

Hercules Capital, Inc.
Form 497
May 09, 2018
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**Filed Pursuant to Rule 497
Registration No. 333-214767**

PROSPECTUS SUPPLEMENT

(To prospectus dated September 7, 2017)

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 May 4, 2018 was \$12.31 per share. The net asset value per share of our common stock at March 31, 2018 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$9.72.

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 2.8 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-27 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

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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 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-15 of this prospectus supplement and the Risk Factors section beginning 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 May 9, 2018.

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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.

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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	0.48% ⁽²⁾
Dividend reinvestment plan fees	⁽³⁾
Total stockholder transaction expenses (as a percentage of the public offering price)	2.48%
Annual Expenses (as a percentage of net assets attributable to common stock):⁽⁴⁾	
Operating expenses	5.68% ⁽⁵⁾⁽⁶⁾
Interest and fees paid in connection with borrowed funds	4.96% ⁽⁷⁾
Total annual expenses	10.64%⁽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 \$713,000, 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 three-months ended March 31, 2018, which is approximately \$850.9 million.
- (5) Operating expenses represents our estimated operating expenses by annualizing our actual operating expenses incurred for the three-months ended March 31, 2018, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. See Management's Discussion and Analysis and Results of Operations in this prospectus supplement and the accompanying prospectus 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 three-months ended March 31, 2018, including our Wells Facility, Union Bank Facility, the 2022 Notes, the 2024 Notes, the 2022 Convertible Notes, the 2021 Asset-Backed Notes and the SBA debentures, each of which is defined herein.
- (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.

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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	\$ 126	\$ 311	\$ 477	\$ 818

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.

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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, project, believes, estimates, predicts, potential or continue or the negative of these terms or other similar expressions. Important assumptions include 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-15 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.

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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.

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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 March 31, 2018, our total assets were approximately \$1.6 billion, of which our investments comprised \$1.5 billion at fair value and \$1.6 billion at cost. Since inception through March 31, 2018, we have made debt and equity commitments of more than \$7.6 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly-owned SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$113.1 million and \$285.8 million in assets, respectively, and accounted for approximately 5.7% and 14.4% of our total assets, respectively, prior to consolidation at March 31, 2018. At March 31, 2018, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

As of March 31, 2018, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 33 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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Organizational Chart

The following chart summarizes our organizational structure as of May 4, 2018. 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

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.

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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.

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

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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 April 25, 2018, our Board of Directors declared a cash distribution of \$0.31 per share to be paid on May 21, 2018 to stockholders of record as of May 14, 2018. This distribution represents our fifty-first consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$14.33 per share.

Closed and Pending Commitments

As of May 4, 2018, we have:

Closed debt and equity commitments of approximately \$140.1 million to new and existing portfolio companies and funded approximately \$110.6 million subsequent to March 31, 2018.

Pending commitments (signed non-binding term sheets) of approximately \$185.0 million.

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

Closed Commitments and Pending Commitments (in millions)		
January 1	March 31, 2018 Closed Commitments	\$ 266.0
April 1	May 4, 2018 Closed Commitments ^(a)	\$ 140.1
	Pending Commitments (as of May 4, 2018) ^(b)	\$ 185.0
Closed and Pending Commitments as of May 4, 2018		\$ 591.1

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.

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Redemption of 2024 Notes

On February 9, 2018, our Board of Directors approved a redemption of \$100.0 million of our outstanding aggregate principal amount of 6.25% notes due 2024 (the 2024 Notes), which were redeemed on April 2, 2018.

ATM Equity Program Issuances

Subsequent to March 31, 2018 and as of May 4, 2018, we sold 679,800 shares of common stock for total accumulated net proceeds of approximately \$8.2 million, including \$74,000 of offering expenses, under the Equity Distribution Agreement. As of May 4, 2018, approximately 9.2 million shares remain available for issuance and sale under the Equity Distribution Agreement.

2025 Notes

On April 26, 2018, we issued \$75.0 million in aggregate principal amount of 5.25% notes due 2025 (the 2025 Notes). The 2025 Notes were issued pursuant to the Fifth Supplemental Indenture to the Base Indenture, dated April 26, 2018 (the 2025 Notes Indenture), between us and U.S. Bank, National Association, as trustee. The sale of the 2025 Notes generated net proceeds of approximately \$73.0 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions, were approximately \$2.0 million.

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

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

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

The 2025 Notes are listed on the NYSE, and trade on the NYSE under the symbol HCXZ.

Portfolio Company Developments

As of May 4, 2018, we held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all. In addition, subsequent to March 31, 2018, the following companies announced or completed liquidity events:

1. In April 2018, our portfolio company, DocuSign, Inc. completed its initial public offering.
2. In May 2018, our portfolio company RazorGator Inc., an online ticket reselling platform for sports, theater and concert tickets, and vacation packages for sporting events, was acquired by TickPick, an online ticket marketplace to buy, bid on and sell tickets on sports, concerts and other live events. Terms of the transaction were not disclosed.

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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, 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. This information is available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC's public reference room by calling the SEC at (202) 551-8090. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

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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 9.2 million shares of common stock remain available for sale under the Equity Distribution Agreement.
Common stock outstanding prior to this offering	85,899,098 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	<p>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.</p> <p>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.</p>
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

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Risk factors

An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See **Supplementary Risk Factors** beginning on page S-15 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.

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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 2017, 2016, 2015, 2014, and 2013 and the financial statement of operations data for fiscal years 2017, 2016, 2015, 2014, and 2013 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. The selected financial and other data for the three-months ended March 31, 2018 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the three-months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

(in thousands, except per share amounts)	For the Three- Months Ended March 31, (unaudited)		For the Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
Investment income:							
Interest	\$ 42,981	\$ 42,861	\$ 172,196	\$ 158,727	\$ 140,266	\$ 126,618	\$ 123,671
Fees	5,719	3,504	18,684	16,324	16,866	17,047	16,042
Total investment income	48,700	46,365	190,880	175,051	157,132	143,665	139,713
Operating expenses:							
Interest	9,386	9,607	37,857	32,016	30,834	28,041	30,334
Loan fees	1,175	2,838	8,728	5,042	6,055	5,919	4,807
General and administrative:							
Legal expenses	576	726	4,572	4,823	3,079	1,366	1,440
Other expenses	3,433	3,338	11,533	11,283	13,579	8,843	7,914
Total general and administrative	4,009	4,064	16,105	16,106	16,658	10,209	9,354
Employee Compensation:							
Compensation and benefits	5,758	5,345	24,555	22,500	20,713	16,604	16,179
Stock-based compensation	2,309	1,833	7,191	7,043	9,370	9,561	5,974
Total employee compensation	8,067	7,178	31,746	29,543	30,083	26,165	22,153
Total operating expenses	22,637	23,687	94,436	82,707	83,630	70,334	66,648
Other income (loss)				8,000	(1)	(1,581)	
Net investment income	26,063	22,678	96,444	100,344	73,501	71,750	73,065
Net realized gain (loss) on investments	(4,920)	3,237	(26,711)	4,576	5,147	20,112	14,836
Net change in unrealized appreciation (depreciation) on investments	(15,197)	(31,503)	9,265	(36,217)	(35,732)	(20,674)	11,545
Total net realized and unrealized gain (loss)	(20,117)	(28,266)	(17,446)	(31,641)	(30,585)	(562)	26,381
Net increase (decrease) in net assets resulting from operations	\$ 5,946	\$ (5,588)	\$ 78,998	\$ 68,703	\$ 42,916	\$ 71,188	\$ 99,446
Change in net assets per common share (basic)	\$ 0.07	\$ (0.07)	\$ 0.95	\$ 0.91	\$ 0.60	\$ 1.12	\$ 1.67
Distributions declared per common share:	\$ 0.31	\$ 0.31	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.11

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(in thousands, except per share amounts)	For the Three-Months Ended			For the Year Ended December 31,			
	March 31, (unaudited)			2016	2015	2014	2013
	2018	2017	2017	2016	2015	2014	2013
Balance sheet data:							
Investments, at value	\$ 1,483,578	\$ 1,406,267	\$ 1,542,214	\$ 1,423,942	\$ 1,200,638	\$ 1,020,737	\$ 910,295
Cash and cash equivalents	118,228	148,140	91,309	13,044	95,196	227,116	268,368
Total assets	1,619,712	1,586,248	1,654,715	1,464,204	1,334,761	1,299,223	1,221,715
Total liabilities	790,981	778,352	813,748	676,260	617,627	640,359	571,708
Total net assets	828,731	807,896	840,967	787,944	717,134	658,864	650,007
Other Data:							
Total return ⁽³⁾	(5.44%)	9.47%	1.47%	26.87%	(9.70%)	(1.75%)	58.49%
Total debt investments, at value	1,336,326	1,311,925	1,415,984	1,328,803	1,110,209	923,906	821,988
Total warrant investments, at value	33,253	32,011	36,869	27,485	22,987	25,098	35,637
Total equity investments, at value	113,999	62,331	89,361	67,654	67,442	71,733	52,670
Unfunded Commitments ⁽²⁾	51,878	75,865	73,604	59,683	75,402	147,689	69,091
Net asset value per share ⁽¹⁾	\$ 9.72	\$ 9.76	\$ 9.96	\$ 9.90	\$ 9.94	\$ 10.18	\$ 10.51

- (1) Based on common shares outstanding at period end.
- (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, 2017 and the quarter ending March 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.

(in thousands, except per share data)	Quarter Ended			
	March 31, 2018	June 30, 2017	September 30, 2017	December 31, 2017
Total investment income	\$ 48,700			
Net investment income	26,063			
Net increase (decrease) in net assets resulting from operations	5,946			
Change in net assets resulting from operations per common share (basic)	\$ 0.07			

(in thousands, except per share data)	Quarter Ended			
	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

(in thousands, except per share data)	Quarter Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Total investment income	\$ 38,939	\$ 43,538	\$ 45,102	\$ 47,472
Net investment income	20,097	23,354	23,776	33,117
Net increase in net assets resulting from operations	14,295	9,475	30,812	14,121
Change in net assets resulting from operations per common share (basic)	\$ 0.20	\$ 0.13	\$ 0.41	\$ 0.18

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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

As an internally managed business development company, we are subject to certain restrictions that may adversely affect our business.

As an internally managed business development company, the size and categories of our assets under management is limited, and we are unable to offer as wide a variety of financial products to prospective portfolio companies and sponsors (potentially limiting the size and diversification of our asset base). We therefore may not achieve efficiencies of scale and greater management resources available to externally managed business development companies.

Additionally, as an internally managed business development company, our ability to offer more competitive and flexible compensation structures, such as offering both a profit sharing plan and an equity incentive plan, is subject to the limitations imposed by the 1940 Act, which limits our ability to attract and retain talented investment management professionals. As such, these limitations could inhibit our ability to grow, pursue our business plan and attract and retain professional talent, any or all of which may have a negative impact on our business, financial condition and results of operations.

As an internally managed business development company, we are dependent upon key management personnel for their time availability and for our future success, particularly Manuel A. Henriquez, and if we are not able to hire and retain qualified personnel, or if we lose any member of our senior management team, our ability to implement our business strategy could be significantly harmed.

As an internally managed business development company, our ability to achieve our investment objectives and to make distributions to our stockholders depends upon the performance of our senior management. We depend upon the members of our senior management, particularly Mr. Henriquez, as well as other key personnel for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships on which we rely to implement our business plan. If we lose the services of Mr. Henriquez or any senior management members, we may not be able to operate the business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. Furthermore, we do not have an employment agreement with Mr. Henriquez or our senior management that restricts them from creating new investment vehicles subject to compliance with applicable law. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining such personnel, we may not be able to operate our business as we expect. In connection with our recruiting, branding and marketing efforts, we may, among other things, make charitable contributions in amounts we believe to be immaterial. We believe that many of these contributions help us raise our profile in the communities and benefit us in attracting and retaining talent and investment opportunities.

As an internally managed business development company, our compensation structure is determined and set by our Board of Directors. This structure currently includes salary and bonus and incentive compensation, which is issued through grants and subsequent vesting of restricted stock. We are not generally permitted by the 1940 Act to

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employ an incentive compensation structure that directly ties performance of our investment portfolio and results of operations to compensation owing to our granting of restricted stock as incentive compensation.

Members of our senior management may receive offers of more flexible and attractive compensation arrangements from other companies, particularly from investment advisers to externally managed business development companies that are not subject to the same limitations on incentive-based compensation that we, as an internally managed business development company are subject to. We do not currently have agreements with certain members of our senior management that prohibit them from leaving and competing with our business and certain States limit our ability to have such agreements. In addition, the evaluation of alternative management structures discussed above may lead to changes in our management structure. A departure by one or more members of our senior management could have a negative impact on our business, financial condition and results of operations.

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 2021 Asset-Backed Notes, our 2022 Convertible Notes, and our 2025 Notes (each as defined herein) 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 March 31, 2018, we had no borrowings outstanding under the \$120.0 million revolving senior credit facility with Wells Fargo Capital Finance, LLC (the Wells Facility) and the \$75.0 million revolving senior secured credit facility with MUFG Union Bank, N.A. (the Union Bank Facility, and together with the Wells Facility, the Credit Facilities). In addition, as of March 31, 2018, we had approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, approximately \$150.0 million in aggregate principal amount of 4.625% notes due 2022 (the 2022 Notes), approximately \$183.5 million in aggregate principal amount of 2024 Notes, approximately \$33.6 million in aggregate principal amount of fixed-rate asset-backed notes (the 2021 Asset-Backed Notes) in connection with our \$237.4 million debt securitization (the 2014 Debt Securitization) and approximately \$230.0 million in aggregate principal amount of 4.375% convertible notes due 2022 (the 2022 Convertible Notes). Additionally, subsequent to March 31, 2018, we had approximately \$75.0 million in aggregate principal amount of 2025 Notes.

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

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As a business development company, under the 1940 Act, generally, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such distribution or purchase price. If this ratio declines below 200%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions. The Small Business Credit Availability Act, 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). As a result of this new law, we may be able to incur additional indebtedness subject to relevant approval and 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.

As of March 31, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 238.2% 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 204.8% when including all SBA leverage.

