cumulative distribution to date to $15.28 per share.

Restricted Stock Unit Grants

On January 31, 2019, we granted 922,494 restricted stock units pursuant to the 2018 Equity Incentive Plan.

ATM Equity Program Issuances

Subsequent to December 31, 2018 and as of February 15, 2019, we did not sell any shares under the Equity Distribution Agreement. As of February 15, 2019 approximately 5.3 million shares remain available for issuance and sale under the Equity Distribution Agreement.

Share Repurchase Program

Subsequent to December 31, 2018 and as of February 15, 2019, we did not repurchase any shares of our common stock. As of February 15, 2019, approximately $20.9 million of common stock remains eligible for repurchase under the stock repurchase plan.

Redemption of 2024 Notes

On December 7, 2018, our Board of Directors approved a full redemption, in two equal transactions, of $83.5 million of the outstanding aggregate principal amount of the 2024 Notes. The 2024 Notes were fully redeemed on January 14, 2019 and February 4, 2019.

Wells Facility

On January 11, 2019, we entered into the Seventh Amendment to the Wells Facility. Among others, the amendment amends certain key provisions of the Wells Facility to increase Wells Fargo Capital Finance s commitments thereunder from $75.0 million to $125.0 million, reduces the current interest rate to LIBOR plus 3.00% with a natural floor of 3.00%, and extends the maturity date to January 2023.

Union Bank Facility

On February 20, 2019, we, through a special purpose wholly-owned subsidiary, Hercules Funding IV LLC, as borrower, entered into the Loan and Security Agreement, or the 2019 Union Bank Credit Facility, with Union Bank, as the arranger and administrative agent, and the lenders party thereto from time to time. Under the 2019 Union Bank Credit Facility, the lenders have made commitments of $200.0 million and the facility contains an uncommitted accordion feature, in which we can increase the credit line up to an aggregate of $300.0 million. Borrowings under the 2019 Union Bank Credit Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.70%, and the facility will generally have an advance rate of 55% against eligible debt investments. The 2019 Union Bank Credit

Facility matures on February 20, 2022, plus a 12-month amortization period, unless sooner terminated in accordance with its terms.

Election of Directors

On January 11, 2019, the Board of Directors elected Carol L. Foster as our director. Ms. Foster will be entitled to the applicable annual retainer and restricted stock awards pursuant to our director compensation arrangements. Ms. Foster will also be entitled to enter into an indemnification agreement with us. Ms. Foster will hold office as a Class I director for a term expiring in 2020 and does not currently serve on any of our committees.

Table of Contents

Index to Financial Statements

On February 4, 2019, the Board of Directors elected Gayle Crowell as our director. Ms. Crowell will be entitled to the applicable annual retainer and restricted stock awards pursuant to our director compensation arrangements.
Ms. Crowell will also be entitled to enter into an indemnification agreement with us. Ms. Crowell will hold office as a Class II director for a term expiring in 2021 and does not currently serve on any committees.

2028 Asset-Backed Notes

On January 22, 2019, we completed a term debt securitization in connection with which an affiliate of ours made an offering of $250,000,000 in aggregate principal amount of the 2028 Asset-Backed Notes, which were rated A(sf) by KBRA. The Notes were issued by the 2019 Securitization Issuer pursuant to an indenture, dated as of January 22, 2019, by and between U.S. Bank National Association, as indenture trustee, and the 2019 Securitization Issuer, were offered pursuant to a note purchase agreement, dated as of January 14, 2019, by and among us, the 2019 Trust Depositor, the 2019 Securitization Issuer, Guggenheim Securities, LLC, as Initial Purchaser, MUFG Securities Americas Inc., as a co-manager, and Wells Fargo Securities, LLC, as a co-manager, 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 December 31, 2018 was approximately $357,179,128. Interest on the 2028 Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 4.703% per annum. The 2028 Asset-Backed Notes have a stated maturity of February 22, 2028.

Portfolio Company Developments

As of February 15, 2019, we held warrants or equity positions in five companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential IPOs. Four companies filed confidentially under the JOBS Act and one company filed a preliminary prospectus in connection with a proposed public offering on the Toronto Stock Exchange (TSX). There can be no assurance that these companies will complete their IPOs in a timely manner or at all. In addition, subsequent to December 31, 2018, our portfolio companies announced or completed the following liquidity events:

1. In December 2018, our portfolio company, Art.com, Inc., one of the largest online sellers of art and wall décor globally, entered into a definitive agreement to be acquired by Walmart (NYSE: WMT), a multinational retail corporation that operates a chain of hypermarket, discount department stores and grocery stores. The deal was completed in February 2019. Terms of the acquisition were not disclosed.

2. In January 2018, our portfolio company, Labcyte, Inc., a global biotechnology tools company developing acoustic liquid handling, was acquired by Beckman Coulter Life Sciences, a developer and manufacturer of products that simplify, automate and innovate complex biomedical testing. Labcyte will transition into Beckman Coulter Life Sciences under the larger Danaher Life Sciences platform of companies. Terms of the acquisition were not disclosed.

3. In February 2019, our portfolio company Stealth Bio Therapeutics Corp., (NASDAQ: MITO), a clinical-stage biopharmaceutical company developing therapeutics to treat mitochondrial dysfunction, completed its IPO offering 6.5 million American Depositary Shares, or ADS, at an initial public offering

price of $12.00 per ADS.

4. In February 2019, our portfolio company Avedro, Inc. (NASDAQ: AVDR), a leading commercial-stage ophthalmic medical technology company focused on treating corneal ectatic disorders and improving vision to reduce dependency on eyeglasses or contact lenses, completed its IPO offering 5.0 million shares at an initial public offering price of $14.00 per share.

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

Table of Contents

Index to Financial Statements

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 December 31, 2018, approximately 97.3% 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, 2027 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 December 31, 2018, the following table shows the approximate annualized increase or decrease in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands) Basis Point Change	Interest Income	Interest Expense	Net Income	EPS
25	$ 3,911	$ 40	$ 3,871	$ 0.04
50	$ 8,048	$ 80	$ 7,968	$ 0.08
75	$ 12,203	$ 119	$ 12,084	$ 0.13
100	$ 16,372	$ 159	$ 16,213	$ 0.17
200	$ 33,052	$ 318	$ 32,734	$ 0.34
300	$ 49,403	$ 477	$ 48,926	$ 0.51

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 year ended December 31, 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, 2027 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, 2027 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities, please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Outstanding Borrowings and Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

Table of Contents

Index to Financial Statements

SENIOR SECURITIES

Information about our senior securities is shown in the following table for the periods as of December 31, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, and 2009. The information as of December 31, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2018 is attached as an exhibit to the registration statement of which this prospectus is a part. The N/A indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage per Unit(2)	Average Market Value per Unit(3)
Securitized Credit Facility with Wells Fargo Capital Finance			
December 31, 2008	$ 89,582,000	$ 6,689	N/A
December 31, 2009(6)			N/A
December 31, 2010(6)			N/A
December 31, 2011	$ 10,186,830	$ 73,369	N/A
December 31, 2012(6)			N/A
December 31, 2013(6)			N/A
December 31, 2014(6)			N/A
December 31, 2015	$ 50,000,000	$ 26,352	N/A
December 31, 2016	$ 5,015,620	$ 290,234	N/A
December 31, 2017(6)			N/A
December 31, 2018	$ 13,106,582	$ 147,497	N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2009(6)			N/A
December 31, 2010(6)			N/A
December 31, 2011(6)			N/A
December 31, 2012(6)			N/A
December 31, 2013(6)			N/A
December 31, 2014(6)			N/A
December 31, 2015(6)			N/A
December 31, 2016(6)			N/A
December 31, 2017(6)			N/A
December 31, 2018	$ 39,849,010	$ 48,513	N/A
Small Business Administration Debentures (HT II)(4)			
December 31, 2008	$ 127,200,000	$ 4,711	N/A
December 31, 2009	$ 130,600,000	$ 3,806	N/A
December 31, 2010	$ 150,000,000	$ 3,942	N/A
December 31, 2011	$ 125,000,000	$ 5,979	N/A
December 31, 2012	$ 76,000,000	$ 14,786	N/A
December 31, 2013	$ 76,000,000	$ 16,075	N/A

December 31, 2014	$	41,200,000	$	31,535	N/A
December 31, 2015	$	41,200,000	$	31,981	N/A
December 31, 2016	$	41,200,000	$	35,333	N/A
December 31, 2017	$	41,200,000	$	39,814	N/A
December 31, 2018					N/A
Small Business Administration Debentures (HT III)(5)					
December 31, 2010	$	20,000,000	$	29,564	N/A
December 31, 2011	$	100,000,000	$	7,474	N/A
December 31, 2012	$	149,000,000	$	7,542	N/A
December 31, 2013	$	149,000,000	$	8,199	N/A
December 31, 2014	$	149,000,000	$	8,720	N/A
December 31, 2015	$	149,000,000	$	8,843	N/A
December 31, 2016	$	149,000,000	$	9,770	N/A
December 31, 2017	$	149,000,000	$	11,009	N/A
December 31, 2018	$	149,000,000	$	12,974	N/A

Table of Contents

Index to Financial Statements

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage per Unit[2]	Average Market Value per Unit[3]
2016 Convertible Notes			
December 31, 2011	$ 75,000,000	$ 10,623	$ 885
December 31, 2012	$ 75,000,000	$ 15,731	$ 1,038
December 31, 2013	$ 75,000,000	$ 16,847	$ 1,403
December 31, 2014	$ 17,674,000	$ 74,905	$ 1,290
December 31, 2015	$ 17,604,000	$ 74,847	$ 1,110
December 31, 2016			
April 2019 Notes			
December 31, 2012	$ 84,489,500	$ 13,300	$ 986
December 31, 2013	$ 84,489,500	$ 14,460	$ 1,021
December 31, 2014	$ 84,489,500	$ 15,377	$ 1,023
December 31, 2015	$ 64,489,500	$ 20,431	$ 1,017
December 31, 2016	$ 64,489,500	$ 22,573	$ 1,022
December 31, 2017			
September 2019 Notes			
December 31, 2012	$ 85,875,000	$ 13,086	$ 1,003
December 31, 2013	$ 85,875,000	$ 14,227	$ 1,016
December 31, 2014	$ 85,875,000	$ 15,129	$ 1,026
December 31, 2015	$ 45,875,000	$ 28,722	$ 1,009
December 31, 2016	$ 45,875,000	$ 31,732	$ 1,023
December 31, 2017			
2022 Notes			
December 31, 2017	$ 150,000,000	$ 10,935	$ 1,014
December 31, 2018	$ 150,000,000	$ 12,888	$ 976
2024 Notes			
December 31, 2014	$ 103,000,000	$ 12,614	$ 1,010
December 31, 2015	$ 103,000,000	$ 12,792	$ 1,014
December 31, 2016	$ 252,873,175	$ 5,757	$ 1,016
December 31, 2017	$ 183,509,600	$ 8,939	$ 1,025
December 31, 2018	$ 83,509,600	$ 23,149	$ 1,011
2025 Notes			
December 31, 2018	$ 75,000,000	$ 25,776	$ 962
2033 Notes			
December 31, 2018	$ 40,000,000	$ 48,330	$ 934
2017 Asset-Backed Notes			
December 31, 2012	$ 129,300,000	$ 8,691	$ 1,000
December 31, 2013	$ 89,556,972	$ 13,642	$ 1,004
December 31, 2014	$ 16,049,144	$ 80,953	$ 1,375
December 31, 2015			
2021 Asset-Backed Notes			
December 31, 2014	$ 129,300,000	$ 10,048	$ 1,000
December 31, 2015	$ 129,300,000	$ 10,190	$ 996

