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Hercules Capital, Inc.
Form 10-Q
August 02, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended June 30, 2018

OR

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

Commission File Number: 814-00702

HERCULES CAPITAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Jurisdiction of

Incorporation or Organization)

400 Hamilton Ave., Suite 310

743113410
(IRS Employer

Identification No.)
94301

(Zip Code)

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Palo Alto, California

(Address of Principal Executive Offices)

(650) 289-3060

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

On July 30, 2018, there were 95,831,773 shares outstanding of the Registrant's common stock, \$0.001 par value.

HERCULES CAPITAL, INC.

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PART I: FINANCIAL INFORMATION

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	June 30, 2018	December 31, 2017
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,614,160 and \$1,506,454, respectively)	\$1,616,515	\$1,491,458
Control investments (cost of \$59,337 and \$25,419, respectively)	56,716	19,461
Affiliate investments (cost of \$84,063 and \$87,956, respectively)	28,705	31,295
Total investments in securities, at value (cost of \$1,757,560 and \$1,619,829, respectively)	1,701,936	1,542,214
Cash and cash equivalents	59,461	91,309
Restricted cash	15,886	3,686
Interest receivable	14,408	12,262
Other assets	906	5,244
Total assets	\$1,792,597	\$1,654,715
Liabilities		
Accounts payable and accrued liabilities	\$25,115	\$26,896
SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) ⁽¹⁾	188,457	188,141
2022 Notes, net (principal of \$150,000 and \$150,000, respectively) ⁽¹⁾	147,728	147,572
2024 Notes, net (principal of \$83,510 and \$183,510, respectively) ⁽¹⁾	81,694	179,001
2025 Notes, net (principal of \$75,000 and \$0, respectively) ⁽¹⁾	72,616	—
2021 Asset-Backed Notes, net (principal of \$31,088 and \$49,153, respectively) ⁽¹⁾	30,698	48,650
2022 Convertible Notes, net (principal of \$230,000 and \$230,000, respectively) ⁽¹⁾	224,269	223,488
Credit Facilities	58,323	—
Total liabilities	\$828,900	\$813,748
Net assets consist of:		
Common stock, par value	94	85
Capital in excess of par value	1,026,313	908,501
Unrealized appreciation (depreciation) on investments ⁽²⁾	(56,760)	(79,760)

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Accumulated undistributed realized gains (losses) on investments	(34,205)	(20,374)
Undistributed net investment income	28,255	32,515
Total net assets	\$963,697	\$840,967
Total liabilities and net assets	\$1,792,597	\$1,654,715
Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized)	94,260	84,424
Net asset value per share	\$10.22	\$9.96

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

(2) Amounts include \$1.1 million and \$2.1 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, and estimated taxes payable as of June 30, 2018 and December 31, 2017, respectively.

See notes to consolidated financial statements.

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

(Dollars in thousands)	June 30, 2018	December 31, 2017
Assets		
Restricted Cash	\$ 15,886	\$ 3,686
Total investments in securities, at value (cost of \$98,105 and \$146,208, respectively)	97,924	144,513
Total assets	\$ 113,810	\$ 148,199
Liabilities		
2021 Asset-Backed Notes, net (principal of \$31,088 and \$49,153, respectively) ⁽¹⁾	\$ 30,698	\$ 48,650
Total liabilities	\$ 30,698	\$ 48,650