Based on assumed leverage equal to 95.0% of our net assets as of March 31, 2018, our investment portfolio would have been required to experience an annual return of at least 2.6% to cover annual interest payments on our additional indebtedness.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

	Annual Return on Our Portfolio (Net of Expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to stockholder ⁽¹⁾	(24.59%)	(14.82%)	(5.05%)	4.72%	14.50%

(1) Assumes \$1.6 billion in total assets, \$787.3 million in debt outstanding, \$828.7 million in stockholders' equity, and an average cost of funds of 5.3%, which is the approximate average cost of borrowed funds, including our SBA debentures, 2022 Notes, 2024 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities for the period ended March 31, 2018. Actual interest payments may be different.

Acquisitions or investments that we may pursue could be unsuccessful, consume significant resources and require the incurrence of additional indebtedness.

We regularly consider acquisitions and investments that complement our existing business. These possible acquisitions and investments involve or may involve significant cash expenditures, debt incurrence, operating losses and expenses that could have a material effect on our financial condition and operating results.

In particular, if we incur additional debt, our liquidity and financial stability could be impaired as a result of using a significant portion of available cash or borrowing capacity to finance an acquisition. Moreover, we may face an increase in interest expense or financial leverage if additional debt is incurred to finance an acquisition,

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which may, among other things, adversely affect our various financial ratios and our compliance with the conditions of our existing indebtedness. In addition, such additional indebtedness may be secured by liens on our assets.

Acquisitions involve numerous other risks, including:

diversion of management time and attention;

failures to identify material problems and liabilities of acquisition targets or to obtain sufficient indemnification rights to fully offset possible liabilities related to the acquired businesses;

difficulties integrating the operations, technologies and personnel of the acquired businesses;

inefficiencies and complexities that may arise due to unfamiliarity with new assets, businesses or markets;

disruptions to our ongoing business;

inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings;

the inability to obtain required financing for the new acquisition or investment opportunities and our existing business;

the need or obligation to divest portions of an acquired business;

challenges associated with operating in new geographic regions;

difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;

potential loss of our or the acquired business key employees, contractual relationships, suppliers or customers; and

inability to obtain required regulatory approvals.

To the extent we pursue an acquisition that causes us to incur unexpected costs or that fails to generate expected returns, our financial position, results of operations and cash flows may be adversely affected, and our ability to service indebtedness, including our outstanding notes, may be negatively impacted.

In addition, we may fail in our pursuit of an acquisition and, instead, one of our competitors may successfully obtain the target and deprive us of an important opportunity and allow them to grow larger giving them the ability to have a lower cost of capital and competitive advantage in the market (including by being able to offer better pricing and larger loans) and, as a larger company, potentially giving them more valuable equity

currency to do other transactions.

The Wells Facility and the Union Bank Facility mature in August 2019 and May 2020, 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 March 31, 2018, we had two available secured credit facilities, the Wells Facility and the Union Bank Facility, which mature in August 2019 and May 2020, 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.

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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. Under the 1940 Act, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). In addition, we may not be permitted to declare any cash distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such distribution or purchase price. Our ability to pay distributions or issue additional senior securities would be restricted if our asset coverage ratio were not at least 200%. The Small Business Credit Availability Act, 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). As a result of this new law, we may be able to incur additional indebtedness subject to relevant approval and 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 other 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.

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FATCA withholding may apply to payments made to certain foreign entities.

The Foreign Account Tax Compliance Act provisions of the Code and the related Treasury Regulations and other administrative guidance promulgated thereunder (collectively, FATCA) generally requires us to withhold U.S. tax (at a 30% rate) on payments of interest and taxable dividends as well as, effective January 1, 2019, redemption proceeds and certain capital gain dividends made to a foreign financial institution or non-financial foreign entity (including such an institution or entity acting as an intermediary) unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Persons located in jurisdictions that have entered into an intergovernmental agreement with the United States to implement FATCA may be subject to different rules. Stockholders may be requested to provide additional information to enable us to determine whether such withholding is required.

Recently passed legislation may allow us to incur additional leverage.

Historically, as a business development company, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). The Small Business Credit Availability Act, 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). As a result of this new law, we may be able to incur additional indebtedness subject to relevant approval and 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 other 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.

Significant U.S. federal tax legislation was recently enacted and the impact of this new legislation on us and on entities in which we may invest is uncertain.

Significant U.S. federal tax reform legislation was recently enacted that, among many other changes, permanently reduces the maximum federal corporate income tax rate, reduces the maximum individual income tax rate (effective for taxable years 2018 through 2025), restricts the deductibility of business interest expense, changes the rules regarding the calculation of net operating loss deductions that may be used to offset taxable income, and, under certain circumstances, requires accrual method taxpayers to recognize income for U.S. federal income tax purposes no later than the income is taken into account as revenue in an applicable financial statement. The new legislation also makes extensive changes to the U.S. international tax system. The impact of this new legislation on us and on entities in which we may invest is uncertain. Prospective investors are urged to consult their tax advisors regarding the effects of the new legislation on an investment in us.

Risks Related to Current Economic and Market Conditions

Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of

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certain major financial institutions. While the capital markets have improved, these conditions could deteriorate again in the future. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and around the world, including in the Middle East, Eastern Europe North Korea, and Russia, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. In addition, uncertainty regarding the United Kingdom referendum decision to leave the European Union (Brexit), continuing signs of deteriorating sovereign debt conditions in Europe and an economic slowdown in China create uncertainty that could lead to further disruptions, instability and weakening consumer, corporate and financial confidence. We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, Brexit, European sovereign debt, Chinese economic slowdown or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

The broader fundamentals of the United States economy remain mixed. In the event that the United States economy contracts, it is likely that the financial results of small to mid-sized companies, like many of our portfolio companies, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, declines in oil and natural gas prices could adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy-related businesses. In addition, volatility in the equity markets could impact our portfolio companies' access to the debt and equity capital markets, which could ultimately limit their ability to grow, satisfy existing financing and other arrangements and impact their ability to perform. Volatility in the equity markets could also impact our ability to liquidate or achieve value from warrants and other equity investments we have in our portfolio companies. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles, industry cycles or other conditions, which could also have a negative impact on our future results.

These market and economic disruptions affect, and these and other similar market and economic disruptions may in the future affect, the U.S. capital markets, which could adversely affect our business and that of our portfolio companies. We cannot predict the duration of the effects related to these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

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

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

(in thousands)	March 31, 2018	
	Fair Value	Percentage of Net Assets
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)	\$ 60,893	7.3%
Axovant Sciences Ltd.	53,842	6.5%
Fuze, Inc.	50,418	6.1%
Emma, Inc.	47,785	5.8%
Snagajob.com, Inc.	42,572	5.1%

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

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

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

Emma, Inc. is a technology company that offers software to enable organizations to create, send and track email marketing campaigns and online surveys.

Snagajob.com, Inc. is a technology company that offers an array of services designed to simplify the hourly job recruiting process for both job seekers and employers.

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 the Company 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 on your debt securities. In addition, if you are holding debt securities issued by the Company 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. Further, on February 9, 2018, our Board of Directors approved a redemption of \$100.0 million of the remaining outstanding aggregate principal amount of the 2024 Notes, which were redeemed on April 2, 2018. We may redeem the remaining 2024 Notes at any time prior to maturity, the 2022 Notes after September 23, 2022, and the 2025 Notes after April 30, 2021 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, the 2024 Notes, or the 2025 Notes when the fair market value of the 2022 Notes, the 2024 Notes, or the 2025 Notes is above par value, you would experience a loss of any potential premium.

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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 9,231,742 shares of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of \$12.31 per share for our common stock on the NYSE as of May 4, 2018, we estimate that the net proceeds of this offering will be approximately \$111.2 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 2.8 million shares of common stock have been issued and sold pursuant to the Equity Distribution Agreement and approximately 9.2 million shares of common stock remain available for sale. Gross proceeds raised through the date of this prospectus were approximately \$35.0 million based on an average sale price of \$12.63 per share, offset by related underwriting fees and offering expenses of approximately \$816,000 for net proceeds of approximately \$34.2 million.

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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		Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Distribution per Share
		High	Low			
2016						
First quarter	\$ 9.81	\$ 12.39	\$ 10.03	26.3%	2.2%	\$ 0.310
Second quarter	\$ 9.66	\$ 12.43	\$ 11.74	28.7%	21.6%	\$ 0.310
Third quarter	\$ 9.86	\$ 14.00	\$ 12.42	41.9%	25.9%	\$ 0.310
Fourth quarter	\$ 9.90	\$ 14.25	\$ 12.90	43.9%	30.2%	\$ 0.310
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 (through May 4, 2018)	*	\$ 12.40	\$ 11.99	*	*	**

(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.

* 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 May 4, 2018 was \$12.31 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****RATIO OF EARNINGS TO FIXED CHARGES**

The following contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus supplement:

	For the three months ended March 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013
Earnings to Fixed Charges ⁽¹⁾	1.56	2.70	2.85	2.16	3.10	3.83

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in stockholders' equity resulting from operations plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

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 9,231,742 shares at a price of \$12.31 per share (the last reported sale price per share of our common stock on the NYSE on May 4, 2018) 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 \$12.31 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 March 31, 2018:

on an actual basis; and

on an as adjusted basis giving effect to the transactions noted above, the sale of 679,800 shares of common stock for total accumulated net proceeds of approximately \$8.2 million subsequent to March 31, 2018 and as of May 4, 2018, and the assumed sale of 9,231,742 shares of our common stock at a price of \$12.31 per share (the last reported sale price per share of our common stock on the NYSE on May 4, 2018) less commissions and expenses.

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

	As of March 31, 2018	
	Actual	As Adjusted
	(in thousands)	
Investments at fair value	\$ 1,483,578	\$ 1,483,578
Cash and cash equivalents	\$ 118,228	\$ 237,560
Debt:		
Accounts payable and accrued liabilities	\$ 18,789	\$ 18,789
Long-term SBA debentures	188,299	188,299
Convertible Notes	223,878	223,878
2021 Asset-Backed Notes	33,156	33,156
2022 Notes	147,698	147,698
2024 Notes	179,161	179,161
Total debt	\$ 790,981	\$ 790,981
Stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 85,238,626 shares issued and outstanding, actual, 95,150,168 shares issued and outstanding, as adjusted, respectively	\$ 85	\$ 95
Capital in excess of par value	916,738	1,036,060
Unrealized depreciation on investments	(94,957)	(94,957)
Accumulated realized gains (losses) on investments	(25,294)	(25,294)
Undistributed net investment income	32,159	32,159
Total stockholders' equity	\$ 828,731	\$ 948,063
Total capitalization	\$ 1,619,712	\$ 1,739,044

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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 \$713,000 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.

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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.

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

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement and the accompanying prospectus. In addition to historical information, the following discussion and other parts of this prospectus supplement and the accompanying prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under **Supplementary Risk Factors** and **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, 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's 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 our two wholly-owned SBICs. Our SBIC subsidiaries, HT II and HT III, hold approximately \$113.1 million and \$285.8 million in assets, respectively, and accounted for approximately 5.7% and 14.4% of our total assets, respectively, prior to consolidation at March 31, 2018. In aggregate, at March 31, 2018, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2018, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

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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.

Portfolio and Investment Activity

The total fair value of our investment portfolio was approximately \$1.5 billion at both March 31, 2018 and December 31, 2017. The fair value of our debt investment portfolio at March 31, 2018 was approximately \$1.3 billion, compared to a fair value of approximately \$1.4 billion December 31, 2017. The fair value of the equity portfolio at March 31, 2018 was approximately \$114.0 million, compared to a fair value of approximately \$89.4 million at December 31, 2017. The fair value of the warrant portfolio at March 31, 2018 was approximately \$33.3 million, compared to a fair value of approximately \$36.8 million at December 31, 2017.

Portfolio Activity

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

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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 three months ended March 31, 2018 and the year ended December 31, 2017 was comprised of the following:

(in millions)	March 31, 2018	December 31, 2017
Debt Commitments⁽¹⁾		
New portfolio company	\$ 232.6	\$ 773.2
Existing portfolio company	5.0	98.8
Total	\$ 237.6	\$ 872.0
Funded and Restructured Debt Investments⁽²⁾		
New portfolio company	\$ 162.6	\$ 578.9
Existing portfolio company	45.0	175.9
Total	\$ 207.6	\$ 754.8
Funded Equity Investments		
New portfolio company	\$ 27.4	7.1
Existing portfolio company	1.3	2.9
Total	\$ 28.7	\$ 10.0
Unfunded Contractual Commitments⁽³⁾		
Total	\$ 51.9	\$ 73.6
Non-Binding Term Sheets		
New portfolio company	\$ 146.0	\$ 122.0
Existing portfolio company	28.0	
Total	\$ 174.0	\$ 122.0

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

(2) Funded amounts include borrowings on revolving facilities.

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

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 three months ended March 31, 2018, we received approximately \$273.3 million in aggregate principal repayments. Of the approximately \$273.3 million of aggregate principal repayments, approximately \$29.8 million were scheduled principal payments and approximately \$243.5 million were early principal repayments related to 12 portfolio companies. Of the approximately \$243.5 million early principal repayments, approximately \$18.5 million were early repayments due to merger and acquisition transactions for two portfolio companies.

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

(in millions)	March 31, 2018	December 31, 2017
Beginning portfolio	\$ 1,542.2	\$ 1,423.9
New fundings and restructures	236.3	764.8
Warrants not related to current period fundings	(0.10)	0.6
Principal payments received on investments	(29.8)	(119.5)
Early payoffs	(243.5)	(505.6)
Accretion of loan discounts and paid-in-kind principal	8.2	36.5
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(5.3)	(8.1)
New loan fees	(2.8)	(9.8)
Sale of investments		(11.0)
Loss on investments due to write offs	(6.5)	(39.6)
Net change in unrealized appreciation (depreciation)	(15.1)	10.0
Ending portfolio	\$ 1,483.6	\$ 1,542.2

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

Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from \$12.0 million to \$40.0 million, although we may make investments in amounts above or below that range. As of March 31, 2018, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from 5.1% to 14.5%. 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 (PIK) provisions or prepayment fees which may be required to be included in income prior to receipt.

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

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. We had approximately \$33.0 million of unamortized fees at March 31, 2018, of which approximately \$28.8 million was included as an offset to the cost basis of our current debt investments and approximately \$4.2 million was deferred contingent upon the occurrence of a funding or milestone. At

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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 March 31, 2018, we had approximately \$22.9 million in exit fees receivable, of which approximately \$20.4 million was included as a component of the cost basis of our current debt investments and approximately \$2.5 million was a deferred receivable related to expired commitments. At December 31, 2017, we had approximately \$27.5 million in exit fees receivable, of which approximately \$23.9 million was included as a component of the cost basis of our current debt investments and approximately \$3.6 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to tax as a RIC, this non-cash source of income must be distributed to stockholders with other sources of income in the form of dividend distributions even though we have not yet collected the cash. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately \$2.3 million and \$2.2 million in PIK income in the three months ended March 31, 2018 and 2017, respectively.