December 31, 2016	$ 109,205,263	$ 13,330	$ 1,002
December 31, 2017	$ 49,152,504	$ 33,372	$ 1,001
December 31, 2018			
2027 Asset-Backed Notes			
December 31, 2018	$ 200,000,000	$ 9,666	$ 1,006
2022 Convertible Notes			
December 31, 2017	$ 230,000,000	$ 7,132	$ 1,028
December 31, 2018	$ 230,000,000	$ 8,405	$ 946
Total Senior Securities[7]			
December 31, 2008	$ 216,782,000	$ 2,764	N/A
December 31, 2009	$ 130,600,000	$ 3,806	N/A
December 31, 2010	$ 170,000,000	$ 3,478	N/A
December 31, 2011	$ 310,186,830	$ 2,409	N/A
December 31, 2012	$ 599,664,500	$ 1,874	N/A
December 31, 2013	$ 559,921,472	$ 2,182	N/A
December 31, 2014	$ 626,587,644	$ 2,073	N/A

Table of Contents

Index to Financial Statements

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage per Unit(2)	Average Market Value per Unit(3)
December 31, 2015	$ 600,468,500	$ 2,194	N/A
December 31, 2016	$ 667,658,558	$ 2,180	N/A
December 31, 2017	$ 802,862,104	$ 2,043	N/A
December 31, 2018	$ 980,465,192	$ 1,972	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.
(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, including senior securities not subject to asset coverage requirements under the 1940 Act due to exemptive relief from the SEC, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage per Unit.
(3) Not applicable because senior securities are not registered for public trading.
(4) Issued by HT II, one of our prior SBIC subsidiaries, to the SBA. 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. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
(5) Issued by HT III, our SBIC subsidiary, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
(6) The Company s Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
(7) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 Act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of December 31, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 214.6% excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.

Table of Contents

Index to Financial Statements

MANAGEMENT

On August 16, 2018, Gerard R. Waldt, Jr., Controller and Interim Chief Accounting Officer, tendered his resignation from the Company. Mr. Waldt s resignation was not a result of any disagreement with the Company on any matter relating to the Company s operations, policies or practices. David Lund, the Company s current Interim Chief Financial Officer, assumed the duties of Interim Chief Accounting Officer effective as of August 23, 2018. The resignation of Mr. Waldt was effective on September 7, 2018.

On January 11, 2019 and February 4, 2019, the Board of Directors elected each of Carol L. Foster and Gayle Crowell, respectively, as a director of the Company. There are no arrangements or understandings between Ms. Foster or Ms. Crowell and any other persons pursuant to which each of Ms. Foster or Ms. Crowell was elected as a director of the Company. Ms. Foster and Ms. Crowell will be entitled to the applicable annual retainer and restricted stock awards pursuant to the Company s director compensation arrangements, under terms consistent with those previously disclosed by the Company. Ms. Foster and Ms. Crowell will also be entitled to enter into an indemnification agreement with the Company. Ms. Foster will hold office as a Class I director for a term expiring in 2020, and Ms. Crowell will hold office as a Class II director for a term expiring in 2021. Neither of Ms. Foster nor Ms. Crowell currently serve on any committees of the Company.

Ms. Foster has nearly 30 years of experience in financial services. Since 2017, she has served as Chief Operating Offer and Chief Financial Officer of SharesPost, Inc., a private company that supports late-stage, private growth companies and entrepreneurs. From September 2015 to September 2017, Ms. Foster served as Founder of CLF Advisors LLC, a firm specializing in scaling and enhancing financing and accounting, fundraising and business development for small to mid-market companies. From September 2013 to September 2015, Ms. Foster served as Chief Financial Officer of PENSCO Trust Company, an IRA custodian for alternative assets. From January 2004 to June 2007, Ms. Foster also served as a partner and Chief Financial Officer of Calera Capital LLC, a private equity firm serving middle market companies. Prior to that, from February 1995 to March 2003, Ms. Foster served as Director, Technology Investment Banking at Merrill Lynch & Co. From August 1992 to February 1995, Ms. Foster served as an Associate, Mergers & Acquisitions at Goldman, Sachs & Co. Ms. Foster also serves as a member of the Risk and Audit Committee of Sacred Heart Schools in Atherton, California. Ms. Foster received her Master of Business Administration from Columbia University Graduate School of Business and a Bachelor of Science from Southern Methodist University.

Ms. Crowell served as an operational business consultant for Warburg Pincus LLC, a private equity firm from June 2001 through December 2018. Since 2016, she has served as a member of the board of directors of Envestnet, Inc., a provider of unified wealth management technology and services to financial advisors. She is also as a member of Envestnet s compensation committee and chairman of its compliance and information security committee. Since 2014, Ms. Crowell has also served as a member of the board of directors of Dude Solutions Inc., a provider of operations management software. She has previously served as a member of the board of directors of multiple private and public companies, including but not limited to Mercury Gate International, Inc. (2014-2018), Yodlee (2002-2015), Coyote Logistics, LLC (2011-2015), SRS (2004-2013) and TradeCard, Inc. (2009-2013). Ms. Crowell holds a B.S. in education from the University of Nevada at Reno.

On February 16, 2019, the Board of Directors appointed Seth H. Meyer as Chief Financial Officer, effective March 4, 2019. Mr. Meyer, age 50, will serve as both the principal accounting officer and principal financial officer for the Company. He served as the Chief Financial Officer for Swiss Re Corporate Solutions Ltd., a reinsurance company supporting the commercial insurance business, from February 2011 to November 2017 and in a variety of financial-related or tax-related positions from July 2000 to February 2011. Prior to that, Mr. Meyer served as a tax manager at PricewaterhouseCoopers LLP from October 1997 to July 2000. Mr. Meyer also served in various tax-related positions at other companies, including Jackson National Life Insurance Company, KPMG Peat Marwick and Burke & Stegman CPA s, from January 1990 to October 1997. Mr. Meyer received his Bachelors of Arts in Accounting and his Masters in Business Administration in Professional Accounting from Michigan State University.

Table of Contents

Index to Financial Statements

LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Dechert LLP, New York, NY. Certain legal matters in connection with the securities offered hereby will be passed upon for JMP Securities by Skadden, Arps, Slate, Meagher & Flom LLP.

EXPERTS

The consolidated financial statements as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Annual Report on Internal Control over Financial Reporting) as of December 31, 2018 included in this prospectus supplement have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

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

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Exchange Act. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC s Internet website at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov.

Table of Contents

Index to Financial Statements

INDEX TO FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

Table of Contents

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Hercules Capital, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Hercules Capital, Inc. and its subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the consolidated financial statements). We also have audited the Company s internal control over financial reporting as of December 31, 2018 based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations, changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company s consolidated financial statements and on the Company s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 and 2017 by correspondence with the custodians and portfolio company investees; when replies were not received, we performed other auditing procedures. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Table of Contents

Index to Financial Statements

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP

San Francisco, California

February 21, 2019

We have served as the Company s auditor since 2010.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	December 31, 2018	December 31, 2017
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of $1,830,725 and $1,506,454, respectively)	$ 1,801,258	$ 1,491,458
Control investments (cost of $64,799 and $25,419, respectively)	57,619	19,461
Affiliate investments (cost of $85,000 and $87,956, respectively)	21,496	31,295
Total investments in securities, at value (cost of $1,980,524 and $1,619,829, respectively)	1,880,373	1,542,214
Cash and cash equivalents	34,212	91,309
Restricted cash	11,645	3,686
Interest receivable	16,959	12,262
Other assets	2,002	5,244
Total assets	$ 1,945,191	$ 1,654,715
Liabilities		
Accounts payable and accrued liabilities	$ 25,961	$ 26,896
SBA Debentures, net (principal of $149,000 and $190,200, respectively)(1)	147,655	188,141
2022 Notes, net (principal of $150,000 and $150,000, respectively)(1)	147,990	147,572
2024 Notes, net (principal of $83,510 and $183,510, respectively)(1)	81,852	179,001
2025 Notes, net (principal of $75,000 and $0, respectively)(1)	72,590	
2033 Notes, net (principal of $40,000 and $0, respectively)(1)	38,427	
2021 Asset-Backed Notes, net (principal of $0 and $49,153, respectively)(1)		48,650
2027 Asset-Backed Notes, net (principal of $200,000 and $0, respectively)(1)	197,265	
2022 Convertible Notes, net (principal of $230,000 and $230,000, respectively)(1)	225,051	223,488
Credit Facilities	52,956	
Total liabilities	$ 989,747	$ 813,748
Commitments and Contingencies (Note 10)		

Net assets consist of:				
Common stock, par value		96		85
Capital in excess of par value		1,052,269		908,501
Total distributable earnings (loss)[2]		(92,859)		(67,619)
Treasury Stock, at cost, 376,466 shares as of December 31, 2018 and no shares as of December 31, 2017		(4,062)		
Total net assets	$	955,444	$	840,967
Total liabilities and net assets	$	1,945,191	$	1,654,715
Shares of common stock outstanding ($0.001 par value, 96,877,352 shares issued, 200,000,000 authorized)		96,501		84,424
Net asset value per share	$	9.90	$	9.96

(1) The Company s SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2033 Notes, 2021 Asset-Backed Notes, 2027 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) Certain prior year numbers have been adjusted to conform with the SEC final rules on disclosure updates and simplification effective November 5, 2018. See Note 2.

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

The following table presents the assets and liabilities of our consolidated securitization trusts for the 2021 Asset-Backed Notes and the 2027 Asset-Backed Notes (see Note 4), which are variable interest entities, or VIEs. The assets of our securitization VIEs can only be used to settle obligations of our consolidated securitization VIEs, these liabilities are only the obligations of our consolidated securitization VIEs, and the creditors (or beneficial interest holders) do not have recourse to our general credit. These assets and liabilities are included in the Consolidated Statement of Assets and Liabilities above.