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

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Investment income:				
Interest income				
Non-control/Non-affiliate investments	\$ 44,535	\$9,979	\$6,369	\$2,324
Control investments	841	527	1,427	1,041
Affiliate investments	500	—	1,061	2
Total interest income	45,876	40,506	88,857	83,367
Fee income				
Commitment, facility and loan fee income:				
Non-control/Non-affiliate investments	1,930	2,440	4,370	5,374
Control investments	—	5	—	10
Affiliate investments	84	—	192	—
Total commitment, facility and loan fee income	2,014	2,445	4,562	5,384
One-time fee income:				
Non-control/Non-affiliate investments	1,672	5,501	4,843	6,066
Total one-time fee income	1,672	5,501	4,843	6,066
Total fee income	3,686	7,946	9,405	11,450
Total investment income	49,562	48,452	98,262	94,817
Operating expenses:				
Interest	9,878	9,254	19,264	18,861
Loan fees	3,362	1,348	4,537	4,186
General and administrative				
Legal Expenses	637	2,141	1,212	2,867
Other Expenses	3,037	2,609	6,471	5,947
Total general and administrative	3,674	4,750	7,683	8,814
Employee compensation:				
Compensation and benefits	7,017	5,916	12,775	11,262
Stock-based compensation	2,857	1,909	5,166	3,742
Total employee compensation	9,874	7,825	17,941	15,004
Total operating expenses	26,788	23,177	49,425	46,865
Net investment income	22,774	25,275	48,837	47,952
Net realized gain (loss) on investments				
Non-control/Non-affiliate investments	(3,953)	(5,319)	(7,465)	(2,030)
Control investments	(2,900)	(394)	(4,308)	(445)
Affiliate investments	(2,058)	—	(2,058)	—
Total net realized gain (loss) on investments	(8,911)	(5,713)	(13,831)	(2,475)
Net change in unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	32,700	66,255	18,360	34,100
Control investments	3,957	(53,349)	3,337	(53,135)

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Affiliate investments	1,540	681	1,303	1,119
Total net unrealized appreciation (depreciation) on investments	38,197	13,587	23,000	(17,916)
Total net realized and unrealized gain (loss)	29,286	7,874	9,169	(20,391)
Net increase (decrease) in net assets resulting from operations	\$ 52,060	\$3,149	\$8,006	\$7,561
Net investment income before investment gains and losses per common share:				
Basic	\$ 0.26	\$0.31	\$0.57	\$0.58
Change in net assets resulting from operations per common share:				
Basic	\$ 0.59	\$0.40	\$0.67	\$0.33
Diluted	\$ 0.59	\$0.40	\$0.67	\$0.33
Weighted average shares outstanding				
Basic	87,125	82,292	85,868	81,858
Diluted	87,199	82,395	85,939	81,953
Distributions declared per common share:				
Basic	\$ 0.31	\$0.31	\$0.62	\$0.62

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Shares	Stock Par Value	Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Undistributed Realized Gains (Losses) on Investments	Undistributed Net Investment Income	Net Assets
Balance at December 31, 2016	79,555	\$ 80	\$ 839,657	\$ (89,025)	\$ 14,314	\$ 22,918	\$ 787,944
Net increase (decrease) in net assets resulting from operations	—	—	—	(17,916)	(2,475)	47,952	27,561
Public offering, net of offering expenses	3,309	3	46,908	—	—	—	46,911
Issuance of common stock due to stock option exercises	27	—	211	—	—	—	211
Retired shares from net issuance	(18)	—	(170)	—	—	—	(170)
Issuance of common stock under restricted stock plan	10	—	—	—	—	—	—
Retired shares for restricted stock vesting	(145)	—	(1,988)	—	—	—	(1,988)
Distributions reinvested in common stock	81	—	1,122	—	—	—	1,122
Issuance of Convertible Notes	—	—	3,413	—	—	—	3,413
Distributions	—	—	—	—	—	(51,330)	(51,330)
Stock-based compensation ⁽¹⁾	—	—	3,777	—	—	—	3,777
Balance at June 30, 2017	82,819	\$ 83	\$ 892,930	\$ (106,941)	\$ 11,839	\$ 19,540	\$ 817,451
Balance at December 31, 2017	84,424	\$ 85	\$ 908,501	\$ (79,760)	\$ (20,374)	\$ 32,515	\$ 840,967
Net increase (decrease) in net assets resulting from operations	—	—	—	23,000	(13,831)	48,837	58,006
Public offering, net of offering expenses	9,486	9	112,617	—	—	—	112,626
Issuance of common stock due to stock option exercises	38	—	433	—	—	—	433
Retired shares from net issuance	(36)	—	(447)	—	—	—	(447)
	336	—	—	—	—	—	—