The core yield on our debt investments, which excludes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events and includes income from expired commitments, was 11.9% and 12.2% during the three months ended March 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 14.3% and 13.4% for the three months ended March 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 quarter, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders.

The total return for our investors was approximately -5.4% and 9.5% during the three months ended March 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 software, drug discovery & development, internet consumer & business services, sustainable and renewable technology, drug delivery, healthcare services, medical devices & equipment, media/content/info, diversified financial services, information services, electronics & computer hardware, consumer & business products, surgical devices, communications & networking, biotechnology tools, semiconductors, diagnostic and specialty pharmaceuticals industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value for companies in these sectors is often vested in intangible assets and intellectual property.

As of March 31, 2018, approximately 78.1% of the fair value of our portfolio was composed of investments in five industries: 26.5% investments in the software industry, 26.1% investments in the drug discovery & development industry, 12.0% investments in the internet consumer & business services industry, 7.8% investments in the sustainable and renewable technology industry, and 5.7% investments in the drug delivery.

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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 three months ended March 31, 2018 and the year ended December 31, 2017, our ten largest portfolio companies represented approximately 29.7% and 34.6% of the total fair value of our investments in portfolio companies, respectively. At March 31, 2018 and December 31, 2017, we had five and seven investments, respectively, that represented 5% or more of our net assets. At March 31, 2018, we had seven equity investments representing approximately 64.9% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2017, we had nine equity investments which represented approximately 67.1% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of March 31, 2018, approximately 96.5% 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.

As of March 31, 2018, 85.6% of our debt investments were in a senior secured first lien position, 13.4% were secured by a senior second priority security interest in all of the portfolio company's assets, other than intellectual property, and the remaining 1.0% were unsecured as a result of the terms of the acquisition of two of our portfolio companies. In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property.

At March 31, 2018, of the approximately 85.6% of our debt investments in a senior secured first lien position, 48.0% were secured by a first priority security interest in all of the assets of the portfolio company, including its intellectual property, 33.3% were secured by a first priority security interest in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property, or subject to a negative pledge. Another 1.7% of the Company's debt investments were senior secured by the equipment of the portfolio company, and 2.6% were in a first lien last-out senior secured position with security interest in all 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.

Our investments in senior secured debt with warrants have detachable equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. These features are treated as OID and are accreted into interest income over the term of the loan as a yield enhancement. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of March 31, 2018, we held warrants in 134 portfolio companies, with a fair value of approximately \$33.3 million. The fair value of our warrant portfolio decreased by approximately \$3.5 million, as compared to a fair value of \$36.8 million at December 31, 2017 primarily related to the slight decrease in portfolio companies and valuation of the portfolio.

Our existing warrant holdings would require us to invest approximately \$84.0 million to exercise such warrants as of March 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.

Table of Contents**Index to Financial Statements*****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 March 31, 2018 and December 31, 2017, respectively:

<i>(in thousands)</i>	March 31, 2018			December 31, 2017		
	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio
Investment Grading						
1	10	\$ 141,761	10.6%	12	\$ 345,191	24.4%
2	36	599,767	44.9%	32	583,017	41.2%
3	30	548,038	41.0%	32	443,775	31.3%
4	4	33,573	2.5%	4	41,744	2.9%
5	5	13,187	1.0%	5	2,257	0.2%
	85	\$ 1,336,326	100.0%	85	\$ 1,415,984	100.0%

As of March 31, 2018, our debt investments had a weighted average investment grading of 2.43 on a cost basis, as compared to 2.17 at December 31, 2017. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve. The decline in weighted average investment grading at March 31, 2018 from December 31, 2017 is primarily due to the payoff of our credit rating 1 positions, including Machine Zone, Inc. and Alimera Sciences, Inc., as well as the downgrade of Fuze, Inc., Clarabridge and Proterra, Inc., from a credit rating 2 to a credit rating 3. In addition, two positions were downgraded to a credit rating 5, while two positions that were rated 5 as of December 31, 2017 were sold or liquidated during the period.

At March 31, 2018, we had four debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$12.3 million and \$0, respectively. At December 31, 2017, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$14.8 million and \$340,000, respectively. The decrease in the cumulative cost of debt investments on non-accrual between March 31, 2018 and December 31, 2017 is the result of the liquidation of one debt investment that was on non-accrual at December 31, 2017. We recognized a realized loss of approximately \$1.7 million on the write-off of the investment.

Results of Operations**Comparison of the three months ended March 31, 2018 and 2017*****Investment Income******Interest Income***

Total investment income for the three months ended March 31, 2018 was approximately \$48.7 million as compared to approximately \$46.4 million for the three months ended March 31, 2017.

Interest income for the three months ended March 31, 2018 totaled approximately \$43.0 million as compared to approximately \$42.9 million for the three months ended March 31, 2017. The increase in interest income for the three months ended March 31, 2018 as compared to the same period ended March 31, 2017 is primarily attributable to an increase in interest accelerations due to early loan repayments and other one-time events, offset by a decrease in recurring interest income.

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Of the \$43.0 million in interest income for the three months ended March 31, 2018, approximately \$39.3 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$3.7 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$40.0 million and \$2.9 million, respectively, of the \$42.9 million interest income for the three months ended March 31, 2017.

The following table shows the PIK-related activity for the three months ended March 31, 2018 and 2017, at cost:

(in thousands)	Three Months Ended	
	March 31,	
	2018	2017
Beginning PIK interest receivable balance	\$ 15,487	\$ 9,930
PIK interest income during the period	2,308	2,215
PIK accrued (capitalized) to principal but not recorded as income during the period		
Payments received from PIK loans	(7,983)	(46)
Realized gain (loss)		
Ending PIK interest receivable balance	\$ 9,812	\$ 12,099

The increase in PIK interest income during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 is due to an increase in the weighted average principal outstanding of loans which bear PIK interest. This increase is partially offset by an increase in the number of PIK loans that paid off during the period.

Fee Income

Fee income from commitment, facility and loan related fees for the three months ended March 31, 2018 totaled approximately \$5.7 million as compared to approximately \$3.5 million for the three months ended March 31, 2017. The increase in fee income for the three months ended March 31, 2018 is primarily due to an increase in the acceleration of unamortized fees due to early repayments and one-time fees between periods.

Of the \$5.7 million in fee income for the three months ended March 31, 2018, approximately \$1.3 million represents income from recurring fee amortization and approximately \$4.4 million represents income related to the acceleration of unamortized fees due to early repayments, including one-time fees of \$3.2 million for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$2.1 million and \$1.4 million, respectively, of the \$3.5 million in income for the three months ended March 31, 2017.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three months ended March 31, 2018 or 2017.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$22.6 million and \$23.7 million during the three months ended March 31, 2018 and 2017, respectively.

Table of Contents**Index to Financial Statements***Interest and Fees on our Borrowings*

Interest and fees on our borrowings totaled approximately \$10.6 million and \$12.4 million for the three months ended March 31, 2018 and 2017, respectively. Interest and fee expense for the three months ended March 31, 2018, as compared to March 31, 2017, decreased due to the partial redemption of our 2024 Notes and the redemption of our 2019 Notes in February 2017, which resulted in a one-time, non-cash acceleration of our unamortized fees and a thirty day interest overlap related to our Convertible Note issuance in January 2017.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.3% and 6.3% for the three months ended March 31, 2018 and 2017, respectively. The decrease in the weighted average cost of debt for the three months ended March 31, 2018 as compared to the same period ended March 31, 2017 is primarily attributable to the redemption of our 2019 Notes between periods.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses decreased to \$4.0 million from \$4.1 million for the three months ended March 31, 2018 and 2017. The decrease for the three months ended March 31, 2018 was primarily attributable to a reduction in corporate legal and other expenses.

Employee Compensation

Employee compensation and benefits totaled \$5.8 million for the three months ended March 31, 2018 as compared to \$5.3 million for the three months ended March 31, 2017. The increase between the comparative periods was primarily due to increased salaries and changes in variable compensation expenses due to company performance objectives.

Employee stock-based compensation totaled \$2.3 million for the three months ended March 31, 2018 as compared to \$1.8 million for the three months ended March 31, 2017. The increase for the three-month comparative period was primarily related to restricted stock award vesting.

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

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

A summary of realized gains and losses for the three months ended March 31, 2018 and 2017 is as follows:

(in thousands)	Three Months Ended	
	March 31,	
	2018	2017
Realized gains	\$ 1,108	\$ 6,470
Realized losses	(6,028)	(3,233)
Net realized gains (losses)	\$ (4,920)	\$ 3,237

During the three months ended March 31, 2018 we recognized net realized losses of \$4.9 million. During the three months ended March 31, 2017, we recorded gross realized gains of \$1.1 million primarily from the sale

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or acquisition of our holdings. These gains were offset by gross realized losses of \$6.0 million primarily from the liquidation or write-off of our warrant and equity investments in six portfolio companies and our debt investments in two portfolio companies.

During the three months ended March 31, 2017, we recognized net realized gains of \$3.2 million. During the three months ended March 31, 2017, we recorded gross realized gains of \$6.4 million primarily from the sale of our holdings in three portfolio companies. These gains were offset by gross realized losses of \$3.2 million primarily from the liquidation or write-off of our warrant and equity investments in two portfolio companies and the sale of our public bond position in one portfolio company.

The following table summarizes the change in net unrealized appreciation/depreciation of investments for the three months ended March 31, 2018 and 2017:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Gross unrealized appreciation on portfolio investments	\$ 7,797	\$ 19,478
Gross unrealized depreciation on portfolio investments	(29,548)	(48,270)
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	6,666	(2,405)
Net unrealized appreciation (depreciation) on debt, equity, and warrant investments	(15,085)	(31,197)
Other net unrealized appreciation (depreciation)	(112)	(306)
Total net unrealized depreciation on investments	\$ (15,197)	\$ (31,503)

During the three months ended March 31, 2018, we recorded \$15.2 million of net unrealized depreciation, of which \$15.1 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded \$8.3 million of net unrealized depreciation on our debt investments which was primarily related to \$13.5 million of unrealized depreciation on the debt portfolio including \$9.0 million of unrealized depreciation on collateral-based impairments on seven portfolio companies. This unrealized depreciation was partially offset by \$5.2 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon write-off of two portfolio companies.

We recorded \$4.1 million of net unrealized depreciation on our equity investments and \$2.7 million of net unrealized depreciation on our warrant investments during the three months ended March 31, 2018. This net unrealized depreciation of \$6.8 million was due to \$8.2 million of unrealized depreciation on the equity and warrant portfolio partially offset by \$1.4 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon being realized as a gain or loss due to the acquisition or liquidation of our equity and warrant investments.

During the three months ended March 31, 2017, we recorded \$31.5 million of net unrealized depreciation, of which \$31.2 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded \$31.2 million of net unrealized depreciation on our debt investments, which was primarily related to \$39.8 million of unrealized depreciation for collateral-based impairments on ten portfolio companies offset by the reversal of \$3.2 million unrealized depreciation for the prior period collateral-based impairments on one portfolio company.

We recorded \$2.8 million of net unrealized depreciation on our equity investments primarily due to the reversal of approximately \$4.7 million of unrealized appreciation for one portfolio company upon being realized as a gain. We also recorded \$2.8 million of net unrealized appreciation on our warrant investments during the three months ended March 31, 2017.

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Income and Excise Taxes

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

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

For the three months ended March 31, 2018 we had a net increase in net assets resulting from operations of approximately \$5.9 million and for the three months ended March 31, 2017 we had a net decrease in net assets resulting from operations of approximately \$5.6 million.

Both the basic and fully diluted net change in net assets per common share were \$0.07 per share for the three months ended March 31, 2018. Both the basic and fully diluted net change in net assets per common share were \$(0.07) per share for the three months ended March 31, 2017.

For the purpose of calculating diluted earnings per share for three months ended March 31, 2018 and 2017, the effect of the 2022 Convertible Notes, outstanding options, and restricted stock units under the treasury stock method was considered. The effect of the 2022 Convertible Notes was excluded from these calculations for the three months ended March 31, 2018 and 2017 as our share price was less than the conversion price in effect which results in anti-dilution.

Comparison of periods ended December 31, 2017 and 2016

Investment Income

Interest Income

Total investment income for the year ended December 31, 2017 was approximately \$190.9 million as compared to approximately \$175.1 million for the year ended December 31, 2016.

Interest income for the year ended December 31, 2017 totaled approximately \$172.2 million as compared to approximately \$158.7 million for the year ended December 31, 2016. The increase in interest income for the year ended December 31, 2017 as compared to the year ended December 31, 2016 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, 2017, approximately, 96.4% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor.

Of the \$172.2 million in interest income for the year ended December 31, 2017, approximately \$160.3 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$11.9 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 \$152.1 million and \$6.6 million, respectively, of the \$158.7 million interest income for the year ended December 31, 2016.

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The following table shows the PIK-related activity, for the years ended December 31, 2017 and 2016, at cost:

(in thousands)	Year Ended December 31,	
	2017	2016
Beginning PIK interest receivable balance	\$ 9,930	\$ 5,149
PIK interest income during the period	9,960	7,825
PIK accrued (capitalized) to principal but not recorded as income during the period	129	(2,146)
Payments received from PIK loans	(2,349)	(632)
Realized loss	(2,183)	(266)
 Ending PIK interest receivable balance	 \$ 15,487	 \$ 9,930

The increase in PIK interest income during the year ended December 31, 2017 as compared to the year ended December 31, 2016 is due to overall portfolio growth, or more specifically, an increase in the weighted average principal outstanding for loans which bear PIK interest. PIK receivable represents approximately 1% of total debt investments as of December 31, 2017 and December 31, 2016, respectively.

Fee Income

Income from commitment, facility and loan related fees for the year ended December 31, 2017 totaled approximately \$18.7 million as compared to approximately \$16.3 million for the year ended December 31, 2016. The increase in fee income is primarily attributable to an increase in the acceleration of unamortized fees due to early repayments and one-time fees during the period.

Of the \$18.7 million in income from commitment, facility and loan related fees for the year ended December 31, 2017, approximately \$6.4 million represents income from recurring fee amortization and approximately \$12.3 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 \$9.5 million and \$6.8 million, respectively, of the \$16.3 million income for the year ended December 31, 2016.