(Dollars in thousands)	December 31, 2018	December 31, 2017
Assets		
Restricted Cash	$ 11,645	$ 3,686
Total investments in securities, at value (cost of $279,373 and $146,208, respectively)	277,781	144,513
Total assets	$ 289,426	$ 148,199
Liabilities		
2021 Asset-Backed Notes, net (principal of $0 and $49,153, respectively)(1)	$	$ 48,650
2027 Asset-Backed Notes, net (principal of $200,000 and $0, respectively)(1)	197,265	
Total liabilities	$ 197,265	$ 48,650

(1) The Company s 2021 Asset-Backed Notes and 2027 Asset-Backed Notes are presented net of the associated debt issuance costs. The 2021 Asset-Backed Notes were fully repaid as of October 16, 2018. See Note 4 Borrowings.

See notes to consolidated financial statements.

S-69

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	For the Year Ended December 31,		
	2018	**2017**	**2016**
Investment income:			
Interest income			
Non-control/Non-affiliate investments	$ 185,187	$ 169,424	$ 158,489
Control investments	3,391	1,971	78
Affiliate investments	2,058	801	160
Total interest income	190,636	172,196	158,727
Fee income			
Non-control/Non-affiliate investments	16,776	18,630	16,318
Control investments	5	11	6
Affiliate investments	336	43	
Total fee income	17,117	18,684	16,324
Total investment income	207,753	190,880	175,051
Operating expenses:			
Interest	39,435	37,857	32,016
Loan fees	7,260	8,728	5,042
General and administrative	15,488	16,105	16,106
Employee compensation:			
Compensation and benefits	25,062	24,555	22,500
Stock-based compensation	11,779	7,191	7,043
Total employee compensation	36,841	31,746	29,543
Total operating expenses	99,024	94,436	82,707
Other income (loss)			8,000
Net investment income	108,729	96,444	100,344
Net realized gain (loss) on investments			
Non-control/Non-affiliate investments	(4,721)	(10,235)	4,576
Control investments	(4,308)	(16,476)	
Affiliate investments	(2,058)		

Total net realized gain (loss) on investments	(11,087)	(26,711)	4,576
Net change in unrealized appreciation (depreciation) on investments			
Non-control/Non-affiliate investments	(13,082)	43,796	(29,970)
Control investments	(1,222)	14,152	(4,025)
Affiliate investments	(6,842)	(48,683)	(2,222)
Total net unrealized appreciation (depreciation) on investments	(21,146)	9,265	(36,217)
Total net realized and unrealized gain (loss)	(32,233)	(17,446)	(31,641)
Net increase (decrease) in net assets resulting from operations	$ 76,496	$ 78,998	$ 68,703
Net investment income before investment gains and losses per common share:			
Basic	$ 1.19	$ 1.16	$ 1.34
Change in net assets resulting from operations per common share:			
Basic	$ 0.83	$ 0.95	$ 0.91
Diluted	$ 0.83	$ 0.95	$ 0.91
Weighted average shares outstanding			
Basic	90,929	82,519	73,753
Diluted	91,057	82,640	73,775
Distributions declared per common share:			
Basic	$ 1.26	$ 1.24	$ 1.24

See notes to consolidated financial statements.

S-70

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(dollars and shares in thousands)

	Common Stock						
	Shares	**Par Value**	**Capital in excess of par value**	**Distributable Earnings (loss)(2)**	**Treasury Stock**	**Provision for Income Taxes on Investment Gains**	**Net Assets**
Balance at December 31, 2015	72,118	$ 73	$ 752,244	$ (34,841)	$	$ (342)	$ 717,134
Net increase (decrease) in net assets resulting from operations				68,703			68,703
Public offering, net of offering expenses	7,428	7	92,820				92,827
Issuance of common stock due to stock option exercises	55		654				654
Retired shares from net issuance	(17)		(235)				(235)
Issuance of common stock under restricted stock plan	556	1	(1)				
Acquisition of common stock under repurchase plan	(450)	(1)	(4,789)				(4,790)
Retired shares for restricted stock vesting	(279)		(2,944)				(2,944)
Distributions reinvested in common stock	144		1,799				1,799
Distributions				(92,333)			(92,333)
Stock-based compensation(1)			7,129				7,129
Tax reclassification of stockholders equity in accordance with generally accepted accounting principles			(7,020)	6,678		342	
Balance at December 31, 2016	79,555	$ 80	$ 839,657	$ (51,793)	$	$	$ 787,944
Net increase (decrease) in net assets resulting from				78,998			78,998

operations							
Public offering, net of offering expenses	4,919	5	66,930				66,935
Issuance of common stock due to stock option exercises	49		500				500
Retired shares from net issuance	(21)		(209)				(209)
Issuance of common stock under restricted stock plan	10						
Retired shares for restricted stock vesting	(252)		(2,976)				(2,976)
Distributions reinvested in common stock	164		2,202				2,202
Issuance of Convertible Notes			3,413				3,413
Distributions				(103,087)			(103,087)
Stock-based compensation[1]			7,247				7,247
Tax reclassification of stockholders equity in accordance with generally accepted accounting principles			(8,263)	8,263			
Balance at December 31, 2017	84,424	$ 85	$ 908,501	$ (67,619)	$	$	$ 840,967
Net increase (decrease) in net assets resulting from operations				76,496			76,496
Public offering, net of offering expenses	12,047	11	144,680				144,691
Issuance of common stock due to stock option exercises	63		704				704
Retired shares from net issuance	(57)		(718)				(718)
Issuance of common stock under restricted stock plan	336						
Acquisition of common stock under repurchase plan	(376)				(4,062)		(4,062)
Retired shares for restricted stock vesting	(95)		(1,179)				(1,179)
Distributions reinvested in common stock	159		2,007				2,007
Distributions				(114,728)			(114,728)
Stock-based compensation[1]			11,266				11,266
Tax reclassification of stockholders equity in accordance with generally accepted accounting principles			(12,992)	12,992			
Balance at December 31, 2018	96,501	$ 96	$ 1,052,269	$ (92,859)	$ (4,062)	$	$ 955,444

(1) Stock-based compensation includes $41, $57 and $87 of restricted stock and option expense related to director compensation for the years ended December 31, 2018, 2017 and 2016, respectively.
(2) Certain prior year numbers have been adjusted to conform with the SEC final rules on disclosure updates and simplification effective November 5, 2018. See Note 2.

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Year Ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net increase (decrease) in net assets resulting from operations	$ 76,496	$ 78,998	$ 68,703
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(960,844)	(764,795)	(680,971)
Principal and fee payments received on investments	593,502	641,016	444,758
Proceeds from the sale of investments	19,886	23,881	18,998
Net unrealized depreciation (appreciation) on investments	21,146	(9,265)	36,217
Net realized loss (gain) on investments	11,087	26,711	(4,576)
Accretion of paid-in-kind principal	(9,363)	(9,686)	(7,319)
Accretion of loan discounts	(3,914)	(6,711)	(7,163)
Accretion of loan discount on convertible notes	671	615	82
Accretion of loan exit fees	(17,025)	(19,098)	(22,614)
Change in deferred loan origination revenue	6,095	962	347
Unearned fees related to unfunded commitments	1,064	1,048	(758)
Amortization of debt fees and issuance costs	6,105	7,492	3,773
Depreciation	199	201	202
Stock-based compensation and amortization of restricted stock grants[1]	11,266	7,247	7,129
Change in operating assets and liabilities:			
Interest and fees receivable	(4,697)	(648)	(2,375)
Prepaid expenses and other assets	(1,099)	(1,097)	3,234
Accounts payable	11	(10)	56
Accrued liabilities	444	4,739	3,892
Net cash provided by (used in) operating activities	(248,970)	(18,400)	(138,385)
Cash flows from investing activities:			
Purchases of capital equipment	(475)	(274)	(252)
Net cash provided by (used in) investing activities	(475)	(274)	(252)
Cash flows from financing activities:			
Issuance of common stock, net	144,391	66,935	92,827
Repurchase of common stock, net	(4,062)		(4,790)
Retirement of employee shares	(893)	(2,685)	(2,525)
Distributions paid	(112,721)	(100,885)	(90,534)
Issuance of 2022 Convertible Notes		230,000	

Issuance of 2022 Notes		150,000	
Issuance of 2024 Notes		5,636	149,873
Issuance of 2025 Notes	75,000		
Issuance of 2033 Notes	40,000		
Issuance of 2027 Asset-Backed Notes	200,000		
Repayments of 2019 Notes		(110,364)	
Repayments of 2024 Notes	(100,000)	(75,000)	
Repayments of 2021 Asset-Backed Notes	(49,153)	(60,053)	(20,095)
Repayments of Long-Term SBA Debentures	(41,200)		
Borrowings of credit facilities	353,597	8,497	285,891
Repayments of credit facilities	(300,641)	(13,513)	(330,877)
Cash paid for debt issuance costs	(3,782)	(6,342)	(5,289)
Cash paid for redemption of convertible notes			(17,604)
Fees paid for credit facilities and debentures	(229)	77	(1,261)
Net cash provided by (used in) financing activities	200,307	92,303	55,616
Net increase (decrease) in cash, cash equivalents and restricted cash	(49,138)	73,629	(83,021)
Cash, cash equivalents and restricted cash at beginning of period	94,995	21,366	104,387
Cash, cash equivalents and restricted cash at end of period	$ 45,857	$ 94,995	$ 21,366
Supplemental non-cash investing and financing activities:			
Interest paid	$ 38,960	$ 33,579	$ 31,011
Income taxes paid	$ 713	$ 1,076	$ 184
Distributions reinvested	$ 2,007	$ 2,202	$ 1,799

(1) Stock-based compensation includes $41, $57 and $87 of restricted stock and option expense related to director compensation for the years ended December 31, 2018, 2017 and 2016, respectively.

See notes to consolidated financial statements.

S-72

Table of Contents

Index to 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:

	For the Year Ended December 31,		
(Dollars in thousands)	**2018**	**2017**	**2016**
Cash and cash equivalents	$ 34,212	$ 91,309	$ 13,044
Restricted cash	11,645	3,686	8,322
Total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows	$ 45,857	$ 94,995	$ 21,366

See Note 2 Summary of Significant Accounting Policies for a description of restricted cash and cash equivalents.