Issuance of common stock under restricted stock plan							
Retired shares for restricted stock vesting	(57)	—	(688)	—	—	—	(688)
Distributions reinvested in common stock	69	—	854	—	—	—	854
Distributions	—	—	—	—	—	(53,097)	(53,097)
Stock-based compensation ⁽¹⁾	—	—	5,043	—	—	—	5,043
Balance at June 30, 2018	94,260	\$ 94	\$ 1,026,313	\$ (56,760)	\$ (34,205)	\$ 28,255	\$ 963,697

(1) Stock-based compensation includes \$20 and \$35 of restricted stock and option expense related to director compensation for the six months ended June 30, 2018 and 2017, respectively.

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(dollars in thousands)

	For the Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$58,006	\$27,561
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(563,744)	(340,632)
Principal and fee payments received on investments	414,347	349,519
Proceeds from the sale of investments	9,768	18,450
Net unrealized depreciation (appreciation) on investments	(23,000)	17,916
Net realized loss (gain) on investments	13,831	2,475
Accretion of paid-in-kind principal	(4,696)	(4,656)
Accretion of loan discounts	(1,562)	(3,776)
Accretion of loan discount on Convertible Notes	336	280
Accretion of loan exit fees	(8,923)	(10,653)
Change in deferred loan origination revenue	3,415	19
Unearned fees related to unfunded commitments	1,616	769
Amortization of debt fees and issuance costs	3,999	3,557
Depreciation	94	105
Stock-based compensation and amortization of restricted stock grants ⁽¹⁾	5,043	3,777
Change in operating assets and liabilities:		
Interest and fees receivable	(2,146)	1,410
Prepaid expenses and other assets	518	589
Accounts payable	244	—
Accrued liabilities	(1,016)	898
Net cash provided by (used in) operating activities	(93,870)	67,608
Cash flows from investing activities:		
Purchases of capital equipment	(116)	(89)
Net cash provided by (used in) investing activities	(116)	(89)
Cash flows from financing activities:		
Issuance of common stock, net	112,626	46,911
Retirement of employee shares	(701)	(1,947)
Distributions paid	(52,243)	(50,208)
Issuance of 2022 Convertible Notes	—	230,000
Issuance of 2024 Notes	—	5,637

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Issuance of 2025 Notes	75,000	—
Repayments of 2019 Notes	—	(110,364)
Repayments of 2024 Notes	(100,000)	—
Repayments of 2021 Asset-Backed Notes	(18,065)	(21,527)
Borrowings of credit facilities	150,700	8,497
Repayments of credit facilities	(92,377)	(13,513)
Cash paid for debt issuance costs	(519)	(4,480)
Fees paid for credit facilities and debentures	(83)	(253)
Net cash provided by (used in) financing activities	74,338	88,753
Net increase (decrease) in cash, cash equivalents and restricted cash	(19,648)	156,272
Cash, cash equivalents and restricted cash at beginning of period	94,995	21,366
Cash, cash equivalents and restricted cash at end of period	\$75,347	\$177,638
Supplemental non-cash investing and financing activities:		
Distributions reinvested	854	1,122

(1) Stock-based compensation includes \$20 and \$35 of restricted stock and option expense related to director compensation for the six months ended June 30, 2018 and 2017, respectively.

See notes to consolidated financial statements.

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

(Dollars in thousands)	For the Six Months Ended June 30,	
	2018	2017
Cash and cash equivalents	\$59,461	\$160,412
Restricted cash	15,886	17,226
Total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows	\$75,347	\$177,638