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, 2017 and 2016, 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 \$94.4 million and \$82.7 million during the years ended December 31, 2017 and 2016, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$46.6 million and \$37.1 million for the years ended December 31, 2017 and 2016, respectively. Interest and fee expense for the year ended December 31, 2017 as compared to December 31, 2016 increased primarily due to higher weighted average principal balances outstanding due to the issuance of our 2022 Convertible Notes and 2022 Notes. The increase in interest and fee expense was partially offset by a reduction in the weighted average principal balance outstanding on our 2019 Notes, which were fully redeemed in February 2017, and on our 2021 Asset Backed Notes, which are amortizing. The increase was further offset by a partial redemption of our 2024 Notes in November 2017.

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We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.9% and 5.8% for the years ended December 31, 2017 and 2016, respectively. The slight increase between comparative periods was primarily driven by an increase in the weighted average principal outstanding compared to the prior period, specifically the issuance of our 2022 Convertible Notes and 2022 Notes, partially offset by the accelerations of unamortized deferred financing costs from the full and partial redemptions on our 2019 Notes, and 2024 Notes, and the principal amortization of our 2021 Asset Backed Notes, respectively, during the period.

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 \$16.1 million for both the years ended December 31, 2017 and 2016, respectively.

Employee Compensation

Employee compensation and benefits totaled approximately \$24.6 million for the year ended December 31, 2017 as compared to approximately \$22.5 million for the year ended December 31, 2016. 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 \$7.2 million for the year ended December 31, 2017 as compared to approximately \$7.0 million for the year ended December 31, 2016. The increase between comparative periods was primarily related to the number and amount of restricted stock award vesting.

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, 2017 as and 2016 is as follows:

(in thousands)	Year Ended December 31,	
	2017	2016
Realized gains	\$ 14,163	\$ 15,202
Realized losses	(40,874)	(10,626)
Net realized gains (losses)	\$ (26,711)	\$ 4,576

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 investments in five portfolio companies and our warrant and equity investments in twenty-one portfolio companies. These losses were offset by gross realized gains of approximately \$14.2 million, primarily from the sale of investments in five portfolio companies.

During the year ended December 31, 2016, we recognized net realized gains of approximately \$4.6 million on the portfolio. These net realized gains included gross realized gains of approximately \$15.2 million from the

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sale of investments in six portfolio companies. These gains were partially offset by gross realized losses of approximately \$10.6 million, primarily from the liquidation or write off of our warrant and equity investments in eight portfolio companies and our debt investments in five portfolio companies, including the settlement of our outstanding debt investment in one portfolio company.

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/depreciation of investments for the years ended December 31, 2017, and 2016:

(in thousands)	Year Ended December 31,	
	2017	2016
Gross unrealized appreciation on portfolio investments	\$ 130,272	\$ 75,264
Gross unrealized depreciation on portfolio investments	(148,345)	(115,867)
Reversal of prior period net unrealized appreciation upon a realization event	42,967	(8,525)
Reversal of prior period net unrealized depreciation upon a realization event	(14,925)	13,186
Net unrealized appreciation (depreciation) on debt, equity, and warrant investments	9,969	(35,942)
Other net unrealized appreciation (depreciation)	(704)	(275)
Net unrealized appreciation (depreciation) on portfolio investments	\$ 9,265	\$ (36,217)

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 on four portfolio companies 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 on eight portfolio companies during the period.

We recorded \$32.8 million of net unrealized depreciation on our equity investments, which primarily relates to \$51.9 million of unrealized depreciation for collateral based impairments on two portfolio companies, 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, 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.

During the year ended December 31, 2016, we recorded approximately \$36.2 million of net unrealized depreciation, of which \$35.9 million is net unrealized depreciation from our debt, equity and warrant investments. Of the \$35.9 million, approximately \$14.0 million is attributed to net unrealized depreciation on our debt investments which primarily relates to \$50.0 million unrealized depreciation for collateral based impairments on eight portfolio companies, offset by the reversal of prior period collateral based impairments of \$17.3 million on six portfolio companies and the reversal of \$13.1 million of prior period unrealized depreciation upon payoff or settling of our debt investments. Approximately \$22.2 million is attributed to net unrealized depreciation on our equity investments which primarily relates to approximately \$7.4 million of unrealized depreciation for collateral based impairments on two portfolio companies, \$6.6 million of unrealized depreciation on our public equity portfolio, with the largest concentration in our investment in Box, Inc. and the reversal of \$5.4 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Box, Inc. This unrealized depreciation was partially offset by approximately \$245,000 of unrealized appreciation

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on our warrant investments, which primarily related to \$4.8 million of unrealized appreciation on our private portfolio companies, offset by \$2.9 million unrealized depreciation on our public portfolio companies related to individual portfolio company performance.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation), for the years ended December 31, 2017 and December 31, 2016:

(in millions)	Year Ended December 31, 2017			
	Debt	Equity	Warrants	Total
Collateral Based Impairments ⁽¹⁾	\$ (49.6)	\$ (51.9)	\$ (0.6)	\$ (102.1)
Reversals of Prior Period Collateral Based Impairments	53.7		0.1	53.8
Reversals due to Debt Payoffs & Warrant/Equity Sales	31.0	2.8	(3.4)	30.4
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets		9.7	5.2	14.9
Level 3 Assets	(3.0)	6.6	9.4	13.0
Total Fair Value Market/Yield Adjustments	(3.0)	16.3	14.6	27.9
Total Unrealized Appreciation (Depreciation)	\$ 32.1	\$ (32.8)	\$ 10.7	\$ 10.0

(in millions)	Year Ended December 31, 2016			
	Debt	Equity	Warrants	Total
Collateral Based Impairments ⁽¹⁾	\$ (50.0)	\$ (7.4)	\$ (1.1)	\$ (58.5)
Reversals of Prior Period Collateral Based Impairments	17.3		0.5	17.8
Reversals due to Debt Payoffs & Warrant/Equity Sales	13.1	(5.4)	(1.0)	6.7
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets	(1.3)	(6.6)	(2.9)	(10.8)
Level 3 Assets	6.9	(2.8)	4.8	8.9
Total Fair Value Market/Yield Adjustments	5.6	(9.4)	1.9	(1.9)
Total Unrealized Appreciation (Depreciation)	\$ (14.0)	\$ (22.2)	\$ 0.3	\$ (35.9)

(1) The unrealized appreciation (depreciation) attributable to collateral based impairments include all changes in estimated fair value on positions whose fair value remains impaired relative to cost as of the period end date. As such, this may include current period improvements in estimated fair value that do not represent reversals to prior period collateral based impairments.

(2) Level 1 assets are generally equities listed in active markets and Level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing Level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, Level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC Topic 820 (Fair Value Measurements).

Income and Excise Taxes

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

Table of Contents**Index to Financial Statements*****Net Change in Net Assets Resulting from Operations and Earnings Per Share***

For the years ended December 31, 2017 and 2016, we had a net increase in net assets resulting from operations totaling approximately \$79.0 million and approximately \$68.7 million, respectively.

The basic and fully diluted net change in net assets per common share for the year ended December 31, 2017 was \$0.95, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2016 was \$0.91.

For the purpose of calculating diluted earnings per share for year ended December 31, 2017, 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, 2017 as our share price was less than the conversion price in effect which results in anti-dilution.

Comparison of periods ended December 31, 2016 and 2015***Investment Income******Interest Income***

Total investment income for the year ended December 31, 2016 was approximately \$175.1 million as compared to approximately \$157.1 million for the year ended December 31, 2015.

Interest income for the year ended December 31, 2016 totaled approximately \$158.7 million as compared to approximately \$140.3 million for the year ended December 31, 2015. The increase in interest income for the year ended December 31, 2016 as compared to the year ended December 31, 2015 is primarily attributable to debt investment portfolio growth, specifically an increase in the weighted average principal outstanding between the periods, slightly offset by a reduction in the acceleration of income due to early repayments and other one-time events during the period.

Of the \$158.7 million in interest income for the year ended December 31, 2016, approximately \$152.1 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$6.6 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$130.4 million and \$9.9 million, respectively, of the \$140.3 million interest income for the year ended December 31, 2015.

The following table shows the PIK-related activity, for the years ended December 31, 2016 and 2015, at cost:

(in thousands)	Year Ended December 31,	
	2016	2015
Beginning PIK interest receivable balance	\$ 5,149	\$ 6,250
PIK interest income during the period	7,825	4,658
PIK accrued (capitalized) to principal but not recorded as income during the period	(2,146)	
Payments received from PIK loans	(632)	(5,483)
Realized loss	(266)	(276)
Ending PIK interest receivable balance	\$ 9,930	\$ 5,149

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The increase in PIK interest income during the year ended December 31, 2016 as compared to the year ended December 31, 2015 is due to overall portfolio growth, or more specifically, an increase in the weighted average principal outstanding for loans which bear PIK interest and a decrease in the number of PIK loans which paid-off during the period. PIK receivable represents less than 1% of total debt investments as of December 31, 2016 and December 31, 2015, respectively

Fee Income

Income from commitment, facility and loan related fees for the year ended December 31, 2016 totaled approximately \$16.3 million as compared to approximately \$16.9 million for the year ended December 31, 2015. 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 \$16.3 million in income from commitment, facility and loan related fees for the year ended December 31, 2016, approximately \$9.5 million represents income from recurring fee amortization and approximately \$6.8 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 \$5.8 million and \$11.1 million, respectively, of the \$16.9 million income for the year ended December 31, 2015.

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, 2016 and 2015, 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 \$82.7 million and \$83.6 million during the years ended December 31, 2016 and 2015, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$37.1 million and \$36.9 million for the years ended December 31, 2016 and 2015, respectively. Interest and fee expense for the year ended December 31, 2016 as compared to December 31, 2015 increased primarily due to higher weighted average principal balances outstanding on our 2024 Notes related to the issuance of \$149.9 million of aggregate principal during the period. The increase in interest and fee expense incurred related to our 2024 notes was partially offset by principal pay-offs and paydowns on our 2016 Convertible Notes, Asset Backed Notes and Credit Facilities during the period.

We had a weighted average cost of debt, comprised of interest and fees and loss on debt extinguishment (long-term liabilities convertible notes), of approximately 5.8% and 6.0% for the years ended December 31, 2016 and 2015, respectively. The 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 due to the full impact of redemptions on our 2019 Notes and 2016 Convertible Notes which occurred in the prior period, offset by the incremental issuance of our 2024 Notes in fiscal year 2016.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses decreased to \$16.1 million from \$16.7 million for the years ended December 31, 2016 and 2015, respectively. This decrease was primarily attributable to a reduction in costs related to strategic hiring objectives and travel and entertainment, slightly offset by an increase in corporate legal and other expenses.

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Employee Compensation

Employee compensation and benefits totaled approximately \$22.5 million for the year ended December 31, 2016 as compared to approximately \$20.7 million for the year ended December 31, 2015. 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 \$7.0 million for the year ended December 31, 2016 as compared to approximately \$9.4 million for the year ended December 31, 2015. The decrease between comparative periods was primarily related to the number and amount of restricted stock award vesting, specifically the vesting of retention grants issued in 2014 which occurred in the first half of 2016.

Other Income (Loss)

Other income (loss) generally consists of income or losses generated from sources other than our investment portfolio. For the years ended December 31, 2016 and December 31, 2015 it consists of \$8.0 million of litigation settlement proceeds and \$1,000 of loss on extinguishment of debt, respectively.

Litigation Settlement Proceeds

On December 19, 2016, we entered into a Confidential Settlement Agreement (the Settlement Agreement) with all defendants in connection with a litigation matter (the Action) filed in November 2014. In connection with the Settlement Agreement, the Action was settled among the parties and we received a settlement payment in the amount of \$8.0 million. The Settlement Agreement also provides a mutual release by us and the defendants of any and all claims and cross-claims that were asserted in the Action, the circumstances and events underlying the Action and attorney's fees and costs related thereto. The Settlement Agreement does not constitute an admission of liability, fault, or wrongdoing by any party. The settlement payment was classified as a component of net investment income in our Consolidated Statement of Operations.

Loss on Extinguishment of Convertible Notes

Our 6.00% convertible notes due 2016 (the 2016 Convertible Notes) were fully settled on or before their contractual maturity date of April 15, 2016. Throughout their life, 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 2016 Convertible Notes and approximately 1.6 million shares of our common stock, or \$24.3 million.

We recorded a loss on extinguishment of debt for the proportionate amount of unamortized debt issuance costs and OID. The loss was partially offset by a gain in the amount of the difference between the outstanding principal balance of the converted notes and the fair value of the debt instrument. The net loss on extinguishment of debt we recorded for the year ended December 31, 2015 was approximately \$1,000. We did not record a loss on extinguishment of debt for the year ended December 31, 2016. The loss on extinguishment of debt was classified as a component of net investment income in our Consolidated Statements of Operations.

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.

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A summary of realized gains and losses for the years ended December 31, 2016 and 2015 is as follows:

(in thousands)	Year Ended December 31,	
	2016	2015
Realized gains	\$ 15,202	\$ 12,677
Realized losses	(10,626)	(7,530)
Net realized gains	\$ 4,576	\$ 5,147

During the year ended December 31, 2016, we recognized net realized gains of approximately \$4.6 million on the portfolio. These net realized gains included gross realized gains of approximately \$15.2 million, primarily from the sale of investments in six portfolio companies. These gains were partially offset by gross realized losses of approximately \$10.6 million, primarily from the liquidation or write off of our warrant and equity investments in eight portfolio companies and our debt investments in five portfolio companies, including the settlement of our outstanding debt investment in one portfolio company.

During the year ended December 31, 2015, we recognized net realized gains of approximately \$5.1 million on the portfolio. These net realized gains included gross realized gains of approximately \$12.6 million from the sale of investments in seven portfolio companies and \$1.5 million from subsequent recoveries on two previously written-off debt investments. These gains were partially offset by gross realized losses of approximately \$7.5 million primarily from the liquidation or write off of our investments in sixteen portfolio companies.