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(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							
Exicure, Inc.[11]	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, 3.85% Exit Fee	$ 4,999	$ 5,165	$ 5,165
Subtotal: Under 1 Year Maturity						5,165	5,165
Subtotal: Biotechnology Tools (0.54%)*						**5,165**	**5,165**
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	6,026	5,983
Subtotal: 1-5 Years Maturity						6,026	5,983
Subtotal: Consumer & Business Products (0.63%)*						**6,026**	**5,983**
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	14,729	14,401
Subtotal: 1-5 Years Maturity						14,729	14,401
Subtotal: Diversified Financial Services (1.51%)*						**14,729**	**14,401**
Drug Delivery							

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	$ 10,936	11,926	11,842
Antares Pharma Inc.(10)(11)(15)	Drug Delivery	Senior Secured	July 2022	Interest rate PRIME + 4.50% or Floor rate of 9.25%, 4.25% Exit Fee	$ 25,000	25,313	25,081
Subtotal: 1-5 Years Maturity						37,239	36,923
Subtotal: Drug Delivery (3.86%)*						**37,239**	**36,923**
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	$ 757	1,471	1,471
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	$ 4,808	5,281	5,281
Epirus Biopharmaceuticals, Inc.(8)	Drug Discovery & Development	Senior Secured	June 2019	Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee	$ 2,203	2,487	
Subtotal: Under 1 Year Maturity						9,239	6,752

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(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							
Acacia Pharma Inc.(10)(11)	Drug Discovery & Development	Senior Secured	January 2022	Interest rate PRIME + 4.50% or Floor rate of 9.25%, 3.95% Exit Fee	$ 10,000	$ 9,871	$ 9,819
Aveo Pharmaceuticals, Inc.(11)	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 5.40% Exit Fee	$ 10,000	10,111	10,042
	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 3.00% Exit Fee	$ 10,000	10,220	10,157
Total Aveo Pharmaceuticals, Inc.					$ 20,000	20,331	20,199
Axovant Sciences Ltd.(5)(10)(11)(16)	Drug Discovery & Development	Senior Secured	March 2021	Interest rate PRIME + 6.80% or Floor rate of 10.55%	$ 50,219	49,485	49,286
BridgeBio Pharma LLC(13)(16)	Drug Discovery & Development	Senior Secured	July 2022	Interest rate PRIME + 4.35% or Floor rate of 9.35%, 6.35% Exit Fee	$ 35,000	35,054	35,263
	Drug Discovery & Development	Senior Secured	July 2022	Interest rate PRIME + 3.35% or Floor rate of 9.10%, 5.75% Exit Fee	$ 20,000	19,904	19,904
Total BridgeBio Pharma LLC					$ 55,000	54,958	55,167
Chemocentryx, Inc.(10)(15)	Drug Discovery & Development	Senior Secured	December 2022	Interest rate PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee	$ 20,000	19,957	20,104
Genocea Biosciences, Inc.(11)	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 2.75% or Floor rate of 7.75%, 10.12% Exit Fee	$ 14,000	14,937	14,788
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	15,024	15,024
Mesoblast(5)(10)(11)	Drug Discovery &	Senior Secured	March 2022	Interest rate PRIME + 4.95% or Floor rate of	$ 35,000	35,346	35,190

	Development			9.45%, 6.95% Exit Fee			
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	$ 18,569	19,256	19,122
Motif BioSciences Inc.(5)(10)(11)(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	14,907	14,786
Myovant Sciences, Ltd.(5)(10)(11)	Drug Discovery & Development	Senior Secured	November 2021	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 6.55% Exit Fee	$ 40,000	40,320	40,151
Nabriva Therapeutics(5)(10)	Drug Discovery & Development	Senior Secured	June 2023	Interest rate PRIME + 4.30% or Floor rate of 9.80%, 6.95% Exit Fee	$ 25,000	24,750	24,750
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)(10)(11)(15)(16)	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 40,000	40,882	40,472
	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 10,000	10,240	10,137
	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 2.25% Exit Fee	$ 10,000	10,084	9,925

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
	Drug Discovery & Development	Senior Secured	August 2022	Interest rate PRIME + 2.10% or Floor rate of 7.85%, 6.95% Exit Fee	$ 10,000	$10,014	$ 10,014
Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					$ 70,000	71,220	70,548
Stealth Bio Therapeutics Corp.[5][10][11]	Drug Discovery & Development	Senior Secured	January 2021	Interest rate PRIME + 5.50% or Floor rate of 9.50%, 6.25% Exit Fee	$ 19,313	19,740	19,597
Tricida, Inc.[11][15]	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 3.35% or Floor rate of 8.85%, 8.19% Exit Fee	$ 40,000	39,622	39,794
uniQure B.V.[5][10][11]	Drug Discovery & Development	Senior Secured	June 2023	Interest rate PRIME + 3.35% or Floor rate of 8.85%, 7.72% Exit Fee	$ 35,000	35,538	35,386
Verastem, Inc.[11]	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,058	5,059
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,082	5,083
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,057	5,057
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 10,000	10,033	9,976
Total Verastem, Inc.					$ 25,000	25,230	25,175
X4 Pharmaceuticals Inc.	Drug Discovery &	Senior Secured	November 2021	Interest rate PRIME + 4.25% or Floor rate of	$ 10,000	9,746	9,746

	Development			9.50%, 7.95% Exit Fee			
Subtotal: 1-5 Years Maturity						520,238	518,632
Subtotal: Drug Discovery & Development (54.99%)*						**529,477**	**525,384**
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	$10,145	$ 10,155
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	$ 12,192	12,265	5,556
Subtotal: 1-5 Years Maturity						22,410	15,711
Subtotal: Electronics & Computer Hardware (1.64%)*						**22,410**	**15,711**
Healthcare Services, Other 1-5 Years Maturity							
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	30,486	30,338
PH Group Holdings[13][17]	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 20,000	19,889	19,806
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 10,000	9,938	9,896
Total PH Group Holdings					$ 30,000	29,827	29,702
Subtotal: 1-5 Years Maturity						60,313	60,040
Subtotal: Healthcare Services, Other (6.28%)*						**60,313**	**60,040**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
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%	$ 15,288	$15,037	$ 14,987
Subtotal: 1-5 Years Maturity						15,037	14,987
Subtotal: Information Services (1.57%)*						**15,037**	**14,987**
Internet Consumer & Business Services							
Under 1 Year Maturity							
LogicSource	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25% or Floor rate of 9.75%, 5.00% Exit Fee	$ 3,099	3,486	3,486
The Faction Group LLC[11]	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						5,486	5,486
1-5 Years Maturity							
AppDirect, Inc.[11][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	20,006	19,941
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	$ 10,117	10,020	10,028
Cloudpay, Inc.[5][10]		Senior Secured	April 2022		$ 11,000	11,017	11,020

	Internet Consumer & Business Services			Interest rate PRIME + 4.05% or Floor rate of 8.55%, 6.95% Exit Fee			
Contentful, Inc.(5)(10)(14)	Internet Consumer & Business Services	Senior Secured	July 2022	Interest rate PRIME + 2.95% or Floor rate of 7.95%, PIK Interest 1.25%	$ 3,750	3,692	3,692
Convercent, Inc.(14)(15)(17)	Internet Consumer & Business Services	Senior Secured	July 2022	Interest rate PRIME + 2.55% or Floor rate of 7.80%, PIK Interest 2.95%, 1.00% Exit Fee	$ 7,500	7,419	7,419
EverFi, Inc.(11)(14)(16)	Internet Consumer & Business Services	Senior Secured	May 2022	Interest rate PRIME + 3.90% or Floor rate of 8.65%, PIK Interest 2.30%	$ 60,729	60,687	60,408
Fastly, Inc.(17)(19)	Internet Consumer & Business Services	Senior Secured	December 2021	Interest rate PRIME + 4.25%, 1.50% Exit Fee	$ 6,667	6,563	6,563
First Insight, Inc.(15)	Internet Consumer & Business Services	Senior Secured	November 2021	Interest rate PRIME + 6.25% or Floor rate of 11.25%	$ 7,500	7,368	7,375
Greenphire, Inc.(17)	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00% or Floor rate of 9.00%	$ 2,776	2,776	2,785
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75% or Floor rate of 7.00%	$ 1,500	1,500	1,498
Total Greenphire, Inc.					$ 4,276	4,276	4,283
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	$ 12,200	12,210	12,147
Interactions Corporation(11)(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	25,092	24,987

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

rtfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(
stmates, 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	$19,666	$ 19,6
mbleON, Inc.	Internet Consumer & Business Services	Senior Secured	May 2021	Interest rate PRIME + 5.75% or Floor rate of 10.25%, 4.55% Exit Fee	$ 5,000	5,018	4,9
	Internet Consumer & Business Services	Senior Secured	October 2021	Interest rate PRIME + 5.75% or Floor rate of 10.25%, 2.95% Exit Fee	$ 5,000	4,941	4,9
tal RumbleON, Inc.					$ 10,000	9,959	9,9
agajob.com, .(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	$ 41,841	42,139	42,0
	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	$ 5,033	4,867	4,8
tal Snagajob.com, Inc.					$ 46,874	47,006	46,9
ctura rporation(7)(8)(9)(14)	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	$ 20,924	20,924	18,1
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	$ 10,680	240	
tal Tectura Corporation					$ 31,604	21,164	18,1
e Faction Group C(11)	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25% or Floor rate of 10.25%	$ 6,667	6,667	6,6
heels Up Partners C(11)	Internet Consumer &	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.55% or Floor	$ 20,241	20,076	19,9

	Business Services			rate of 9.55%			
metry, .[13][17][19]	Internet Consumer & Business Services	Senior Secured	November 2021	Interest rate PRIME + 3.95% or Floor rate of 8.45%, 7.09% Exit Fee	$ 11,000	10,997	10,9
btotal: 1-5 Years Maturity						303,885	300,0
btotal: Internet Consumer & Business Services (31.98%)*						**309,371**	**305,5**
edia/Content/Info							
Years Maturity							
stle[14][15]	Media/Content/Info	Senior Secured	June 2021	Interest rate PRIME + 4.10% or Floor rate of 8.35%, PIK Interest 1.95%, 3.12% Exit Fee	$ 15,315	15,336	15,4
btotal: 1-5 Years Maturity						15,336	15,4
btotal: Media/Content/Info (1.62%)*						**15,336**	**15,4**
edical Devices & Equipment							
der 1 Year Maturity							
cell Technologies, .[11]	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%, 5.00% Exit Fee	$ 2,323	2,724	2,4
btotal: Under 1 Year Maturity						2,724	2,4

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(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							
Flowonix Medical, Inc.[11][14]	Medical Devices & Equipment	Senior Secured	October 2021	Interest rate PRIME + 4.00% or Floor rate of 9.00%, PIK Interest 0.5%, 7.95% Exit Fee	$ 15,007	$14,673	$ 14,673
Intuity Medical, Inc.[11][15]	Medical Devices & Equipment	Senior Secured	June 2021	Interest rate PRIME + 5.00% or Floor rate of 9.25%, 5.95% Exit Fee	$ 17,500	17,504	17,417
Quanta Fluid Solutions[5][10]	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05% or Floor rate of 11.55%, 5.00% Exit Fee	$ 5,806	6,324	6,344
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	7,656	7,577
Rapid Micro Biosystems, Inc.[11][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	18,143	18,013
Sebacia, Inc.[11][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	11,151	11,071
Transenterix, Inc.[10][11]	Medical Devices & Equipment	Senior Secured	June 2022	Interest rate PRIME + 4.55% or Floor rate of 9.55%, 6.95% Exit Fee	$ 30,000	29,972	29,852
Subtotal: 1-5 Years Maturity						105,423	104,947
Subtotal: Medical Devices & Equipment (11.24%)*						**108,147**	**107,352**
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	7,214	7,214