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

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Debt Investments							
Biotechnology Tools							
1-5 Years Maturity							
Excicure, Inc. ⁽¹²⁾	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%, 3.85%			
				Exit Fee	\$4,999	\$5,152	\$5,172
Subtotal: 1-5 Years Maturity						5,152	5,172
Subtotal: Biotechnology Tools (0.54%)*						5,152	5,172
Consumer & Business Products							
Under 1 Year Maturity							
Gadget Guard (p.k.a Antenna79) ⁽¹⁵⁾	Consumer & Business Products	Senior Secured	December 2018	Interest rate PRIME + 1.5%			
				or Floor rate of 11.00%			
				Exit Fee	\$1,000	1,000	1,000
Subtotal: Under 1 Year Maturity						1,000	1,000
1-5 Years Maturity							
Gadget Guard (p.k.a Antenna79) ⁽¹⁵⁾	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 2.95%			
				or Floor rate of 12.45%, 2.95%			
				Exit Fee	\$16,814	17,072	17,064
WHOOOP, INC.	Consumer & Business Products	Senior Secured	July 2021	Interest rate PRIME + 3.75%	\$6,000	5,915	5,916

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				or Floor rate of 8.50%, 6.95%			
				Exit Fee			
Subtotal: 1-5 Years Maturity						22,987	22,980
Subtotal: Consumer & Business Products (2.49%)*						23,987	23,980
Diversified Financial Services							
1-5 Years Maturity							
Gibraltar Business Capital, LLC. ⁽⁷⁾	Diversified Financial Services	Unsecured	March 2023	Interest rate FIXED 14.50%			
					\$ 10,000	9,809	9,809
Subtotal: 1-5 Years Maturity						9,809	9,809
Subtotal: Diversified Financial Services (1.02%)*						9,809	9,809
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	\$ 7,625	8,160	8,160
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	\$ 3,233	3,570	3,570
Subtotal: Under 1 Year Maturity						11,730	11,730
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. ⁽¹¹⁾⁽¹⁵⁾	Drug Delivery	Senior Secured	March 2020	Interest rate PRIME + 6.05%			
				or Floor rate of 9.55%, 11.69%			
				Exit Fee	\$ 14,891	15,567	15,486
Antares Pharma Inc. ⁽¹⁰⁾⁽¹⁵⁾	Drug Delivery	Senior Secured	July 2022	Interest rate PRIME + 4.50%			
				or Floor rate of 9.25%, 4.25%			
				Exit Fee	\$ 25,000	25,155	25,124
Subtotal: 1-5 Years Maturity						40,722	40,610
Subtotal: Drug Delivery (5.43%)*						52,452	52,340

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Drug Discovery & Development							
Under 1 Year Maturity							
Auris Medical Holding, AG ⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Senior Secured	February 2019	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee	\$3,067	\$3,695	\$3,695
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	\$7,884	9,576	9,576
Epirus Biopharmaceuticals, Inc. ⁽⁸⁾	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee	\$2,277	2,561	33
Subtotal: Under 1 Year Maturity						15,832	13,304
1-5 Years Maturity							
Acacia Pharma Inc.	Drug Discovery & Development	Senior Secured	January 2022	Interest rate PRIME + 4.50%	\$10,000	9,759	9,759

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				or Floor rate of 9.25%, 3.95% Exit Fee			
Aveo Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹³⁾	Drug Discovery Senior & Development Secured	July 2021	Interest rate PRIME + 4.70%				
				or Floor rate of 9.45%, 5.40% Exit Fee	\$ 10,000	9,993	9,861
	Drug Discovery Senior & Development Secured	July 2021	Interest rate PRIME + 4.70%				
				or Floor rate of 9.45%, 3.00% Exit Fee	\$ 10,000	10,066	10,011
Total Aveo Pharmaceuticals, Inc.					\$ 20,000	20,059	19,872
Axovant Sciences Ltd. ⁽⁵⁾⁽¹⁰⁾⁽¹³⁾⁽¹⁶⁾	Drug Discovery Senior & Development Secured	March 2021	Interest rate PRIME + 6.80%				
				or Floor rate of 10.55%	\$ 55,000	53,942	53,958
Brickell Biotech, Inc. ⁽¹²⁾	Drug Discovery Senior & Development Secured	September 2019	Interest rate PRIME + 5.70%				
				or Floor rate of 9.20%, 7.49% Exit Fee	\$ 5,581	5,960	5,967
BridgeBio Pharma LLC	Drug Discovery Senior & Development Secured	January 2022	Interest rate PRIME + 4.35%				
				or Floor rate of 9.35%, 6.35% Exit Fee	\$ 35,000	34,651	34,651
Chemocentryx, Inc. ⁽¹⁰⁾⁽¹⁵⁾⁽¹⁷⁾	Drug Discovery Senior & Development Secured	December 2021	Interest rate PRIME +		\$ 15,000	14,892	14,833