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/depreciation of investments for the years ended December 31, 2016 and 2015:

(in thousands)	Year Ended December 31,	
	2016	2015
Gross unrealized appreciation on portfolio investments	\$ 75,264	\$ 78,991
Gross unrealized depreciation on portfolio investments	(115,867)	(111,926)
Reversal of prior period net unrealized appreciation upon a realization event	(8,525)	(8,707)
Reversal of prior period net unrealized depreciation upon a realization event	13,186	4,599
Net unrealized depreciation on debt, equity, and warrant investments	(35,942)	(37,043)
Other net unrealized appreciation (depreciation)	(275)	1,311
Net unrealized depreciation on portfolio investments	\$ (36,217)	\$ (35,732)

During the year ended December 31, 2016, we recorded approximately \$36.2 million of net unrealized depreciation, of which \$35.9 million is net unrealized depreciation from our debt, equity and warrant investments. Of the \$35.9 million, approximately \$14.0 million is attributed to net unrealized depreciation on our debt investments which primarily relates to \$50.0 million unrealized depreciation for collateral based impairments on eight portfolio companies, offset by the reversal of prior period collateral based impairments of \$17.3 million on six portfolio companies and the reversal of \$13.1 million of prior period unrealized depreciation upon payoff or settling of our debt investments. Approximately \$22.2 million is attributed to net unrealized depreciation on our equity investments which primarily relates to approximately \$7.4 million of unrealized depreciation for collateral based impairments on two portfolio companies, \$6.6 million of unrealized depreciation on our public equity portfolio, with the largest concentration in our investment in Box, Inc. and the reversal of \$5.4 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Box, Inc. This unrealized depreciation was partially offset by approximately \$245,000 of unrealized appreciation on our warrant investments, which primarily related to \$4.8 million of unrealized appreciation on our private portfolio companies, offset by \$2.9 million unrealized depreciation on our public portfolio companies related to individual portfolio company performance.

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During the year ended December 31, 2015, we recorded approximately \$35.7 million of net unrealized depreciation, of which \$37.1 million is net unrealized depreciation from our debt, equity and warrant investments. Of the \$37.1 million, approximately \$14.0 million is attributed to net unrealized depreciation on our debt investments which primarily related to \$20.4 million unrealized depreciation for collateral based impairments on ten portfolio companies offset by the reversal of collateral based impairments of \$5.6 million on three portfolio companies. Approximately \$19.1 million is attributed to net unrealized depreciation on our equity investments which primarily related to \$11.4 million unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and the reversal of \$7.8 million of prior period net unrealized appreciation upon being realized as a gain for our sale of shares of Box, Inc., Atrenta, Inc., Cempra, Inc. Celladon Corporation, Egalet Corporation, Everyday Health, and Identiv, Inc. as discussed above. Finally, approximately \$4.0 million is attributed to net unrealized depreciation on our warrant investments which primarily related to \$6.0 million of unrealized depreciation on our private portfolio companies related to declining industry performance offset by the reversal of \$3.2 million of prior period net unrealized depreciation upon being realized as a loss on the liquidation of our investments in thirteen portfolio companies.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the years ended December 31, 2016 and December 31, 2015:

(in millions)	Year Ended December 31, 2016			
	Debt	Equity	Warrants	Total
Collateral Based Impairments ⁽¹⁾	\$ (50.0)	\$ (7.4)	\$ (1.1)	\$ (58.5)
Reversals of Prior Period Collateral based impairments	17.3		0.5	17.8
Reversals due to Debt Payoffs & Warrant/Equity sales	13.1	(5.4)	(1.0)	6.7
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets	(1.3)	(6.6)	(2.9)	(10.8)
Level 3 Assets	6.9	(2.8)	4.8	8.9
Total Fair Value Market/Yield Adjustments	5.6	(9.4)	1.9	(1.9)
Total Unrealized Appreciation (Depreciation)	\$ (14.0)	\$ (22.2)	\$ 0.3	\$ (35.9)

(in millions)	Year Ended December 31, 2015			
	Debt	Equity	Warrants	Total
Collateral Based Impairments ⁽¹⁾	\$ (20.4)	\$ (0.2)	\$ (0.4)	\$ (21.0)
Reversals of Prior Period Collateral based impairments	5.6		0.4	6.0
Reversals due to Debt Payoffs & Warrant/Equity sales	6.2	(7.8)	3.2	1.6
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets	(1.1)	(11.4)	(1.2)	(13.7)
Level 3 Assets	(4.3)	0.3	(6.0)	(10.0)
Total Fair Value Market/Yield Adjustments	(5.4)	(11.1)	(7.2)	(23.7)
Total Unrealized Appreciation (Depreciation)	\$ (14.0)	\$ (19.1)	\$ (4.0)	\$ (37.1)

(1) The unrealized appreciation (depreciation) attributable to collateral based impairments include all changes in estimated fair value on positions whose fair value remains impaired relative to cost as of the period end date. As such, this may include current period improvements in estimated fair value that do not represent reversals to prior period collateral based impairments.

(2) Level 1 assets are generally equities listed in active markets and Level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing Level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, Level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC Topic 820 (Fair Value Measurements).

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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 given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We distributed 100% of our spillover earnings, which consisted of ordinary income and long-term capital gains, from our taxable year ended December 31, 2016 to our stockholders during 2017.

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

For the years ended December 31, 2016 and 2015, the net increase in net assets resulting from operations totaled approximately \$68.7 million and approximately \$42.9 million, respectively.

The basic and fully diluted net change in net assets per common share for the year ended December 31, 2016 was \$0.91, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2015 were \$0.60 and \$0.59, respectively.

For the purpose of calculating diluted earnings per share for year ended December 31, 2015, the dilutive effect of the 2016 Convertible Notes under the treasury stock method is included in this calculation as our share price was greater than the conversion price in effect (\$11.03 as of December 31, 2015) for the 2016 Convertible Notes for such period. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such, there is no potential additional dilutive effect for the year ended December 31, 2016.

Financial Condition, Liquidity and Capital Resources

Our liquidity and capital resources are derived from our SBA debentures, 2022 Notes, 2024 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, Credit Facilities and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the turnover of our portfolio and from public and private offerings of securities to finance our investment objectives. We may also raise additional equity or debt capital through registered offerings off a shelf registration, ATM and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries.

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

On September 7, 2017, we terminated the Prior Equity Distribution Agreement and entered into the Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior Equity Distribution agreement are no longer available for issuance. The Equity Distribution Agreement provides that we may offer and sell up to 12.0 million shares of its common stock from time to time through JMP, as its sales agent. Sales of 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.

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During the three months ended March 31, 2018, we sold 478,000 shares of common stock, which were issued under the Equity Distribution Agreement, for a total accumulated net proceeds of approximately \$6.0 million, including \$312,000 of offering expenses. As of March 31, 2018, approximately 9.9 million shares remain available for issuance and sale under the Equity Distribution Agreement. See Subsequent Events.

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

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

On May 5, 2016, we, through a special purpose wholly-owned subsidiary, Hercules Funding III, as borrower, entered into the Union Bank Facility with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Union Bank Facility from time to time. The Union Bank Facility replaced our credit facility (the Prior Union Bank Facility) entered into on August 14, 2014 (as amended and restated from time to time) with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Prior Union Bank Facility from time to time. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

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

We did not sell any notes under the program during the three months ended March 31, 2018. During the year ended December 31, 2017, we sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. As of March 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 overallocment 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.

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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 October 23, 2017 (the 2022 Notes Indenture), between us and U.S. Bank, National Association, as trustee (the 2022 Trustee). The sale of the 2022 Notes generated net proceeds of approximately \$147.5 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 \$1.7 million.

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

At March 31, 2018, we had \$190.2 million of SBA debentures, \$150.0 million of 2022 Notes, \$183.5 million of 2024 Notes, \$33.6 million of 2021 Asset-Backed Notes, and \$230.0 million of 2022 Convertible Notes payable. We had no borrowings outstanding under the Wells Facility or the Union Bank Facility.

At March 31, 2018, we had \$313.2 million in available liquidity, including \$118.2 million in cash and cash equivalents. We had available borrowing capacity of \$120.0 million under the Wells Facility and \$75.0 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At March 31, 2018, we had \$118.5 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 investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At March 31, 2018, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

At March 31, 2018, we had approximately \$3.6 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 2021 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations.

During the three months ended March 31, 2018, we principally funded our operations from (i) cash receipts from interest, dividend and fee income from our investment portfolio and (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments.

During the three months ended March 31, 2018, our operating activities provided \$63.0 million of cash and cash equivalents, compared to \$11.7 million provided during the three months ended March 31, 2017. This \$51.3 million increase in cash provided by operating activities is primarily related to an increase in investment repayments of \$138.4 million and an increase in net realized losses on investments of \$8.2 million, partially offset by an increase in investment purchases of \$82.6 million and a decrease in net unrealized depreciation of \$16.3 million.

During the three months ended March 31, 2018, our investing activities used approximately \$72,000 of cash, compared to \$39,000 used during the three months ended March 31, 2017.

During the three months ended March 31, 2018, our financing activities used \$36.1 million of cash, compared to \$128.0 million provided during the three months ended March 31, 2017. The \$164.1 million decrease in cash provided by financing activities was primarily due to a decrease in the issuance of our common stock under the equity distribution agreement of \$41.0 million, the net issuance of \$225.5 million of the 2022 Convertible Notes, offset by the repayment of \$110.4 million of 2019 Notes during the three months ended March 31, 2017.

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As of March 31, 2018, net assets totaled \$828.7 million, with a NAV per share of \$9.72. We intend to continue to operate in order to generate cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% (or 150%, subject to certain approval and disclosure requirements) after each issuance of senior securities. As of March 31, 2018 our asset coverage ratio under our regulatory requirements as a business development company was 238.2% excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200% (or 150%, subject to certain approval and disclosure requirements), which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total asset coverage ratio when including our SBA debentures was 204.8% at March 31, 2018.

Outstanding Borrowings

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

(in thousands)	March 31, 2018			December 31, 2017		
	Total Available	Principal	Carrying Value ⁽¹⁾	Total Available	Principal	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 188,299	\$ 190,200	\$ 190,200	\$ 188,141
2022 Notes	150,000	150,000	147,698	150,000	150,000	147,572
2024 Notes	183,510	183,510	179,161	183,510	183,510	179,001
2021 Asset-Backed Notes	33,575	33,575	33,156	49,153	49,153	48,650
2022 Convertible Notes	230,000	230,000	223,878	230,000	230,000	223,488
Wells Facility ⁽³⁾	120,000			120,000		
Union Bank Facility ⁽³⁾	75,000			75,000		
Total	\$ 982,285	\$ 787,285	\$ 772,192	\$ 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 both March 31, 2018 and December 31, 2017, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.

(3) Availability subject to us meeting the borrowing base requirements.

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

(in thousands)	March 31, 2018	December 31, 2017
SBA Debentures	\$ 1,901	\$ 2,059
2022 Notes	1,548	1,633
2024 Notes	4,417	4,591
2021 Asset-Backed Notes	420	503

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(in thousands)	March 31, 2018	December 31, 2017
2022 Convertible Notes	\$ 3,492	\$ 3,715
Wells Facility ⁽¹⁾	726	227
Union Bank Facility ⁽¹⁾	306	379
Total	\$ 12,810	\$ 13,107

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

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 March 31, 2018, we had approximately \$51.9 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 \$174.0 million of non-binding term sheets outstanding to three new companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

As of March 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)	Unfunded Commitments ⁽¹⁾
Portfolio Company	
Chemocentryx, Inc.	\$ 10,000
Evernote Corporation	10,000
Proterra, Inc.	10,000
Impact Radius Holdings, Inc.	5,000
Wrike, Inc.	5,000

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(in thousands)

Portfolio Company	Unfunded Commitments ⁽¹⁾
Achronix Semiconductor Corporation	\$ 5,000
Oak Street Health	5,000
Lithium Technologies, Inc.	878
Greenphire	500
Insurance Technologies Corp.	500
Total	\$ 51,878

(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 March 31, 2018:

Contractual Obligations ⁽¹⁾	Total	Payments due by period (in thousands)			
		Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Borrowings ⁽²⁾⁽³⁾⁽⁵⁾	\$ 787,285	\$ 151,975	\$ 61,550	\$ 490,250	\$ 83,510
Operating Lease Obligations ⁽⁴⁾	17,290	2,436	5,005	5,912	3,937
Total	\$ 804,575	\$ 154,411	\$ 66,555	\$ 496,162	\$ 87,447

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

(2) Includes \$190.2 million in principal outstanding under the SBA debentures, \$150.0 million of the 2022 Notes, \$183.5 million of the 2024 Notes, \$33.6 million of the 2021 Asset-Backed Notes and \$230.0 million of the 2022 Convertible Notes as of March 31, 2018.

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

(4) Facility leases and licenses.

(5) Reflects announced redemption of a portion of the 2024 Notes in April 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 \$451,000 and \$444,000 during the three months ended March 31, 2018 and 2017, 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.

Table of Contents**Index to Financial Statements****Borrowings***Long-Term SBA Debentures*

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With our net investment of \$44.0 million in HT II as of March 31, 2018, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of March 31, 2018. As of March 31, 2018, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2018, we held investments in HT II in 34 companies with a fair value of approximately \$84.9 million, accounting for approximately 5.7% of our total investment portfolio at March 31, 2018. HT II held approximately \$113.1 million in assets and accounted for approximately 5.7% of our total assets prior to consolidation at March 31, 2018.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With our net investment of \$74.5 million in HT III as of March 31, 2018, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of March 31, 2018. As of March 31, 2018, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2018, we held investments in HT III in 47 companies with a fair value of approximately \$236.0 million, accounting for approximately 15.9% of our total investment portfolio at March 31, 2018. HT III held approximately \$285.8 million in assets and accounted for approximately 14.4% of our total assets prior to consolidation at March 31, 2018.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of March 31, 2018 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based

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on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on our SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the three months ended March 31, 2018 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.56%. The average amount of debentures outstanding for the three months ended March 31, 2018 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.46%.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 1,718	\$ 1,719
Amortization of debt issuance cost (loan fees)	158	168
Total interest expense and fees	\$ 1,876	\$ 1,887

Cash paid for interest expense	\$ 3,442	\$ 3,442
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In aggregate, at March 31, 2018, with our net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2018, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

We reported the following SBA debentures outstanding principal balances as of March 31, 2018 and December 31, 2017:

(in thousands)

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

(1) Interest rate includes annual charge

2019 Notes

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

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

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$	\$ 1,159
Amortization of debt issuance cost (loan fees)		1,546
Total interest expense and fees	\$	\$ 2,705
Cash paid for interest expense	\$	\$ 1,911

2022 Notes

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 2022 Notes Indenture. The sale of the 2022 Notes generated net proceeds of approximately \$147.5 million, including a public offering discount of \$826,500. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discounts and commissions of approximately \$975,000, were approximately \$1.7 million.