Subtotal: Under 1 Year Maturity						7,214	7,214
1-5 Years Maturity							
Abrigo (p.k.a. Banker s Toolbox, Inc.)(13)(18)	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.88% or Floor rate of 7.88%	$ 39,701	38,871	38,617
Businessolver.com, Inc.(16)(17)	Software	Senior Secured	May 2023	Interest rate 3-month LIBOR + 7.50% or Floor rate of 7.50%	$ 52,913	51,958	51,417
	Software	Senior Secured	May 2023	Interest rate 3-month LIBOR + 7.50% or Floor rate of 7.50%	$ 2,550	2,551	2,550
Total Businessolver.com, Inc.					$ 55,463	54,509	53,967
Clarabridge, Inc.(12)(14)(17)	Software	Senior Secured	April 2022	Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 2.25%	$ 42,300	41,843	41,921
Cloudian, Inc.	Software	Senior Secured	November 2022	Interest rate PRIME + 3.25% or Floor rate of 8.25%, 9.75% Exit Fee	$ 15,000	14,814	14,814
Couchbase, Inc.(15)(17)(19)	Software	Senior Secured	September 2021	Interest rate PRIME + 5.25% or Floor rate of 10.75%	$ 15,000	14,921	14,921
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%	$ 7,573	7,493	7,493
Dashlane, Inc.(14)(19)	Software	Senior Secured	April 2022	Interest rate PRIME + 4.05% or Floor rate of 8.55%, PIK Interest 1.10%, 9.25% Exit Fee	$ 10,067	10,107	10,137

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
DocuTAP, Inc.[17]	Software	Senior Secured	October 2023	Interest rate 3-month LIBOR + 8.00% or Floor rate of 8.00%	$ 14,000	$13,609	$ 13,609
Emma, Inc.[17][18]	Software	Senior Secured	September 2022	Interest rate 3-month LIBOR + 8.39% or Floor rate of 8.39%	$ 37,037	35,858	35,251
	Software	Senior Secured	September 2022	Interest rate 3-month LIBOR + 8.18% or Floor rate of 8.18%	$ 6,000	5,827	5,826
Total Emma, Inc.					$ 43,037	41,685	41,077
Evernote Corporation[14][15][17][19]	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45% or Floor rate of 8.95%	$ 5,549	5,537	5,592
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	$ 4,074	4,058	4,074
	Software	Senior Secured	July 2022	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	$ 5,015	4,982	4,993
Total Evernote Corporation					$ 14,638	14,577	14,659
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	$ 51,129	51,284	51,943
Impact Radius Holdings, Inc.[11][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	$ 10,191	10,271	10,237
	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55%	$ 2,014	2,014	2,008

Total Impact Radius Holdings, Inc.					$ 12,205	12,285	12,245
Insurance Technologies Corporation(17)(18)	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.82% or Floor rate of 8.75%	$ 12,500	12,258	12,071
Lightbend, Inc.(14)(15)	Software	Senior Secured	February 2022	Interest rate PRIME + 4.25% or Floor rate of 8.50%, PIK Interest 2.00%	$ 16,179	15,850	15,741
Lithium Technologies, Inc.(11)(16)(17)	Software	Senior Secured	October 2022	Interest rate 1-month LIBOR + 8.00% or Floor rate of 9.00%	$ 12,000	11,785	11,659
	Software	Senior Secured	October 2022	Interest rate 1-month LIBOR + 8.00% or Floor rate of 9.00%	$ 43,000	42,047	42,047
Total Lithium Technologies, Inc.					$ 55,000	53,832	53,706
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	11,854	11,842
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	$ 8,494	8,632	8,619
RapidMiner, Inc.(12)(14)	Software	Senior Secured	December 2020	Interest rate PRIME + 5.50% or Floor rate of 9.75%, PIK Interest 1.65%	$ 7,119	7,018	6,965
Regent Education(14)	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35% Exit Fee	$ 3,092	3,115	1,579

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Salsa Labs, Inc.(11)(17)	Software	Senior Secured	April 2023	Interest rate 3-month LIBOR + 8.15% or Floor rate of 9.15%	$ 6,000	$5,894	$ 5,823
Signpost, Inc.(11)(14)	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%, 5.75% Exit Fee	$ 15,787	16,293	16,267
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	$ 7,519	7,443	7,443
Vela Trading Technologies(11)(18)	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 9.50% or Floor rate of 10.50%	$ 19,750	19,345	19,309
YouEarnedIt, Inc.(18)	Software	Senior Secured	July 2023	Interest rate 1-month LIBOR + 8.66%	$ 8,978	8,735	8,735
ZocDoc(11)(19)	Software	Senior Secured	August 2021	Interest rate PRIME + 6.20% or Floor rate of 10.95%, 2.00% Exit Fee	$ 30,000	30,003	29,875
Subtotal: 1-5 Years Maturity						516,270	513,378
Subtotal: Software (54.49%)*						523,484	520,592
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	10,151	10,151
	Sustainable and Renewable	Senior Secured	February 2019	PIK Interest 10.00%	$ 649	650	650

	Technology						
	Sustainable and Renewable Technology	Senior Secured	February 2019	Interest rate PRIME + 10.70% or Floor rate of 15.70%, PIK Interest 2.00%	$ 603	603	603
Total Solar Spectrum LLC					$ 11,252	11,404	11,404
Subtotal: Under 1 Year Maturity						11,404	11,404
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	13,362	13,330
	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	11,908	11,874
Total FuelCell Energy, Inc.					$ 25,000	25,270	25,204
Impossible Foods, Inc.(12)(17)	Sustainable and Renewable Technology	Senior Secured	January 2022	Interest rate PRIME + 3.95% or Floor rate of 8.95%, 9.00% Exit Fee	$ 30,000	29,981	29,680
Metalysis Limited(5)(10)(11)	Sustainable and Renewable Technology	Senior Secured	March 2021	Interest rate PRIME + 5.00% or Floor rate of 9.25%, 6.95% Exit Fee	$ 7,254	7,400	7,360
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	$ 25,484	26,775	26,888

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
	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	$ 5,097	$5,381	$ 5,386
Total Proterra, Inc.					$ 30,581	32,156	32,274
Subtotal: 1-5 Years Maturity						94,807	94,518
Subtotal: Sustainable and Renewable Technology (11.09%)*						**106,211**	**105,922**
Total: Debt Investments (181.43%)*						**1,752,945**	**1,733,492**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(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	$ 14
Peerless Network Holdings, Inc.	Communications & Networking	Equity	Preferred Series A	1,135,000	1,229	4,847
Subtotal: Communications & Networking (0.51%)*					**1,331**	**4,861**
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	348
Subtotal: Diagnostic (0.04%)*					**750**	**348**
Diversified Financial Services						
Gibraltar Business Capital, LLC.[7]	Diversified Financial Services	Equity	Common Stock	830,000	1,884	1,688
	Diversified Financial Services	Equity	Preferred Series A	10,602,752	26,122	23,402
Total Gibraltar Business Capital, LLC				11,432,752	28,006	25,090
Subtotal: Diversified Financial Services (2.63%)*					**28,006**	**25,090**
Drug Delivery						
AcelRx Pharmaceuticals, Inc.[4]	Drug Delivery	Equity	Common Stock	176,730	1,329	318
BioQ Pharma Incorporated[15]	Drug Delivery	Equity	Preferred Series D	165,000	500	599
Edge Therapeutics, Inc.[4]	Drug Delivery	Equity	Common Stock	49,965	309	16
Neos Therapeutics, Inc.[4][15]	Drug Delivery	Equity		125,000	1,500	206

			Common Stock			
Subtotal: Drug Delivery (0.12%)*					**3,638**	**1,139**
Drug Discovery & Development						
Aveo Pharmaceuticals, Inc.(4)(15)	Drug Discovery & Development	Equity	Common Stock	1,901,791	1,715	3,112
Axovant Sciences Ltd.(4)(5)(10)(16)	Drug Discovery & Development	Equity	Common Stock	129,827	1,269	129
BridgeBio Pharma LLC(16)	Drug Discovery & Development	Equity	Preferred Series D	1,008,929	2,000	1,819
Cerecor, Inc.(4)	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	385
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.)(4)	Drug Discovery & Development	Equity	Common Stock	13,550	1,000	10
Dicerna Pharmaceuticals, Inc.(4)	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,527
Dynavax Technologies(4)(10)	Drug Discovery & Development	Equity	Common Stock	20,000	550	183
Eidos Therapeutics, Inc.(4)(10)	Drug Discovery & Development	Equity	Common Stock	15,000	255	206
Genocea Biosciences, Inc.(4)	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	64
Insmed, Incorporated(4)	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	929
Melinta Therapeutics(4)	Drug Discovery & Development	Equity	Common Stock	51,821	2,000	42
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)(4)(10)(16)	Drug Discovery & Development	Equity	Common Stock	76,362	2,744	392
Rocket Pharmaceuticals, Ltd (p.k.a. Inotek Pharmaceuticals Corporation)(4)	Drug Discovery & Development	Equity	Common Stock	944	1,500	14
Tricida, Inc.(4)	Drug Discovery & Development	Equity	Common Stock	105,260	2,000	2,481
Subtotal: Drug Discovery & Development (1.18%)*					**20,033**	**11,293**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Electronics & Computer Hardware						
Identiv, Inc.(4)	Electronics & Computer Hardware	Equity	Common Stock	6,700	$ 34	$ 24
Subtotal: Electronics & Computer Hardware (0.00%)*					**34**	**24**
Information Services						
DocuSign, Inc.(4)	Information Services	Equity	Common Stock	385,000	6,081	15,431
Subtotal: Information Services (1.62%)*					**6,081**	**15,431**
Internet Consumer & Business Services						
Blurb, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	44
Brigade Group, Inc. (p.k.a. Philotic, Inc.)	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
Contentful, Inc.(5)(10)	Internet Consumer & Business Services	Equity	Preferred Series D	217	500	504
DoorDash, Inc.	Internet Consumer & Business Services	Equity	Common Stock	105,000	6,051	6,051
Lightspeed POS, Inc.(5)(10)	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	363
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	326
Total Lightspeed POS, Inc.				428,707	500	689
Lyft, Inc.	Internet Consumer & Business Services	Equity	Preferred Series F	91,648	4,819	4,819

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	1,565
	Internet Consumer & Business Services	Equity	Preferred Series A-1	108,710	632	595
Total OfferUp, Inc.				394,790	2,295	2,160
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	537
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	279
Total Oportun (p.k.a. Progress Financial)				306,153	500	816
Tectura Corporation[7]	Internet Consumer & Business Services	Equity	Common Stock	414,994,863	900	
	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000		
Total Tectura Corporation				415,994,863	900	
Subtotal: Internet Consumer & Business Services (2.09%)*					**20,687**	**19,937**
Media/Content/Info						
Pinterest, Inc.	Media/Content/Info	Equity	Preferred Series Seed	620,000	4,085	3,787
Subtotal: Media/Content/Info (0.40%)*					**4,085**	**3,787**
Medical Devices & Equipment						
AtriCure, Inc.[4][15]	Medical Devices & Equipment	Equity	Common Stock	10,119	266	310
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		677
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	729