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				3.30%			
				or Floor rate of 8.05%, 6.25% Exit Fee			
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	14,591	14,568
Mesoblast (5)(10)	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 4.95%			
				or Floor rate of 9.45%, 6.95% Exit Fee	\$ 35,000	34,894	34,894
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	\$ 20,731	21,252	21,184
Motif BioSciences Inc. (5)(10)(15)	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 5.50%			
				or Floor rate of 10.00%, 2.15% Exit Fee	\$ 15,000	14,774	14,665
Myovant Sciences, Ltd. (5)(10)(13)	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 4.00%	\$ 40,000	39,772	39,408

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				or Floor rate of 8.25%, 6.55% Exit Fee			
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (10)(15)(16)	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75%			
				or Floor rate of 8.50%, 4.50% Exit Fee	\$ 40,000	40,558	40,128
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75%			
				or Floor rate of 8.50%, 4.50% Exit Fee	\$ 10,000	10,151	10,033
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75%			
				or Floor rate of 8.50%, 2.25% Exit Fee	\$ 10,000	10,029	9,935
Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					\$ 60,000	60,738	60,096
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	\$ 20,000	20,069	19,878
Tricida, Inc. (15)(17)	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 3.35%	\$ 25,000	24,864	24,864
				or Floor rate of 8.35%, 11.14%			

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uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾	Drug Discovery Senior & Development Secured	May 2020	Exit Fee			
			Interest rate PRIME + 3.00%			
			or Floor rate of 8.25%, 5.48% Exit Fee	\$ 20,000	20,761	20,711
Verastem, Inc. ⁽¹²⁾	Drug Discovery Senior & Development Secured	December 2020	Interest rate PRIME + 6.00%			
			or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	5,005	4,982
	Drug Discovery Senior & Development Secured	December 2020	Interest rate PRIME + 6.00%			
			or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	5,037	5,014
	Drug Discovery Senior & Development Secured	December 2020	Interest rate PRIME + 6.00%			
			or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	5,003	4,979
	Drug Discovery Senior & Development Secured	December 2020	Interest rate PRIME + 6.00%			
			or Floor rate of 10.50%, 4.50% Exit Fee	\$ 10,000	9,904	9,781
Total Verastem, Inc.				\$ 25,000	24,949	24,756
Subtotal: 1-5 Years Maturity					415,927	414,064
Subtotal: Drug Discovery & Development (44.35%)*					431,759	427,368

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Electronics & Computer Hardware							
1-5 Years Maturity							
908 DEVICES INC. ⁽¹⁵⁾	Electronics & Computer Hardware	Senior Secured	September 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25%	\$ 10,000	\$ 10,016	\$ 9,963
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%	\$ 12,084	12,042	12,042
Subtotal: 1-5 Years Maturity						22,058	22,005
Subtotal: Electronics & Computer Hardware (2.28%)*						22,058	22,005
Healthcare Services, Other							
1-5 Years Maturity							
Medsphere Systems Corporation ⁽¹⁴⁾⁽¹⁵⁾	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	\$ 17,764	17,635	17,691
	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75%	\$ 5,053	5,019	5,034