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

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

We may redeem some or all of the 2022 Notes at any time, or from time to time, at the redemption price set forth under the terms of the indenture after September 23, 2022. No sinking fund is provided for the 2022 Notes. The 2022 Notes were issued in denominations of \$2,000 and integral multiples of \$1,000 thereof. As of March 31, 2018, we were in compliance with the terms of the 2022 Notes Indenture.

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

(in thousands)	March 31,	December 31,
	2018	2017
Principal amount of debt	\$ 150,000	\$ 150,000
Unamortized debt issuance cost	(1,548)	(1,633)
Original issue discount, net of accretion	(754)	(795)
Carrying value of 2022 Notes	\$ 147,698	\$ 147,572

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For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2022 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 1,734	\$
Amortization of debt issuance cost (loan fees)	84	
Accretion of original issue discount	41	
Total interest expense and fees	\$ 1,859	\$
Cash paid for interest expense	\$	\$

2024 Notes

On July 14, 2014, we and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between us and the 2024 Trustee, dated July 14, 2014, relating to our issuance, offer and sale of \$100.0 million aggregate principal amount of the 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes.

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallotments on April 29, 2016.

On June 27, 2016, 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.

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

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

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

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

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

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

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

The 2024 Notes are our direct unsecured obligations and rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends and other distributions as well as the purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that we provide financial information to the holders of the 2024 Notes and the 2024 Trustee if we should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of March 31, 2018, we were in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

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

(in thousands)	March 31, 2018	December 31, 2017
Principal amount of debt	\$ 183,510	\$ 183,510
Unamortized debt issuance cost	(4,417)	(4,591)
Original issue premium, net of amortization	68	82
Carrying value of 2024 Notes	\$ 179,161	\$ 179,001

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For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 2,881	\$ 3,987
Amortization of debt issuance cost (loan fees)	174	249
Amortization of original issue premium	(13)	(16)
Total interest expense and fees	\$ 3,042	\$ 4,220
Cash paid for interest expense	\$ 2,867	\$ 3,977

2021 Asset-Backed Notes

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

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

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

The 2014 Loans are serviced by us pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. We perform certain servicing and administrative functions with respect to the 2014 Loans. We are entitled to receive a monthly fee from the 2014 Securitization Issuer for servicing the 2014 Loans. This servicing fee is equal to the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including October 5, 2014 through and including

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December 5, 2014 over 360) of 2.00% and the aggregate outstanding principal balance of the 2014 Loans plus collections on deposit in the 2014 Securitization Issuer's collections account, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including October 5, 2014, to the close of business on December 5, 2014). We also serve as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At March 31, 2018 and December 31, 2017, the 2021 Asset-Backed Notes had an outstanding principal balance of \$33.6 million and \$49.2 million, respectively.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 341	\$ 888
Amortization of debt issuance cost (loan fees)	83	210
Total interest expense and fees	\$ 424	\$ 1,098

Cash paid for interest expense	\$ 387	\$ 940
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Under the terms of the 2021 Asset-Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. We have segregated these funds and classified them as restricted cash. There was approximately \$3.6 million and \$3.7 million of restricted cash as of March 31, 2018 and December 31, 2017, respectively, funded through interest collections.

Convertible Notes***2022 Convertible Notes***

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

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

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

Prior to the close of business on the business day immediately preceding August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately

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preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of March 31, 2018, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

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

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

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

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

(in thousands)	March 31, 2018	December 31, 2017
Principal amount of debt	\$ 230,000	\$ 230,000
Unamortized debt issuance cost	(3,492)	(3,715)
Original issue discount, net of accretion	(2,630)	(2,797)
Carrying value of 2022 Convertible Notes	\$ 223,878	\$ 223,488

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For the three months ended March 31, 2018 and 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 2,516	\$ 1,758
Amortization of debt issuance cost (loan fees)	223	133
Accretion of original issue discount	168	112
Total interest expense and fees	\$ 2,907	\$ 2,003
Cash paid for interest expense	\$ 5,031	\$

As of March 31, 2018, we are in compliance with the terms of the indentures governing the 2022 Convertible Notes.

Credit Facilities

As of March 31, 2018 and December 31, 2017, we have two available credit facilities, the Wells Facility and the Union Bank Facility.

Wells Facility

On June 29, 2015, we, through a special purpose wholly owned subsidiary, Hercules Funding II LLC (Hercules Funding II), entered into the Wells Facility with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time.

The Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostar Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which we can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three months ended March 31, 2018 and 2017, this non-use fee was \$150,000 and \$145,000, respectively.

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

As of March 31, 2018, the minimum tangible net worth covenant increased to \$742.7 million as a result of the public offering of 18.2 million shares of common stock issued for a total gross proceeds of approximately \$242.8 million under the Prior Equity Distribution Agreement through February 2017, and the Equity Distribution Agreement for the issuance of 1.6 million shares for gross proceeds of \$20.5 million during 2017,

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and the issuance of 478,000 shares for gross proceeds of \$6.3 million during the three months ended March 31, 2018. See Note 6 Stockholders' Equity included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

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

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

We did not make any draws or repayments on the available facility during the three months ended March 31, 2018. We had aggregate draws of \$8.5 million on the available facility during the three months ended March 31, 2017 offset by repayments of \$13.5 million. There were no borrowings outstanding on the facility as of March 31, 2018 and December 31, 2017.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$	\$ 2
Amortization of debt issuance cost (loan fees)	44	107
Total interest expense and fees	\$ 44	\$ 109
Cash paid for interest expense	\$	\$ 256

Union Bank Facility

On May 5, 2016, we, through a special purpose wholly owned subsidiary, Hercules Funding III LLC (Hercules Funding III), as borrower, entered into the Union Bank Facility with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Union Bank Facility from time to time. The Union Bank Facility replaced the Prior Union Bank Facility. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

On July 18, 2016, we entered into the First Amendment to the Loan and Security Agreement, dated as of May 5, 2016 with MUFG Union Bank, N.A. The Amendment amends certain definitions relating to borrowings which accrue interest based on the London Interbank Offered Rate (LIBOR Loans) and (ii) the method(s) for calculating interest on and the paying of certain fees related to such LIBOR Loans.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which we can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

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We paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three months ended March 31, 2018, the company incurred non-use fees of \$94,000. For the three months ended March 31, 2017, the company incurred non-use fees under the Prior Union Bank Facility of \$94,000.

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

As of March 31, 2018, the minimum tangible net worth covenant increased to \$789.2 million as a result the public offering of 18.2 million shares of common stock issued for a total net proceeds of approximately \$239.8 million under the Prior Equity Distribution Agreement through February 2017, and the issuance of 1.6 million shares for net proceeds of \$20.0 million during 2017, and the issuance of 478,000 shares for net proceeds of \$6.0 million during the three months ended March 31, 2018 under the Equity Distribution Agreement. See Note 6 Stockholders' Equity included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

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

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

In connection with the Union Bank Facility, we and Hercules Funding III also entered into the Sale and Servicing Agreement, dated May 5, 2016 (the Sale Agreement), by and among Hercules Funding III, as borrower, us, as originator and servicer, and MUFG Union Bank, as agent. Under the Sale Agreement, we agree to (i) sell or transfer certain loans to Hercules Funding III under the MUFG Union Bank Facility and (ii) act as servicer for the loans sold or transferred.

We did not make any draws or repayments on the available facility during the three months ended March 31, 2018 and 2017. At March 31, 2018 and December 31, 2017, there were no borrowings outstanding on the Union Bank Facility.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$	\$
Amortization of debt issuance cost (loan fees)	74	112
Total interest expense and fees	\$ 74	\$ 112
Cash paid for interest expense	\$	\$

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

Date Declared	Record Date	Payment Date	Amount Per Share
Cumulative distributions declared and paid prior to January 1, 2016			\$ 11.23
February 17, 2016	March 7, 2016	March 14, 2016	0.31
April 27, 2016	May 16, 2016	May 23, 2016	0.31
July 27, 2016	August 15, 2016	August 22, 2016	0.31
October 26, 2016	November 14, 2016	November 21, 2016	0.31
February 16, 2017	March 6, 2017	March 13, 2017	0.31
April 26, 2017	May 15, 2017	May 22, 2017	0.31
July 26, 2017	August 14, 2017	August 21, 2017	0.31
October 25, 2017	November 13, 2017	November 20, 2017	0.31
February 14, 2018	March 5, 2018	March 12, 2018	0.31
April 25, 2018	May 14, 2018	May 21, 2018	0.31
			\$ 14.33

On April 25, 2018, the Board of Directors declared a cash distribution of \$0.31 per share to be paid on May 21, 2018 to stockholders of record as of May 14, 2018. This distribution represents our fifty-first consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$14.33 per share.

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

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

During the three months ended March 31, 2018, we declared a distribution of \$0.31 per share. If we had determined the tax attributes of our distributions year-to-date as of March 31, 2018, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2018 distributions to stockholders will actually be.

We maintain an opt-out dividend reinvestment plan that provides for reinvestment of our distribution on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board of Directors

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authorizes, and we declare a cash distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions.

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

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

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount generally at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year. 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, which consists of ordinary income, from the year ended December 31, 2017 to our stockholders during 2018.

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Critical Accounting Policies

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

Reclassification

Certain balances from prior years have been reclassified in order to conform to the current year presentation.

Valuation of Investments

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

At March 31, 2018, approximately 91.6% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

Refer to Note 2 Summary of Significant Accounting Policies included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement for a discussion of our valuation policies for the three months ended March 31, 2018.

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Income Recognition

See [Changes in Portfolio](#) for a discussion of our income recognition policies and results during the three months ended March 31, 2018. See [Results of Operations](#) for a comparison of investment income for the three months ended March 31, 2018 and 2017.

Stock Based Compensation

We have issued and may, from time to time, issue stock options and restricted stock to employees under our 2004 Equity Incentive Plan and to Board members under our 2006 Equity Incentive Plan prior to its expiration on June 21, 2017. We follow the guidelines set forth under ASC Topic 718, ([Compensation Stock Compensation](#)) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Recent Accounting Pronouncements

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

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

In August 2016, the FASB issued ASU 2016-15, [Statement of Cash Flows \(Topic 230\): Classification of Certain Cash Receipts and Cash Payments](#), which addresses eight specific cash flow issues including, among other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. We have adopted this standard, which did not have a material impact, on our consolidated financial statements and related disclosures for the periods presented.

In October 2016, the SEC adopted new rules and forms and amended other rules to enhance the reporting and disclosure of information by registered investment companies. As part of these changes, the SEC amended Regulation S-X to standardize and enhance disclosures in investment company financial statements. Implementation of the new or amended rules is required for reporting periods ending after August 1, 2017. We have reviewed the requirements and adopted the amendments to Regulation S-X on our consolidated financial statements and related disclosures for the periods presented.

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In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017. We have adopted this standard, which did not have a material impact, on our consolidated financial statements and related disclosures for the periods presented.

Subsequent Events

Distribution Declaration

On April 25, 2018, our Board of Directors declared a cash distribution of \$0.31 per share to be paid on May 21, 2018 to stockholders of record as of May 14, 2018. This distribution represents our fifty-first consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$14.33 per share.

Redemption of 2024 Notes

On February 9, 2018, our Board of Directors approved a redemption of \$100.0 million of outstanding aggregate principal amount of the 2024 Notes, which were redeemed on April 2, 2018.

ATM Equity Program Issuances

Subsequent to March 31, 2018, and as of May 4, 2018, we sold 679,800 shares of common stock for total accumulated net proceeds of approximately \$8.2 million, including \$74,000 of offering expenses, under the Equity Distribution Agreement. As of May 4, 2018, approximately 9.2 million shares remain available for issuance and sale under the Equity Distribution Agreement.

2025 Notes

On April 26, 2018, we issued \$75.0 million in aggregate principal amount of the 2025 Notes. The 2025 Notes were issued pursuant to the 2025 Notes Indenture. The sale of the 2025 Notes generated net proceeds of approximately \$73.0 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions, were approximately \$2.0 million.

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

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

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

The 2025 Notes are listed on the NYSE, and trade on the NYSE under the symbol HCXZ.

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As of May 4, 2018, we held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all.

In addition, subsequent to March 31, 2018, the following companies announced or completed liquidity events:

1. In April 2018, our portfolio company, DocuSign, Inc. completed its initial public offering.
2. In May 2018, our portfolio company RazorGator Inc., an online ticket reselling platform for sports, theater and concert tickets, and vacation packages for sporting events, was acquired by TickPick, an online ticket marketplace to buy, bid on and sell tickets on sports, concerts and other live events. Terms of the transaction were not disclosed.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle fund investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of March 31, 2018, approximately 96.5% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of March 31, 2018, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

Basis Point Change	Interest Income	Interest Expense	Net Income	EPS(1)
25	\$ 3,088	\$	\$ 3,088	\$ 0.04
50	\$ 6,197	\$	\$ 6,197	\$ 0.07
75	\$ 9,394	\$	\$ 9,394	\$ 0.11
100	\$ 12,591	\$	\$ 12,591	\$ 0.15
200	\$ 25,791	\$	\$ 25,791	\$ 0.30
300	\$ 38,578	\$	\$ 38,578	\$ 0.46

(1) Earnings per share impact calculated based on basic weighted average shares outstanding of 84,596.

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 three months ended March 31, 2018 we did not engage in interest rate (or foreign currency) hedging activities.

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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, 2021 Asset-Backed Notes, 2022 Convertible Notes and Credit Facilities that could affect the net increase in net assets resulting from operations, or net income. It also does not assume any repayments from borrowers. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

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

For additional information regarding the interest rate associated with each of our SBA debentures, 2022 Notes, 2024 Notes, 2021 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 in this prospectus supplement.

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Information about our senior securities is shown in the following table for the periods as of December 31, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, and 2008. The information as of December 31, 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, 2017 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 (as of March 31, 2018, unaudited) ⁽⁶⁾			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 (as of March 31, 2018, unaudited) ⁽⁶⁾			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 (as of March 31, 2018, unaudited)	\$ 41,200,000	\$ 39,143	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

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
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 (as of March 31, 2018, unaudited)	\$ 149,000,000	\$ 10,823	N/A
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			
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 (as of March 31, 2018, unaudited)	\$ 183,509,600	\$ 8,788	\$ 1,011
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 (as of March 31, 2018, unaudited)	\$ 33,575,408	\$ 48,032	\$ 1,000
2022 Convertible Notes			
December 31, 2017	\$ 230,000,000	\$ 7,132	\$ 1,028
December 31, 2018 (as of March 31, 2018, unaudited)	\$ 230,000,000	\$ 7,012	\$ 1,015

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
2022 Notes			
December 31, 2017	\$ 150,000,000	\$ 10,935	\$ 1,014
December 31, 2018 (as of March 31, 2018, unaudited)	\$ 150,000,000	\$ 10,751	\$ 1,011
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
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 (as of March 31, 2018, unaudited)	\$ 787,285,008	\$ 2,048	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 SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (5) Issued by HT III, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.
- (6) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
- (7) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 Act because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of March 31, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 238.2% excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.