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	$ 500	$ 691
Total Gelesis, Inc.				581,038	925	2,097
Medrobotics Corporation[15]	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	24
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	26
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	87
Total Medrobotics Corporation				374,703	905	137
Optiscan Biomedical, Corp.[6]	Medical Devices & Equipment	Equity	Preferred Series B	61,855	3,000	393
	Medical Devices & Equipment	Equity	Preferred Series C	19,273	655	111
	Medical Devices & Equipment	Equity	Preferred Series D	551,038	5,257	3,524
	Medical Devices & Equipment	Equity	Preferred Series E	311,989	2,609	2,771
Total Optiscan Biomedical, Corp.				944,155	11,521	6,799
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	473
Quanterix Corporation[4]	Medical Devices & Equipment	Equity	Common Stock	84,778	1,000	1,553
Subtotal: Medical Devices & Equipment (1.19%)*					**16,644**	**11,396**
Software						
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	87
Docker, Inc.	Software	Equity		200,000	4,284	4,284

			Common Stock			
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,972
	Software	Equity	Preferred Series 3	93,620	300	433
Total Druva, Inc.				552,461	1,300	2,405
HighRoads, Inc.	Software	Equity	Common Stock	190	307	
Palantir Technologies	Software	Equity	Preferred Series D	9,535	47	47
	Software	Equity	Preferred Series E	1,749,089	10,489	8,662
	Software	Equity	Preferred Series G	326,797	2,211	1,618
Total Palantir Technologies				2,085,421	12,747	10,327
Sprinklr, Inc.	Software	Equity	Common Stock	700,000	3,749	3,226
WildTangent, Inc.	Software	Equity	Preferred Series 3	100,000	402	176
Subtotal: Software (2.15%)*					**22,840**	**20,505**
Surgical Devices						
Gynesonics, Inc.(15)	Surgical Devices	Equity	Preferred Series B	219,298	250	8
	Surgical Devices	Equity	Preferred Series C	656,538	282	25
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	79
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	125
	Surgical Devices	Equity	Preferred Series F	1,523,693	118	117
	Surgical Devices	Equity	Preferred Series F-1	2,418,125	150	167
Total Gynesonics, Inc.				9,595,178	1,941	521
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	356
	Surgical Devices	Equity	Preferred Series C	119,999	300	479
	Surgical Devices	Equity	Preferred Series D	260,000	650	1,040
	Surgical Devices	Equity	Preferred Series F	100,200	500	401
Total Transmedics, Inc.				569,160	2,550	2,276

Subtotal: Surgical Devices (0.29%)*	**4,491**	**2,797**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
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	40
Proterra, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 5	99,280	500	449
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)[6]	Sustainable and Renewable Technology	Equity	Common Stock	380	61,502	3,115
Subtotal: Sustainable and Renewable Technology (0.38%)*					**63,263**	**3,604**
Total: Equity Investments (12.58%)*					**191,883**	**120,212**
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc.	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	1,114
Subtotal: Biotechnology Tools (0.12%)*					**323**	**1,114**
Communications & Networking						
Peerless Network Holdings, Inc.	Communications & Networking	Warrant	Common Stock	3,328		10
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Common Stock	2,834,375	418	
Subtotal: Communications & Networking (0.00%)*					**418**	**10**
Consumer & Business Products						
		Warrant		1,662,441	228	

Gadget Guard (p.k.a Antenna79)(15)	Consumer & Business Products		Common Stock			
Intelligent Beauty, Inc.	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	191
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	5
Subtotal: Consumer & Business Products (0.02%)*					**841**	**196**
Drug Delivery						
Agile Therapeutics, Inc.(4)	Drug Delivery	Warrant	Common Stock	180,274	730	6
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	525
Dance Biopharm, Inc.(15)	Drug Delivery	Warrant	Common Stock	110,882	74	
Edge Therapeutics, Inc.(4)	Drug Delivery	Warrant	Common Stock	78,595	390	3
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	593	1,923
Neos Therapeutics, Inc.(4)(15)	Drug Delivery	Warrant	Common Stock	70,833	285	
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 (0.26%)*					**2,455**	**2,457**
Drug Discovery & Development						
Acacia Pharma Inc.(4)(10)	Drug Discovery & Development	Warrant	Common Stock	201,330	304	52
ADMA Biologics, Inc.(4)	Drug Discovery & Development	Warrant	Common Stock	89,750	295	5
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	48
Cerecor, Inc.(4)	Drug Discovery & Development	Warrant	Common Stock	22,328	70	8
Chroma Therapeutics, Ltd.(5)(10)	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
Concert Pharmaceuticals, Inc.[4][10][15]	Drug Discovery & Development	Warrant	Common Stock	132,069	$ 545	$ 289
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	
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	15
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.)[4]	Drug Discovery & Development	Warrant	Common Stock	73,009	142	
Genocea Biosciences, Inc.[4]	Drug Discovery & Development	Warrant	Common Stock	403,136	431	40
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]	Drug Discovery & Development	Warrant	Common Stock	73,452	282	78

Myovant Sciences, Ltd.[4][5][10]	Drug Discovery & Development	Warrant	Common Stock	73,710	460	502
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	20
Savara Inc. (p.k.a. Mast Therapeutics, Inc.)[4][15]	Drug Discovery & Development	Warrant	Common Stock	32,467	203	52
Sorrento Therapeutics, Inc.[4][10]	Drug Discovery & Development	Warrant	Common Stock	306,748	889	192
Stealth Bio Therapeutics Corp.[5][10]	Drug Discovery & Development	Warrant	Preferred Series A	216,666	158	55
Tricida, Inc.[4][15]	Drug Discovery & Development	Warrant	Common Stock	106,916	863	1,268
uniQure B.V.[4][5][10]	Drug Discovery & Development	Warrant	Common Stock	37,174	218	468
X4 Pharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Preferred Series B	210,638	270	206
XOMA Corporation[4][10][15]	Drug Discovery & Development	Warrant	Common Stock	9,063	279	2
Subtotal: Drug Discovery & Development (0.35%)*					**9,164**	**3,300**
Electronics & Computer Hardware						
908 DEVICES INC.[15]	Electronics & Computer Hardware	Warrant	Preferred Series D	79,856	101	28
Subtotal: Electronics & Computer Hardware (0.00%)*					**101**	**28**
Healthcare Services, Other						
Chromadex Corporation [4]	Healthcare Services, Other	Warrant	Common Stock	139,673	157	102
Subtotal: Healthcare Services, Other (0.01%)*					**157**	**102**
Information Services						
INMOBI Inc.[5][10]		Warrant		65,587	82	

	Information Services		Common Stock			
MDX Medical, Inc.(15)	Information Services	Warrant	Common Stock	2,812,500	283	144
Netbase Solutions, Inc.	Information Services	Warrant	Preferred Series 1	60,000	356	378
RichRelevance, Inc.	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.05%)*					**819**	**522**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(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	
Blurb, Inc. [15]	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	13
ClearObject, Inc. (p.k.a. CloudOne, Inc.)	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	27
Cloudpay, Inc. [5][10]	Internet Consumer & Business Services	Warrant	Preferred Series B	4,960	45	11
Contentful, Inc. [5][10]	Internet Consumer & Business Services	Warrant	Preferred Series C	82	1	41
Fastly, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series F	152,195	71	72
First Insight, Inc. [15]	Internet Consumer & Business Services	Warrant	Preferred Series B	56,938	70	55
Intent Media, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	140,077	168	168
Interactions Corporation	Internet Consumer & Business Services	Warrant	Preferred Series G-3	68,187	204	401
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,101	1,877
Lightspeed POS, Inc. [5][10]	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	165
LogicSource	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	26
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	247
Postmates, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	189,865	317	239
RumbleON, Inc. [4]	Internet Consumer & Business Services	Warrant	Common Stock	102,768	87	89

ShareThis, Inc.	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	121
	Internet Consumer & Business Services	Warrant	Preferred Series B	173,076	8	7
Total Snagajob.com, Inc.				1,973,076	790	128
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	12
The Faction Group LLC	Internet Consumer & Business Services	Warrant	Preferred Series A	8,703	234	260
Thumbtack, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	102,821	124	102
Xometry, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	87,784	47	63
Subtotal: Internet Consumer & Business Services (0.42%)*					**5,044**	**3,996**
Media/Content/Info						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	1,552,710	1,960	2,361
Napster (p.k.a. Rhapsody International, Inc.)	Media/Content/Info	Warrant	Common Stock	715,755	383	38
WP Technology, Inc. (Wattpad, Inc.)(5)(10)	Media/Content/Info	Warrant	Common Stock	255,818	4	5
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	22
Subtotal: Media/Content/Info (0.25%)*					**2,695**	**2,426**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Medical Devices & Equipment						
SINTX Technologies, Inc. (p.k.a. 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	367
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series AA	155,325	362	
	Medical Devices & Equipment	Warrant	Preferred Series BB	725,806	351	351
Total Flowonix Medical Incorporated				881,131	713	351
Gelesis, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	158
InspireMD, Inc.(4)(5)(10)	Medical Devices & Equipment	Warrant	Common Stock	1,105		
Intuity Medical, Inc.(15)	Medical Devices & Equipment	Warrant	Preferred Series 4	1,819,078	294	508
Medrobotics Corporation(15)	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	25
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	

NinePoint Medical, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	90
Optiscan Biomedical, Corp.[6]	Medical Devices & Equipment	Warrant	Preferred Series E	74,424	573	178
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	184
Quanterix Corporation[4]	Medical Devices & Equipment	Warrant	Common Stock	66,039	204	394
Sebacia, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D	778,301	133	186
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	55
ViewRay, Inc.[4][15]	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	176
Subtotal: Medical Devices & Equipment (0.28%)*					**5,096**	**2,672**
Semiconductors						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	160	354
	Semiconductors	Warrant	Preferred Series D-2	750,000	99	543
Total Achronix Semiconductor Corporation				1,110,000	259	897
Aquantia Corp.[4]	Semiconductors	Warrant	Common Stock	19,683	4	2
Subtotal: Semiconductors (0.09%)*					**263**	**899**
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	77
	Software	Warrant	Preferred Series F	31,673	343	90
Total Actifio, Inc.				105,257	592	167
CareCloud Corporation[15]	Software	Warrant	Preferred Series B	413,433	257	25
Clickfox, Inc.[15]	Software	Warrant	Preferred Series B	539,818	167	5
	Software	Warrant	Preferred Series C	592,019	730	9
	Software	Warrant	Preferred Series C-A	2,218,214	231	133
Total Clickfox, Inc.				3,350,051	1,128	147