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				or Floor rate of 9.00%,			
				PIK Interest 1.75%			
Total Medsphere Systems Coporation					\$22,817	22,654	22,725
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	30,100	29,823
PH Group Holdings (13)	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45%			
				or Floor rate of 10.95%	\$20,000	19,913	19,785
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45%			
				or Floor rate of 10.95%	\$10,000	9,944	9,843
Total PH Group Holdings					\$30,000	29,857	29,628
Subtotal: 1-5 Years Maturity						82,611	82,176
Subtotal: Healthcare Services, Other (8.53%)*						82,611	82,176
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%	\$15,157	14,807	14,608
Netbase Solutions, Inc. (13)(14)	Information Services	Senior Secured	August 2020	Interest rate PRIME + 6.00%			
				or Floor rate of 10.00%,			
				PIK Interest 2.00%, 3.00%			
				Exit Fee	\$9,142	8,985	8,965
Subtotal: 1-5 Years Maturity						23,792	23,573
Subtotal: Information Services (2.45%)*						23,792	23,573

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Internet Consumer & Business Services							
Under 1 Year Maturity							
Intent Media, Inc. (14)(15)	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.25% or Floor rate of 8.75%, PIK Interest 1.00%, 2.00% Exit Fee	\$5,076	\$5,096	\$5,096
	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	\$2,044	2,042	2,042
	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	\$2,047	2,045	2,045
Total Intent Media, Inc.					\$9,167	9,183	9,183

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The Faction Group LLC	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.25%	\$2,000	2,000	2,000
Subtotal: Under 1 Year Maturity						11,183	11,183
1-5 Years Maturity							
AppDirect, Inc. (13)(19)	Internet Consumer & Business Services	Senior Secured	January 2022	Interest rate PRIME + 5.70%			
				or Floor rate of 9.95%, 3.45%			
				Exit Fee	\$20,000	19,859	19,738
Art.com, Inc. (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	\$10,030	9,873	9,873
Cloudpay, Inc. (5)(10)	Internet Consumer & Business Services	Senior Secured	April 2022	Interest rate PRIME + 4.05%			
				or Floor rate of 8.55%, 6.95%			
				Exit Fee	\$11,000	10,884	10,884
EverFi, Inc. (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%	\$50,115	50,067	50,067
First Insight, Inc. (15)(17)	Internet Consumer & Business Services	Senior Secured	November 2021	Interest rate PRIME + 6.25%			
				or Floor rate of 11.25%	\$6,000	5,876	5,876
Greenphire, Inc. (17)	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00%	\$3,433	3,432	3,437

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				or Floor rate of 9.00%			
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75%			
				or Floor rate of 7.00%	\$ 1,500	1,500	1,488
Total Greenphire Inc.					\$ 4,933	4,932	4,925
Interactions Corporation ⁽¹⁹⁾	Internet Consumer & Business Services	Senior Secured	March 2021	Interest rate 3-month LIBOR + 8.60%			
				or Floor rate of 9.85%, 1.75%			
				Exit Fee	\$ 25,000	25,052	25,128
LogicSource ⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25%			
				or Floor rate of 9.75%, 5.00%			
				Exit Fee	\$ 4,820	5,145	5,144
RumbleON, 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	4,945	4,945
Snagajob.com, Inc. ⁽¹³⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.15%			
				or Floor rate of 9.15%,			
				PIK Interest 1.95%, 2.55%			
				Exit Fee	\$ 41,429	41,398	41,552
Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%,			
				PIK Interest 3.00%	\$ 20,608	20,608	19,127
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	\$ 10,680	240	—
Total Tectura Corporation					\$ 31,288	20,848	19,127
					\$ 8,000	8,000	8,008

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The Faction Group LLC.	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25%			
				or Floor rate of 10.25%			
Wheels Up Partners LLC	Internet Consumer & Business Services	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.55%			
				or Floor rate of 9.55%	\$ 21,701	21,503	21,503
Xometry, Inc. (17)(19)	Internet Consumer & Business Services	Senior Secured	May 2021	Interest rate PRIME + 3.95%			
				or Floor rate of 8.45%, 7.45%			
				Exit Fee	\$ 7,000	6,942	6,942
Subtotal: 1-5 Years Maturity						235,324	233,712
Subtotal: Internet Consumer & Business Services (25.41%)*						246,507	244,895