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MANAGEMENT

On October 25, 2017, the Board of Directors appointed Jorge Titinger and Brad Koenig as directors of the Company. Mr. Titinger's appointment became effective at the time of the 2017 Annual Meeting of Stockholders (the Annual Meeting) and he filled the position vacated by Susanne Lyons who stepped down at the Annual Meeting. His appointment was ratified at the Annual Meeting as a Class I director for a term expiring in 2020. At the time Mr. Titinger joined the Board of Directors, he was appointed to the Compensation Committee and serves as chairman of such committee. Mr. Koenig's Board appointment was effective immediately and he holds office as a Class II director for a term expiring in 2018. He serves on the Audit Committee and Nominating and Corporate Governance Committee. Each of Mr. Titinger, age 56, and Mr. Koenig, age 59, is an independent director within the meaning of Section 303.A2 of the NYSE Listed Company Manual and Section 2(a)(19) of the 1940 Act.

Mr. Koenig brings more than 20 years of technology investment banking experience. Currently, he serves as Founder and CEO of FoodyDirect.com, an online specialty food marketplace. From 2008 to 2011, he was an Advisor at Oak Hill Capital Management, a private equity firm. Previously, Mr. Koenig was at Goldman Sachs as the Head of Global Technology Investment Banking from 1990 to 2005, and the Co-Head of Global Technology, Media and Telecommunications from 2002 to 2005. He started at Goldman Sachs in 1984. Mr. Koenig currently serves as an Independent Director for Theragenics Corporation, a medical device company serving the surgical products and prostate cancer treatment markets, and for NGP/VAN Software, the leading technology provider to political campaigns and non-profit organizations.

Mr. Titinger brings more than 30 years of entrepreneurial and executive experience at privately held technology and semiconductor companies, and will serve on the Company's Compensation Committee as chairman. He currently serves as Principal and Founder of Titinger Consulting, a private consulting and advisory service provider focusing on strategy development and execution, board governance, operational transformations and culture changes. From 2012 to 2016, he was President and Chief Executive Officer of Silicon Graphics, a leader in high performance computing. Previously, Mr. Titinger was president and chief executive officer of Verigy, Inc., a provider of advanced automated test systems to the semiconductor industry. Mr. Titinger is a seasoned industry veteran having served in multiple senior executive roles at FormFactor, Inc., KLA-Tencor Corporation, Applied Materials, InSync Systems, Inc., NeTpower, Inc., MIPS Computer Systems/Silicon Graphics, Inc. and Hewlett-Packard Company. Mr. Titinger currently serves as an Independent Director for Xcerra, a provider of products and services to the semiconductor and electronics manufacturing industry, CalAmp, a pure-play pioneer in the connected vehicle and IoT marketplace and Transtech Glass Investment Ltd., a specialty glass company for the transportation market.

On October 27, 2017, the Company and Mark Harris mutually agreed that Mr. Harris would separate from the Company and end his tenure as Chief Financial Officer and Chief Accounting Officer effective November 2, 2017. Mr. Harris' separation did not result from any disagreements with the Company regarding its operations, policies, practices or any issues regarding financial disclosures, accounting or legal matters.

Effective October 31, 2017, the Board of Directors appointed David Lund, the Company's former Chief Financial Officer, as the Company's Interim Chief Financial Officer and Gerard R. Waldt, Jr., the Company's current Controller, as the Company's Interim Chief Accounting Officer.

Mr. Lund, age 64, has served as Chief Financial Officer and Consultant of White Oak Global Advisors LLC from 2011-2016 where he was Chairman of the Valuation Committee, responsible for financial and tax reporting for various partnerships, managed the audit process for multiple investment vehicles, and involved in fund structuring and operational initiatives. Since 2016, Mr. Lund has been a Partner at Ravix Group Inc., a provider of outsourced accounting, financial consulting, and financial management services.

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Mr. Waldt, age 33, joined the Company in 2016 as Assistant Controller and in 2017 became Corporate Controller. He is responsible for the Company's financial and regulatory reporting, financial planning and analysis, and financial systems design and implementation. Prior to joining the Company, Mr. Waldt served as a Senior Manager in the Financial Services practice of Ernst & Young from 2009-2016 where he developed extensive experience providing audit and advisory services to both publicly-traded and private institutions.

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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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2017 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. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus supplement and accompanying prospectus form a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 202-551-8090. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet website at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	March 31, 2018	December 31, 2017
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,427,863 and \$1,506,454, respectively)	\$ 1,398,640	\$ 1,491,458
Control investments (cost of \$60,992 and \$25,419, respectively)	54,413	19,461
Affiliate investments (cost of \$87,423 and \$87,956, respectively)	30,525	31,295
Total investments in securities, at value (cost of \$1,576,278 and \$1,619,829, respectively)	1,483,578	1,542,214
Cash and cash equivalents	118,228	91,309
Restricted cash	3,632	3,686
Interest receivable	11,087	12,262
Other assets	3,187	5,244
Total assets	\$ 1,619,712	\$ 1,654,715
Liabilities		
Accounts payable and accrued liabilities	\$ 18,789	\$ 26,896
SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) ⁽¹⁾	188,299	188,141
2022 Notes, net (principal of \$150,000 and \$150,000, respectively) ⁽¹⁾	147,698	147,572
2024 Notes, net (principal of \$183,510 and \$183,510, respectively) ⁽¹⁾	179,161	179,001
2021 Asset-Backed Notes, net (principal of \$33,575 and \$49,153, respectively) ⁽¹⁾	33,156	48,650
2022 Convertible Notes, net (principal of \$230,000 and \$230,000, respectively) ⁽¹⁾	223,878	223,488
Total liabilities	\$ 790,981	\$ 813,748
Net assets consist of:		
Common stock, par value	85	85
Capital in excess of par value	916,738	908,501
Unrealized depreciation on investments ⁽²⁾	(94,957)	(79,760)
Accumulated undistributed realized gains (losses) on investments	(25,294)	(20,374)
Undistributed net investment income	32,159	32,515
Total net assets	\$ 828,731	\$ 840,967
Total liabilities and net assets	\$ 1,619,712	\$ 1,654,715
Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized)	85,239	84,424
Net asset value per share	\$ 9.72	\$ 9.96

(1) The Company's SBA Debentures, 2022 Notes, 2024 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 \$2.3 million and \$2.1 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, and estimated taxes payable as of March 31, 2018 and December 31, 2017, respectively.

See notes to consolidated financial statements.

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

(Dollars in thousands)	March 31, 2018	December 31, 2017
Assets		
Restricted Cash	\$ 3,632	\$ 3,686
Total investments in securities, at value (cost of \$117,441 and \$146,208, respectively)	112,826	144,513
Total assets	\$ 116,458	\$ 148,199
Liabilities		
2021 Asset-Backed Notes, net (principal of \$33,575 and \$49,153, respectively) ⁽¹⁾	\$ 33,156	\$ 48,650
Total liabilities	\$ 33,156	\$ 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.

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HERCULES CAPITAL, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Investment income:		
Interest income		
Non-control/Non-affiliate investments	\$ 41,834	\$ 42,345
Control investments	586	514
Affiliate investments	561	2
Total interest income	42,981	42,861
Fee income		
Commitment, facility and loan fee income:		
Non-control/Non-affiliate investments	2,440	2,934
Control investments		5
Affiliate investments	108	
Total commitment, facility and loan fee income	2,548	2,939
One-time fee income:		
Non-control/Non-affiliate investments	3,171	565
Total one-time fee income	3,171	565
Total fee income	5,719	3,504
Total investment income	48,700	46,365
Operating expenses:		
Interest	9,386	9,607
Loan fees	1,175	2,838
General and administrative	4,009	4,064
Employee compensation:		
Compensation and benefits	5,758	5,345
Stock-based compensation	2,309	1,833
Total employee compensation	8,067	7,178
Total operating expenses	22,637	23,687
Net investment income	26,063	22,678
Net realized gain (loss) on investments		
Non-control/Non-affiliate investments	(3,512)	3,288
Control investments	(1,408)	(51)
Total net realized gain (loss) on investments	(4,920)	3,237
Net change in unrealized appreciation (depreciation) on investments		

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Non-control/Non-affiliate investments	(14,340)	(32,155)
Control investments	(620)	213
Affiliate investments	(237)	439
Total net unrealized appreciation (depreciation) on investments	(15,197)	(31,503)
Total net realized and unrealized gain (loss)	(20,117)	(28,266)
Net increase (decrease) in net assets resulting from operations	\$ 5,946	\$ (5,588)
Net investment income before investment gains and losses per common share:		
Basic	\$ 0.31	\$ 0.28
Change in net assets resulting from operations per common share:		
Basic	\$ 0.07	\$ (0.07)
Diluted	\$ 0.07	\$ (0.07)
Weighted average shares outstanding		
Basic	84,596	81,420
Diluted	84,666	81,420
Distributions declared per common share:		
Basic	\$ 0.31	\$ 0.31

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Stock		Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Undistributed Realized Gains (Losses) on Investments	Undistributed Net Investment Income	Net Assets
	Shares	Par Value					
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				(31,503)	3,237	22,678	(5,588)
Public offering, net of offering expenses	3,309	3	46,945				46,948
Issuance of common stock due to stock option exercises	24		181				181
Retired shares from net issuance	(16)		(140)				(140)
Issuance of common stock under restricted stock plan	4						
Retired shares for restricted stock vesting	(101)		(1,433)				(1,433)
Distributions reinvested in common stock	26		388				388
Issuance of Convertible Notes			3,413				3,413
Distributions						(25,667)	(25,667)
Stock-based compensation ⁽¹⁾			1,850				1,850
Balance at March 31, 2017	82,801	\$ 83	\$ 890,861	\$ (120,528)	\$ 17,551	\$ 19,929	\$ 807,896
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				(15,197)	(4,920)	26,063	5,946
Public offering, net of offering expenses	478		5,952				5,952
Issuance of common stock due to stock option exercises	38		432				432
Retired shares from net issuance	(36)		(446)				(446)
Issuance of common stock under restricted stock plan	336						
Retired shares for restricted stock vesting	(36)		(446)				(446)
Distributions reinvested in common stock	35		426				426
Distributions						(26,419)	(26,419)
Stock-based compensation ⁽¹⁾			2,319				2,319
Balance at March 31, 2018	85,239	\$ 85	\$ 916,738	\$ (94,957)	\$ (25,294)	\$ 32,159	\$ 828,731

(1) Stock-based compensation includes \$10 and \$17 of restricted stock and option expense related to director compensation for the three months ended March 31, 2018 and 2017, respectively.

See notes to consolidated financial statements.

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	For the Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 5,946	\$ (5,588)
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(236,285)	(153,665)
Principal and fee payments received on investments	280,181	141,798
Proceeds from the sale of investments	1,582	11,995
Net unrealized depreciation (appreciation) on investments	15,197	31,503
Net realized loss (gain) on investments	4,920	(3,237)
Accretion of paid-in-kind principal	(2,507)	(2,199)
Accretion of loan discounts	(763)	(1,924)
Accretion of loan discount on Convertible Notes	168	112
Accretion of loan exit fees	(4,407)	(6,574)
Change in deferred loan origination revenue	631	284
Unearned fees related to unfunded commitments	321	976
Amortization of debt fees and issuance costs	840	2,508
Depreciation	46	52
Stock-based compensation and amortization of restricted stock grants ⁽¹⁾	2,319	1,850
Change in operating assets and liabilities:		
Interest and fees receivable	1,175	130
Prepaid expenses and other assets	1,870	(1,061)
Accounts payable	(194)	1
Accrued liabilities	(8,025)	(5,255)
Net cash provided by (used in) operating activities	63,015	11,706
Cash flows from investing activities:		
Purchases of capital equipment	(72)	(39)
Net cash provided by (used in) investing activities	(72)	(39)
Cash flows from financing activities:		
Issuance of common stock, net	5,952	46,948
Retirement of employee shares	(460)	(1,392)
Distributions paid	(25,993)	(25,279)
Issuance of 2022 Convertible Notes		230,000
Issuance of 2024 Notes		5,637
Repayments of 2019 Notes		(110,365)
Repayments of 2021 Asset-Backed Notes	(15,577)	(7,794)
Borrowings of credit facilities		8,497
Repayments of credit facilities		(13,513)
Cash paid for debt issuance costs		(4,456)
Fees paid for credit facilities and debentures		(252)
Net cash provided by (used in) financing activities	(36,078)	128,031
Net increase (decrease) in cash, cash equivalents and restricted cash	26,865	139,698
Cash, cash equivalents and restricted cash at beginning of period	94,995	21,366

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Cash, cash equivalents and restricted cash at end of period	\$ 121,860	\$ 161,064
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Supplemental non-cash investing and financing activities:

Distributions reinvested	426	388
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- (1) Stock-based compensation includes \$10 and \$17 of restricted stock and option expense related to director compensation for the three months ended March 31, 2018 and 2017, respectively.

See notes to consolidated financial statements.

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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 Three Months Ended March 31,	
	2018	2017
Cash and cash equivalents	\$ 118,228	\$ 148,140
Restricted cash	3,632	12,924
Total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows	\$ 121,860	\$ 161,064

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.

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HERCULES CAPITAL, INC.