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
Cloudian, Inc.	Software	Warrant	Common Stock	477,454	$ 72	$ 57
DNAnexus, Inc.	Software	Warrant	Preferred Series C	909,091	97	126
Evernote Corporation	Software	Warrant	Common Stock	62,500	106	100
Fuze, Inc.[15][16]	Software	Warrant	Preferred Series F	256,158	89	
Lightbend, Inc.[15]	Software	Warrant	Preferred Series C-1	712,323	109	49
Message Systems, Inc.[15]	Software	Warrant	Preferred Series C	503,718	334	499
Neos, Inc.	Software	Warrant	Common Stock	221,150	22	
OneLogin, Inc.[15]	Software	Warrant	Common Stock	381,620	304	401
Poplicus, Inc.	Software	Warrant	Common Stock	132,168		
Quid, Inc.[15]	Software	Warrant	Preferred Series D	71,576	1	3
RapidMiner, Inc.	Software	Warrant	Preferred Series C-1	4,982	24	17
RedSeal Inc.[15]	Software	Warrant	Preferred Series C-Prime	640,603	66	28
Signpost, Inc.	Software	Warrant	Preferred Series C	324,005	314	187
ThreatConnect, Inc.[15]	Software	Warrant	Preferred Series B	134,086	26	25
Wrike, Inc.	Software	Warrant	Common Stock	698,760	461	6,024
Subtotal: Software (0.82%)*					**4,002**	**7,855**
Specialty Pharmaceuticals						
Alimera Sciences, Inc.[4]	Specialty Pharmaceuticals	Warrant	Common Stock	1,717,709	861	24
Subtotal: Specialty Pharmaceuticals (0.00%)*					**861**	**24**
Surgical Devices						
Gynesonics, Inc.[15]	Surgical Devices	Warrant	Preferred Series C	180,480	74	4
	Surgical Devices	Warrant	Preferred Series D	1,575,965	321	24
Total Gynesonics, Inc.				1,756,445	395	28
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series D	175,000	100	263

	Surgical Devices	Warrant	Preferred Series F	50,544	38	
Total Transmedics, Inc.				225,544	138	263
Subtotal: Surgical Devices (0.03%)*					**533**	**291**
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	208
Calera, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	
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	365
GreatPoint Energy, Inc.[15]	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	547	
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series A	325,000	155	45
	Sustainable and Renewable Technology	Warrant	Preferred Series B	131,883	63	13
Total Kinestral Technologies, Inc.				456,883	218	58
Polyera Corporation[15]	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	477,517	$ 41	$ 138
Rive Technology, Inc.[15]	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	13	8
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 (0.08%)*					**2,924**	**777**
Total: Warrant Investments (2.79%)*					**35,696**	**26,669**
Total Investments in Securities (196.81%)*					**$ 1,980,524**	**$ 1,880,373**

* 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 5.50% at December 31, 2018. Daily LIBOR, 1-month LIBOR, 3-month LIBOR and 12-month LIBOR represent 2.39%, 2.52%, 2.80% and 3.01%, respectively, at December 31, 2018.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $39.6 million, $158.7 million and $119.1 million, respectively. The tax cost of investments is $2.0 billion.
(4) Except for warrants in 37 publicly traded companies and common stock in 21 publicly traded companies, all investments are restricted at December 31, 2018 and were valued at fair value using Level 3 significant unobservable inputs as determined in good faith by the Company s board of directors (the Board of Directors). No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(5) Non-U.S. company or the company s principal place of business is outside the United States.
(6) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the 1940 Act) in which Hercules owns at least 5% but generally less than 25% of the company s voting securities.
(7) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company s voting securities or has greater than 50% representation on its board.
(8) Debt is on non-accrual status at December 31, 2018, and is therefore considered non-income producing. Note that at December 31, 2018, 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 Hercules Technology III, L.P., or HT III, the Company s wholly owned small business investment company, or SBIC, subsidiary.
(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, 2018.
(17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at December 31, 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.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(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							
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%	$ 20,000	20,377	20,331

	or Floor rate of 9.15%, 4.95% Exit Fee		
Subtotal: 1-5 Years Maturity		64,308	64,164
Subtotal: Drug Delivery (10.17%)*		**85,664**	**85,520**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(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
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%	$ 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 PRIME + 2.25% or Floor rate of 7.25%, 4.95% Exit Fee	$ 13,851	14,482	14,385
Insmed, Incorporated(11)	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 4.75% or Floor rate of 9.25%, 4.86% Exit Fee	$ 55,000	55,425	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% or Floor rate of 8.25%, 6.55% Exit Fee	$ 25,000	24,704	24,704
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)(15)	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 40,000	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% or Floor rate of 9.50%, 5.00% Exit Fee	$ 15,000	14,898	14,847

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

folio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Valu
ure (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.
stem, 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.
	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.
	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.
l Verastem, Inc.					$ 15,000	14,906	14.
otal: 1-5 Years Maturity						346,187	341.
otal: Drug Discovery & Development (42.00%)*						**360,669**	**353,**
tronics & Computer dware							
Years Maturity							
DEVICES (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.
otal: 1-5 Years Maturity						10,014	9.
otal: Electronics & Computer Hardware (1.18%)*						**10,014**	**9,**
thcare Services, Other							
Years Maturity							
		Senior Secured	February 2021	Interest rate PRIME + 4.75%	$ 17,607	17,437	17.

sphere Systems oration(14)(15)	Healthcare Services, Other			or Floor rate of 9.00%, PIK Interest 1.75%			
	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	$ 5,009	4,963	4.
l Medsphere Systems Corporation					$ 22,616	22,400	22.
Street th(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.
Group ings(13)	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 20,000	19,878	19.
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 10,000	9,922	9.
l PH Group Holdings					$ 30,000	29,800	29.
otal: 1-5 Years Maturity							
otal: Healthcare Services, Other (8.56%)*						**72,165**	**72.**
rmation Services							
Years Maturity							
K Medical, 4)(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.
ase Solutions, 3)(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.
otal: 1-5 Years Maturity						16,099	16.
otal: Information Services (1.91%)*						**16,099**	**16.**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

folio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Valu
net Consumer & Business Services							
ears Maturity							
Direct, 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
Systems, 1)(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
	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
Aria Systems, Inc.					$ 20,935	20,943	17
nphire Inc.	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00% or Floor rate of 9.00%	$ 3,883	3,883	3
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75% or Floor rate of 7.00%	$ 1,000	1,000	1
Greenphire Inc.					$ 4,883	4,883	4
t Media, 4)(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

	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
	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
Intent Media, Inc.					$ 9,092	8,986	9
actions oration	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	25,013	25
:Source(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
ajob.com, 3)(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
ura oration(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
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	$ 11,015	240	
Tectura Corporation					$ 31,313	20,538	19
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
	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%	$ 2,000	2,000	2
The Faction Group					$ 10,000	10,000	10
otal: 1-5 Years Maturity						147,582	143
otal: Internet Consumer & Business Services (17.09%)*						**147,582**	**143**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(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							
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**

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% or Floor rate of 10.05%, 6.75% Exit Fee	$ 2,500	2,599	2,598
	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%	$ 9,043	9,477	9,477

				or Floor rate of 8.00%, 4.00% Exit Fee			
ebacia, Inc.[15]	Medical Devices & Equipment	Senior Secured	July 2020	Interest rate PRIME + 4.35% or Floor rate of 8.85%, 6.05% Exit Fee	$ 8,000	7,927	7,919
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
ubtotal: 1-5 Years Maturity						73,843	73,666
ubtotal: Medical Devices & Equipment (9.37%)*						**78,946**	**78,769**

See notes to consolidated financial statements.

S-96

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

olio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Va
onductors							
ears Maturity							
nix onductor ration[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	$
	Semiconductors	Senior Secured	February 2019	Interest rate PRIME + 6.00% or Floor rate of 10.00%	$ 4,274	4,274	
Achronix Semiconductor Corporation					$ 9,274	9,358	
tal: 1-5 Years Maturity						9,358	
tal: Semiconductors (1.11%)*						**9,358**	
are							
1 Year Maturity							
ox, 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	
l Train Limited Jumpstart s, Inc.)[15]	Software	Senior Secured	July 2018	Interest rate 12-month LIBOR + 2.50%	$ 5,671	5,671	
tal: Under 1 Year Maturity						13,342	1
ears Maturity							
ridge,)[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	4
, Inc.	Software	Senior Secured	September 2022	Interest rate daily LIBOR + 7.75%	$ 50,000	48,565	4

				or Floor rate of 8.75%			
ote ration(14)(15)(17)	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45% or Floor rate of 8.95%	$ 6,000	5,974	
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	$ 4,023	3,999	
Evernote Corporation					$ 10,023	9,973	1
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	5
t Radius gs, 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	
m ologies, Inc.(17)	Software	Senior Secured	October 2022	Interest rate 1-month LIBOR + 8.00% or Floor rate of 9.00%	$ 12,000	11,740	1
systems g Company,	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.25% or Floor rate of 9.25%	$ 12,000	11,821	1
ogin, Inc.(14)(15)	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25%	$ 15,883	15,811	1
tServe, 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	1
	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	
PerfectServe, Inc.					$ 20,000	20,028	2
, 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	
us, Inc.(8)(14)	Software	Senior Secured	May 2022	Interest rate FIXED 6.00%, PIK Interest 3.00%	$ 1,250	1,250	

See notes to consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

olio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Val
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	$
Miner, Inc.[14]	Software	Senior Secured	December 2020	Interest rate PRIME + 5.50% or Floor rate of 9.75%, PIK Interest 1.65%	$ 7,001	6,971	
t Education[14]	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35% Exit Fee	$ 3,285	3,291	
ost, 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	1
Trading ologies	Software	Senior Secured	July 2022	Interest rate daily LIBOR + 9.50% or Floor rate of 10.50%	$ 20,000	19,495	1
, 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	1
oc	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	2
	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	1
ZocDoc					$ 30,000	30,016	3

tal: 1-5 Years Maturity						318,782	31
tal: Software (39.24%)*						**332,124**	**32**
alty Pharmaceuticals							
r 1 Year Maturity							
r Animal , 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	
tal: Under 1 Year Maturity						1,496	
ears Maturity							
ra Sciences,)(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	3
tal: 1-5 Years Maturity						35,517	3
tal: Specialty Pharmaceuticals (4.40%)*						**37,013**	**3**
cal Devices							
ears Maturity							
medics, Inc.[13]	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 5.30% or Floor rate of 9.55%, 6.70% Exit Fee	$ 8,500	8,756	
tal: 1-5 Years Maturity						8,756	
tal: Surgical Devices (1.04%)*						**8,756**	
inable and Renewable nology							
r 1 Year Maturity							
ell Energy,)	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	1
tral ologies 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	
tal: Under 1 Year Maturity						22,072	2

See notes to consolidated financial statements.