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Media/Content/Info							
1-5 Years Maturity							
Bustle ⁽¹⁴⁾⁽¹⁵⁾	Media/Content/Info	Senior Secured	June 2021	Interest rate PRIME + 4.10% or Floor rate of 8.35%, PIK Interest 1.95%, 1.95% Exit Fee	\$ 15,164	\$ 15,133	\$ 15,156
FanDuel, Inc. ⁽⁹⁾⁽¹⁰⁾⁽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	20,380	20,380
	Media/Content/Info	Convertible Debt	September 2020	PIK Interest 25.00%	\$ 1,000	1,000	1,723
Total FanDuel, Inc.					\$ 20,354	21,380	22,103
Subtotal: 1-5 Years Maturity						36,513	37,259
Subtotal: Media/Content/Info (3.87%)*						36,513	37,259
Medical Devices & Equipment							
Under 1 Year Maturity							
Aspire Bariatrics, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%, 6.85%	\$ 1,793	2,208	829

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				Exit Fee			
Quanterix Corporation ⁽¹¹⁾	Medical Devices & Equipment	Senior Secured	March 2019	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 7,688	7,673	7,673
Subtotal: Under 1 Year Maturity						9,881	8,502
1-5 Years Maturity							
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	17,251	17,278
Micell Technologies, Inc. ⁽¹²⁾	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%, 5.00%			
				Exit Fee	\$ 3,942	4,291	4,251
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	\$ 7,864	8,290	8,250
Rapid Micro Biosystems, Inc. ⁽¹³⁾⁽¹⁵⁾	Medical Devices & Equipment	Senior Secured	April 2022	Interest rate PRIME + 5.15%			
				or Floor rate of 9.65%, 7.25%			
				Exit Fee	\$ 18,000	17,929	17,929
Sebacia, 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	8,054	8,066
Transenterix, Inc. ⁽¹⁰⁾	Medical Devices & Equipment	Senior Secured	June 2022	Interest rate PRIME + 4.55%			
				or Floor rate of 9.55%, 6.95%			
				Exit Fee	\$ 20,000	19,827	19,827

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Subtotal: 1-5 Years Maturity					75,642	75,601
Subtotal: Medical Devices & Equipment (8.73%)*					85,523	84,103
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	7,084
Subtotal: Under 1 Year Maturity					7,084	7,084

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
1-5 Years Maturity							
Banker's Toolbox, Inc. (13)(18)	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.88%			
				or Floor rate of 8.88%	\$ 39,900	\$ 39,085	\$ 39,085
Businessolver.com, Inc. (16)(17)	Software	Senior Secured	May 2023	Interest rate 3-month LIBOR + 7.50%	\$ 51,000	50,000	50,000
Clarabridge, Inc. ⁽¹²⁾⁽¹⁴⁾	Software	Senior Secured	April 2021	Interest rate PRIME + 4.80%			
				or Floor rate of 8.55%, PIK Interest 3.25%	\$ 41,570	41,549	41,724
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%	\$ 10,011	9,932	9,932
Exit Fee					\$ 10,011	9,932	9,932
Emma, Inc. ⁽¹⁷⁾⁽¹⁸⁾	Software	Senior Secured	September 2022	Interest rate 3-month LIBOR +	\$ 37,037	35,728	35,962

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Evernote Corporation (14)(15)(17)(19)	Software	Senior Secured	October 2020	9.39% Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 6,000	5,980	6,072
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00%			
				or Floor rate of 9.50%,			
				PIK Interest 1.25%	\$ 4,048	4,028	4,022
	Software	Senior Secured	July 2022	Interest rate PRIME + 6.00%			
				or Floor rate of 9.50%,			
				PIK Interest 1.25%	\$ 2,500	2,483	2,483
Total Evernote Corporation					\$ 12,548	12,491	12,577
Fuze, Inc. (13)(14)(15)(16)(19)	Software	Senior Secured	July 2021	Interest rate PRIME + 3.70%			
				or Floor rate of 7.95%,			
				PIK Interest 1.55%, 3.55%			
				Exit Fee	\$ 50,728	51,097	51,014
Impact Radius Holdings, Inc. (12)(14)	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25%			
				or Floor rate of 8.75%,			
				PIK Interest 1.55%, 1.75%			
				Exit Fee	\$ 10,111	10,151	10,055
	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25%	\$ 2,000	2,000	1,977

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				or Floor rate of 8.75%,			
				PIK Interest 1.55%			
Total Impact Radius Holdings, Inc.					\$ 12,111	12,151	12,032
Insurance Technologies Corporation ⁽¹⁷⁾	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.75%			
				or Floor rate of 8.75%	\$ 12,500	12,261	12,261
Lightbend, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	August 2021	Interest rate PRIME + 4.25%			
				or Floor rate of 8.50%,			
				PIK Interest 2.00%	\$ 11,066	10,884	10,884
Lithium Technologies, Inc. ⁽¹⁷⁾	Software	Senior Secured	October 2022	Interest rate 3-month LIBOR + 8.00%			
				or Floor rate of 9.00%	\$ 12,000	11,762	11,762
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	11,837	11,873
OneLogin, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	July 2021	Interest rate PRIME + 5.95%			
				or Floor rate of 10.70%,			
				PIK Interest 2.00%	\$ 21,153	20,953	20,935
Quid, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75%	\$ 8,398	8,533	8,554
				or Floor rate of 8.25%,			

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				PIK Interest 2.25%, 3.00%			
				Exit Fee			
RapidMiner, Inc. ⁽¹²⁾⁽¹⁴⁾	Software	Senior Secured	December 2020	Interest rate PRIME + 5.50%			
				or Floor rate of 9.75%,			
				PIK Interest 1.65%	\$ 7,060	7,037	6,963
Regent Education ⁽¹⁴⁾	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%,			
				PIK Interest 2.00%, 6.35%			
				Exit Fee	\$ 3,275	3,299	2,144
Salsa Labs, Inc. ⁽¹⁷⁾	Software	Senior Secured	April 2023	Interest rate 3-month LIBOR + 8.15%			
				or Floor rate of 9.15%	\$ 6,000	5,884	5,884
Signpost, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15%			
				or Floor rate of 8.15%,			
				PIK Interest 1.75%, 3.75%			
				Exit Fee	\$ 15,647	15,932	15,840
Vela Trading Technologies ⁽¹⁸⁾	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 9.50%			
				or Floor rate of 10.50%	\$ 20,000	19,543	19,434
Wrike, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁹⁾	Software	Senior Secured	February 2021	Interest rate PRIME + 6.00%	\$ 10,268	10,056	10,180
				or Floor rate of 9.50%,			

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				PIK Interest 2.00%, 3.00%			
				Exit Fee			
ZocDoc ⁽¹⁹⁾	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.50%			
				or Floor rate of 10.50%, 1.00%			
				Exit Fee	\$ 20,000	20,043	20,165
	Software	Senior Secured	November 2021	Interest rate 3-month LIBOR + 9.50%			
				or Floor rate of 10.50%, 1.00%			
				Exit Fee	\$ 10,000	10,020	10,082
Total ZocDoc					\$ 30,000	30,063	30,247
Subtotal: 1-5 Years Maturity						420,077	419,287
Subtotal: Software (44.24%)*						427,161	426,371

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Surgical Devices							
Under 1 Year Maturity							
Gynesonics, Inc. ⁽⁹⁾⁽¹⁴⁾⁽¹⁵⁾	Surgical Devices	Unsecured Convertible Debt	May 2019	PIK Interest 8.00%	\$ 105	\$ 105	\$ 132
Subtotal: Under 1 Year Maturity						105	132
Subtotal: Surgical Devices (0.01%)*						105	132
Sustainable and Renewable Technology							
1-5 Years Maturity							
ChargePoint Inc. ⁽¹⁹⁾	Sustainable and Renewable Technology	Senior Secured	August 2020	Interest rate 3-month LIBOR + 8.75% or Floor rate of 9.75%, 2.00% Exit Fee	\$ 15,758		