S-98

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount
inable wable nology	Senior Secured	August 2020	Interest rate 3-month LIBOR + 8.75% or Floor rate of 9.75%, 2.00% Exit Fee	$ 19,394
inable wable nology	Senior Secured	August 2019	Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee	$ 14,000
inable wable nology	Senior Secured	November 2020	Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.75%, 5.95% Exit Fee	$ 25,036
inable wable nology	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
				$ 30,043
inable wable nology	Senior Secured	January 2019	Interest rate PRIME + 6.20% or Floor rate of 9.45%, 4.00% Exit Fee	$ 4,258
inable wable nology	Senior Secured	June 2019	Interest rate FIXED 9.25%, 8.50% Exit Fee	$ 13,156
rity				

l Renewable Technology (12.45%)*

(168.38%)*

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(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
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. Transcept 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**

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Portfolio Company	**Sub-Industry**	**Type of Investment[1]**	**Series**	**Shares**	**Cost[3]**	**Value[4]**
Information Services						
DocuSign, Inc.	Information Services	Equity	Common Stock	385,000	$ 6,081	$ 8,011
Subtotal: Information Services (0.95%)*					6,081	8,011
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**
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

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
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		199,844	529	6,373

			Common Stock			
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
	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**
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.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(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	Common Stock	110,882	74	
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**
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

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
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
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.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(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]		Warrant		140,077	168	207

	Internet Consumer & Business Services		Common Stock			
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)	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	93
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

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
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
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
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

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
DNAnexus, 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
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**
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

GreatPoint Energy, Inc.[15]	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548

See notes to consolidated financial statements.

Table of Contents

Index to Financial Statements

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Series	Shares	Cost[3]	Value[4]
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.

Table of Contents

Index to Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 1940 Act. From incorporation through December 31, 2005, the Company was subject to tax as a corporation under Subchapter C of the Code. Effective January 1, 2006, the Company elected to be treated for tax purposes as a 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 FASB Accounting Standards Codification, as amended (ASC).

HT II, HT III, and 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 $307.5 million in assets which accounts for approximately 14.3% of the Company s total assets, prior to consolidation at December 31, 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. 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.

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.

Table of Contents

Index to Financial Statements

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the party with both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb the losses or the right to receive benefits that could 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 2027 Asset-Backed Notes (as defined herein). See Note 4 Borrowings.

Valuation of Investments

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

At December 31, 2018, approximately 96.7% 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

S-110

Table of Contents

Index to Financial Statements

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

Table of Contents

Index to Financial Statements

anticipated life. Fair valued assets that are generally included in this category are publicly held debt investments and warrants held in a public company.

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

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of December 31, 2018 and 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 year ended December 31, 2018, there were no transfers between Levels 1 or 2.

(in thousands) Description	Balance December 31, 2018	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior Secured Debt	$ 1,719,091	$	$	$ 1,719,091
Unsecured Debt	14,401			14,401
Preferred Stock	68,625			68,625
Common Stock	51,587	27,346		24,241
Warrants	26,669		3,996	22,673
Escrow Receivable	970			970
Total	$ 1,881,343	$ 27,346	$ 3,996	$ 1,850,001

(in thousands) Description	Balance December 31, 2017	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior Secured Debt	$ 1,415,984	$	$	$ 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 years ended December 31, 2018 and December 31, 2017.

(in thousands)	Balance January 1, 2018	Net Realized Gains (Losses)[1]	Net Change in Unrealized Appreciation (Depreciation)[2]	Purchases[5]	Sales	Repayments[6]	Gross Transfers into Level 3[3]	Gross Transfers out of Level 3[3]	Balance December 31, 2018
Senior Debt	$ 1,415,984	$ (14,066)	$ 4,947	$ 896,831	$	$ (584,605)	$	$	$ 1,719,091
Unsecured Debt			(328)	20,583		(5,671)		(183)	14,401
Preferred Stock	40,683	2,540	(11,068)	39,993	(3,706)		183		68,625
Common Stock	25,853	(3,299)	(7,583)	17,950	(301)			(8,379)	24,241
Warrants	31,205	(982)	(2,982)	2,050	(6,402)			(216)	22,673
Escrow Receivable	752	1	(143)	892	(532)				970
Total	$ 1,514,477	$ (15,806)	$ (17,157)	$ 978,299	$ (10,941)	$ (590,276)	$ 183	$ (8,778)	$ 1,850,001

S-112

Table of Contents

Index to Financial Statements

(in thousands)	Balance January 1, 2017	Net Realized Gains (Losses)[1]	Net Change in Unrealized Appreciation (Depreciation)[2]	Purchases[5]	Sales	Repayments[6]	Gross Transfers into Level 3 [4]	Gross Transfers out of Level 3 [4]	Balance 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	$ (68,409)	$ 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 year ended December 31, 2018 relate to the initial public offerings of DocuSign, Inc. and Tricida, Inc. and the conversion of our debt investment in Gynesonics, Inc. to preferred stock. Transfers into Level 3 for the year ended December 31, 2018 relate to the conversion of our debt investment in Gynesonics, Inc. to preferred stock.
(4) Transfers out of Level 3 during the year ended December 31, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions, IPOs 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 our debt investment in Sungevity, Inc. and a portion of our 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.

For the year ended December 31, 2018, approximately $10.5 million and $10.9 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 $14.5 million and $294,000 in net unrealized depreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 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 December 31, 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.

Table of Contents

Index to Financial Statements

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

Investment Type -Level Three Debt Investments	Fair Value at December 31, 2018 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input [1]	Range	Weighted Average [2]
Pharmaceuticals	$ 25,039	Originated Within 4-6 Months	Origination Yield	10.50% - 12.47%	11.68%
	480,737	Market Comparable Companies	Hypothetical Market Yield	10.25% - 16.86%	13.33%
			Premium/(Discount)	(0.25%) - 0.50%	
Technology	63,125	Originated Within 4-6 Months	Origination Yield	11.71% - 19.94%	13.02%
	618,141	Market Comparable Companies	Hypothetical Market Yield	10.73% - 16.13%	13.08%
			Premium/(Discount)	0.00% - 0.75%	
	1,579	Liquidation [3]	Probability weighting of alternative outcomes	40.00% - 60.00%	
Sustainable and Renewable Technology	75,834	Market Comparable Companies	Hypothetical Market Yield	11.90% - 17.48%	13.47%
			Premium/(Discount)	(0.25%) - 0.25%	
	5,556	Liquidation [3]	Probability weighting of alternative outcomes	20.00% - 50.00%	
Medical Devices	14,673	Originated Within 4-6 Months	Origination Yield	15.15%	15.15%
	115,355	Market Comparable Companies	Hypothetical Market Yield	10.99% - 22.38%	13.77%
			Premium/(Discount)	0.00% - 0.75%	
	2,405	Liquidation [3]	Probability weighting of alternative outcomes	50.00%	
Lower Middle Market	123,589	Market Comparable Companies	Hypothetical Market Yield	9.74% - 17.25%	14.24%
			Premium/(Discount)	(0.25%) - 0.00%	
	18,128	Liquidation [3]	Probability weighting of alternative outcomes	30.00% -70.00%	
		Debt Investments Where Fair Value Approximates Cost			
	153,312	Debt Investments originated within 3 months			
	36,019	Debt Investments Maturing in Less than One Year			
	$1,733,492	**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, 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.

Table of Contents

Index to Financial Statements

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

Investment Type - Level Three Debt Investments	Fair Value at December 31, 2017 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input [1]	Range	Weighted Average [2]
Pharmaceuticals	$ 44,301	Originated Within 6 Months	Origination Yield	10.71% - 12.61%	11.89%
	379,841	Market Comparable Companies	Hypothetical Market Yield	10.14% - 16.14%	12.94%
			Premium/(Discount)	(0.25%) - 0.75%	
	2,257	Liquidation [3]	Probability weighting of alternative outcomes	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% - 19.21%	13.55%
			Premium/(Discount)	(0.25%) - 1.00%	
	22,020	Liquidation [3]	Probability weighting of alternative outcomes	5.00% - 100.00%	
Sustainable and Renewable Technology	33,020	Originated Within 6 Months	Origination Yield	11.97% - 20.06%	15.31%
	49,647	Market Comparable Companies	Hypothetical Market Yield	11.15% - 14.16%	12.13%
			Premium/(Discount)	0.00% - 0.25%	
Medical Devices	17,013	Originated Within 6 Months	Origination Yield	13.49%	13.49%
	89,869	Market Comparable Companies	Hypothetical Market Yield	9.66% - 17.57%	12.28%
			Premium/(Discount)	0.00% - 0.50%	
Lower Middle Market	97,291	Originated Within 6 Months	Origination Yield	8.29% - 12.68%	12.01%
	19,219	Liquidation [3]	Probability weighting of alternative outcomes	10.00% - 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.

Table of Contents

Index to Financial Statements

(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.

nvestment Type - Level Three quity and Warrant Investments	Fair Value at December 31, 2018 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input(1)	Range	Weighted Average(6
quity Investments	$ 34,204	Market Comparable Companies	EBITDA Multiple(2)	6.3x - 14.7x	8.4x
			Revenue Multiple(2)	0.4x - 11.8x	3.9x
			Discount for Lack of Marketability(3)	12.53% - 22.68%	15.79%
			Average Industry Volatility(4)	40.19% - 88.21%	60.37%
			Risk-Free Interest Rate	2.61%	2.61%
			Estimated Time to Exit (in months)	10 - 14	12
	16,040	Market Adjusted OPM Backsolve	Market Equity Adjustment(5)	(95.22%) - 12.81%	(3.45%)
			Average Industry Volatility(4)	34.1% - 100.56%	76.79%
			Risk-Free Interest Rate	1.00% - 2.84%	2.16%
			Estimated Time to Exit (in months)	10 - 43	16
	3,115	Liquidation	EBITDA Multiple(2)	11.3x	11.3x
			Revenue Multiple(2)	1.5x - 1.7x	1.6x
	39,507	Other(7)			
Varrant Investments	11,267	Market Comparable Companies	EBITDA Multiple(2)	6.3x - 13.8x	9.3x
			Revenue Multiple(2)	0.2x - 7.7x	4.0x
			Discount for Lack of Marketability(3)	12.53% - 32.2%	17.14%
			Average Industry Volatility(4)	33.76% - 100.71%	63.71%
			Risk-Free Interest Rate	2.46% - 2.63%	2.59%
			Estimated Time to Exit (in months)	10 - 48	14
	4,243	Market Adjusted OPM Backsolve	Market Equity Adjustment(5)	(69.28%) - 22.02%	(7.75%)
			Average Industry Volatility(4)	34.1% - 109.24%	74.15%
			Risk-Free Interest Rate	1.04% - 2.97%	2.27%
			Estimated Time to Exit (in months)	4 - 47	23
	7,163	Other(7)			
	$ 115,539				

Total Level Three Warrant and Equity Investments

(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 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.

Investment Type - Level Three Equity and Warrant Investments	Fair Value at December 31, 2017 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input[1]	Range	Weighted Average[6]
Equity 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				