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March 31, 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							
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	\$ 5,135	\$ 5,151
Subtotal: 1-5 Years Maturity						5,135	5,151
Subtotal: Biotechnology Tools (0.62%)*						5,135	5,151
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							
Gadget Guard (p.k.a. Antenna79) ⁽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							
Gadget Guard (p.k.a. Antenna79) ⁽¹⁵⁾	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 7.45%			
				or Floor rate of 10.95%, 2.95% Exit Fee	\$ 18,043	18,245	18,133
Subtotal: 1-5 Years Maturity						18,245	18,133
Subtotal: Consumer & Business Products (2.31%)*						19,245	19,133

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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	9,802	9,802
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Subtotal: 1-5 Years Maturity						9,802	9,802
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Subtotal: Diversified Financial Services (1.18%)*						9,802	9,802
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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	\$ 9,272	9,746	9,747

Pulmatrix Inc. ⁽⁹⁾⁽¹¹⁾	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%			
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				or Floor rate of 9.50%, 3.50% Exit Fee	\$ 2,540	2,764	2,764
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ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽¹¹⁾	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%			
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				or Floor rate of 7.95%, 2.87% Exit Fee	\$ 4,789	5,108	5,108
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Subtotal: Under 1 Year Maturity						17,618	17,619
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1-5 Years Maturity

AcelRx Pharmaceuticals, Inc. ⁽¹⁰⁾⁽¹¹⁾⁽¹⁵⁾	Drug Delivery	Senior Secured	March 2020	Interest rate PRIME + 6.05%			
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				or Floor rate of 9.55%, 11.69% Exit Fee	\$ 16,791	17,275	17,199
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Antares Pharma Inc. ⁽¹⁰⁾⁽¹⁵⁾	Drug Delivery	Senior Secured	July 2022	Interest rate PRIME + 4.50%			
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				or Floor rate of 9.25%, 4.25% Exit Fee	\$ 25,000	25,079	24,970
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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 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⁾
Edge Therapeutics, Inc. ⁽¹²⁾	Drug Delivery	Senior Secured	August 2020	Interest rate PRIME + 4.65%			
				or Floor rate of 9.15%, 4.95% Exit Fee	\$ 20,000	\$ 20,401	\$ 20,167
Subtotal: 1-5 Years Maturity						62,755	62,336
Subtotal: Drug Delivery (9.65%)*						80,373	79,955
Drug Discovery & Development							
Under 1 Year Maturity							
CyRx 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	\$ 8,946	10,393	10,393
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	\$ 2,277	2,561	
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	\$ 13,316	14,005	14,005
Subtotal: Under 1 Year Maturity						26,959	24,398
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	\$ 8,836	9,199	9,204
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	9,936	9,818
	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70%			
				or Floor rate of 9.45%, 3.00% Exit Fee	\$ 10,000	9,990	9,948
Total Aveo Pharmaceuticals, Inc.					\$ 20,000	19,926	19,766
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	53,783	53,670
Brickell Biotech, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70%			
				or Floor rate of 9.20%, 7.49% Exit Fee	\$ 5,834	6,178	6,166

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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	4,973	4,973
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	34,682	34,682
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	\$ 25,648	25,923	25,793
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	14,711	14,711
Myovant Sciences, Ltd. ⁽⁵⁾⁽¹⁰⁾⁽¹³⁾	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 4.00%			
				or Floor rate of 8.25%, 6.55% Exit Fee	\$ 40,000	39,445	39,444
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	40,347	39,931
				Interest rate PRIME + 2.75%			
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75%			
				or Floor rate of 8.50%, 4.50% Exit Fee	\$ 10,000	10,094	9,984

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CONSOLIDATED SCHEDULE OF INVESTMENTS

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(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	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 2.25% Exit Fee	\$ 10,000	\$ 9,996	\$ 9,904
Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					\$ 60,000	60,437	59,819
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	19,910	19,672
Tricida, Inc. ⁽¹⁵⁾	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 3.35% or Floor rate of 8.35%, 11.14% Exit Fee	\$ 25,000	24,607	24,607
uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee	\$ 20,000	20,668	20,579
Verastem, Inc. ⁽¹²⁾	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,980	4,942
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	5,016	4,978
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,978	4,939
Total Verastem, Inc.					\$ 15,000	14,974	14,859
Subtotal: 1-5 Years Maturity						349,416	347,945
Subtotal: Drug Discovery & Development (44.93%)*						376,375	372,343
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	10,061	9,864
Glo AB ⁽⁵⁾⁽¹⁰⁾⁽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	\$ 12,030	11,933	11,933

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Subtotal: 1-5 Years Maturity 21,994 21,797

Subtotal: Electronics & Computer Hardware (2.63%)* 21,994 21,797

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%	\$ 17,685	17,536	17,536
	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%,			
				PIK Interest 1.75%	\$ 5,031	4,990	4,990
Total Medsphere Systems Corporation					\$ 22,716	22,526	22,526
Oak Street Health ⁽¹²⁾⁽¹⁷⁾	Healthcare Services, Other	Senior Secured	September 2021	Interest rate PRIME + 5.00%			
				or Floor rate of 9.75%, 5.95% Exit Fee	\$ 20,000	20,083	19,836
PH Group Holdings ⁽¹³⁾	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45%			
				or Floor rate of 10.95%	\$ 20,000	19,896	19,703

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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(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⁾
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	\$ 10,000	\$ 9,934	\$ 9,794
Total PH Group Holdings					\$ 30,000	29,830	29,497
Subtotal: 1-5 Years Maturity						72,439	71,859
Subtotal: Healthcare Services, Other (8.67%)*						72,439	71,859
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%	\$ 15,100	14,702	14,410
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	\$ 9,096	8,855	8,815
Subtotal: 1-5 Years Maturity						23,557	23,225
Subtotal: Information Services (2.80%)*						23,557	23,225
Internet Consumer & Business Services							
Under 1 Year Maturity							
The Faction Group	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%	\$ 2,000	2,000	2,000
Subtotal: Under 1 Year Maturity						2,000	2,000
1-5 Years Maturity							
AppDirect, Inc. ⁽¹⁹⁾	Internet Consumer & Business	Senior Secured	January 2022	Interest rate PRIME + 5.70%	\$ 10,000	9,918	9,918

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	Services			or Floor rate of 9.95%, 3.45% Exit Fee			
Aria Systems, Inc. ⁽¹¹⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20%			
				or Floor rate of 6.95%,			
				PIK Interest 1.95%, 1.75% Exit Fee	\$ 2,113	2,124	1,240
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20%			
				or Floor rate of 8.95%,			
				PIK Interest 1.95%, 1.75% Exit Fee	\$ 18,924	19,019	11,108
Total Aria Systems, Inc.					\$ 21,037	21,143	12,348
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	\$ 10,000	9,812	9,812
Greenphire Inc. ⁽¹⁷⁾	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00%			
				or Floor rate of 9.00%	\$ 3,658	3,658	3,658
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75%			
				or Floor rate of 7.00%	\$ 1,500	1,500	1,500
Total Greenphire Inc.					\$ 5,158	5,158	5,158
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	\$ 5,063	5,053	5,056
	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	\$ 2,032	2,014	2,014

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(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	Senior Secured	May 2019	Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.50%, 2.00% Exit Fee	\$ 2,034	\$ 2,016	\$ 2,016
Total Intent Media, Inc. 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	\$ 9,129	9,083	9,086
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	\$ 25,000	25,032	25,032
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	\$ 41,223	41,010	41,166
Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$ 20,450	20,450	17,095
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	\$ 10,680	240	
Total Tectura Corporation					\$ 31,130	20,690	17,095
The Faction Group	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25% or Floor rate of 10.25%	\$ 8,000	8,000	8,000
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%	\$ 22,406	22,191	22,191
Subtotal: 1-5 Years Maturity						177,972	165,739
Subtotal: Internet Consumer & Business Services (20.24%)*						179,972	167,739

Media/Content/Info

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1-5 Years Maturity

Bustle ⁽¹⁴⁾⁽¹⁵⁾	Media/Content/Info	Senior Secured	June 2021	Interest rate PRIME + 4.10%	\$ 15,089	15,032	15,032
				or Floor rate of 8.35%,			
				PIK Interest 1.95%, 1.95% Exit Fee			
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	20,072	19,941
	Media/Content/Info	Convertible Debt	September 2020	PIK Interest 25.00%	\$ 1,000	1,000	1,000
Total FanDuel, Inc.					\$ 20,354	21,072	20,941
Subtotal: 1-5 Years Maturity						36,104	35,973
Subtotal: Media/Content/Info (4.34%)*						36,104	35,973

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% Exit Fee	\$ 1,793	2,148	839

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
Quanterix Corporation ⁽¹¹⁾	Medical Devices & Equipment	Senior Secured	March 2019	Interest rate PRIME + 2.75% or Floor rate of 8.00%, 4.00% Exit Fee	\$ 8,591	\$ 8,569	\$ 8,569
Subtotal: Under 1 Year Maturity						10,717	9,408
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	17,132	17,132
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	\$ 4,715	5,030	4,981
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	\$ 8,848	9,220	9,150
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	7,988	7,979
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	5,004	4,989
Subtotal: 1-5 Years Maturity						44,374	44,231
Subtotal: Medical Devices & Equipment (6.47%)*						55,091	53,639
Software							
Under 1 Year Maturity							
Clickfox, Inc. ⁽¹³⁾	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.50%, 12.01% Exit Fee	\$ 2,592	4,012	4,012
Digital Train Limited ⁽¹⁵⁾	Software	Unsecured	July 2018	Interest rate 12-month LIBOR + 2.50%	\$ 5,671	5,671	4,073

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Subtotal: Under 1 Year Maturity					9,683	8,085	
1-5 Years Maturity							
Banker's Toolbox, Irle ⁽⁸⁾	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.94%			
				or Floor rate of 8.94%	\$ 16,500	16,139	16,139
Clarabridge, Inc. ⁽¹²⁾⁽¹⁴⁾	Software	Senior Secured	April 2021	Interest rate PRIME + 4.80%			
				or Floor rate of 8.55%, PIK Interest 3.25%	\$ 41,226	41,205	41,164
Emma, Inc.	Software	Senior Secured	September 2022	Interest rate daily LIBOR + 7.75%			
				or Floor rate of 8.75%	\$ 50,000	48,629	47,785
Evernote Corporation ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾⁽¹⁹⁾	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 6,000	5,976	6,065
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00%			
				or Floor rate of 9.50%, PIK Interest 1.25%	\$ 4,035	4,013	3,988
Total Evernote Corporation					\$ 10,035	9,989	10,053
Fuze, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾⁽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	\$ 50,528	50,776	50,413
Impact Radius Holdings, Inc. ⁽¹⁴⁾⁽¹⁷⁾	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25%			
				or Floor rate of 8.75%, PIK Interest 1.55%, 1.75%			
				Exit Fee	\$ 10,073	10,091	9,945

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor⁽²⁾	Principal Amount	Cost⁽³⁾	Value⁽⁴⁾
Insurance Technologies Corp. ⁽¹⁷⁾	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.75%			
				or Floor rate of 8.75%	\$ 12,500	\$ 12,250	\$ 12,250
Lightbend, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	August 2021	Interest rate PRIME + 4.25%			
				or Floor rate of 8.50%, PIK Interest 2.00%	\$ 11,009	10,806	10,806
Lithium Technologies, Inc. ⁽¹⁷⁾	Software	Senior Secured	October 2022	Interest rate 1-month LIBOR + 8.00%			
				or Floor rate of 9.00%	\$ 12,000	11,751	11,751
Microsystems Holding Company, LLC ⁽¹⁹⁾	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.25%			
				or Floor rate of 9.25%	\$ 12,000	11,829	11,829
OneLogin, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%, PIK Interest 3.25%	\$ 16,012	15,953	16,113
PerfectServe, Inc.	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00%			
				or Floor rate of 10.00%, 2.50% Exit Fee	\$ 16,000	16,057	16,057
	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00%			
				or Floor rate of 10.00%, 2.50% Exit Fee	\$ 4,000	4,013	4,013
Total PerfectServe, Inc.					\$ 20,000	20,070	20,070
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	7,023	7,000
Poplicus, Inc. ⁽⁸⁾⁽¹⁴⁾	Software	Senior Secured	May 2022	Interest rate FIXED 6.00%,			
				PIK Interest 3.00%	\$ 1,250	1,250	
Quid, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75%	\$ 8,350	8,480	8,494
				or Floor rate of 8.25%,			

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RapidMiner, Inc. ⁽¹⁴⁾	Software	Senior Secured	December 2020	PIK Interest 2.25%, 3.00% Exit Fee Interest rate PRIME + 5.50%			
Regent Education ⁽¹⁴⁾	Software	Senior Secured	January 2021	or Floor rate of 9.75%, PIK Interest 1.65% Interest rate FIXED 10.00%,	\$ 7,030	7,004	7,004
Signpost, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2020	PIK Interest 2.00%, 6.35% Exit Fee Interest rate PRIME + 4.15%	\$ 3,302	3,316	3,316
Vela Trading Technologies ⁽¹⁸⁾	Software	Senior Secured	July 2022	or Floor rate of 8.15%, PIK Interest 1.75%, 3.75% Exit Fee Interest rate daily LIBOR + 9.50%	\$ 15,578	15,742	15,612
Wrike, Inc. ⁽¹⁴⁾⁽¹⁷⁾⁽¹⁹⁾	Software	Senior Secured	February 2021	or Floor rate of 10.50% Interest rate PRIME + 6.00%	\$ 20,000	19,518	19,143
ZocDoc ⁽¹⁹⁾	Software	Senior Secured	April 2021	or Floor rate of 9.50%, PIK Interest 2.00%, 3.00% Exit Fee Interest rate 3-month LIBOR + 9.50%	\$ 10,215	10,062	10,043
				or Floor rate of 10.50%, 1.00% Exit Fee	\$ 20,000	20,026	20,026

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
	Software	Senior Secured	November 2021	Interest rate 3-month LIBOR + 9.50%			
				or Floor rate of 10.50%, 1.00% Exit Fee	\$ 10,000	\$ 10,012	\$ 10,012
Total ZocDoc					\$ 30,000	30,038	30,038
Subtotal: 1-5 Years Maturity						361,921	358,968
Subtotal: Software (44.29%)*						371,604	367,053
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. ⁽¹³⁾	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 5.30%			
				or Floor rate of 9.55%, 6.70% Exit Fee	\$ 7,608	7,927	7,912
Subtotal: 1-5 Years Maturity						7,927	7,912
Subtotal: Surgical Devices (0.95%)*						7,927	7,912
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Senior Secured	October 2018	Interest rate 3-month LIBOR + 7.75%			
				or Floor rate of 8.75%, 3.23% Exit Fee	\$ 2,707	2,739	2,739
Rive Technology, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20%			
				or Floor rate of 9.45%, 4.00% Exit Fee	\$ 3,318	3,583	3,583
Subtotal: Under 1 Year Maturity						6,322	6,322
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	\$ 17,576	17,630	17,630
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	12,827	12,824
	Sustainable and Renewable Technology	Senior Secured	April 2020	Interest rate PRIME + 5.40%	\$ 11,909	13,452	13,452

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Technology			or Floor rate of 9.90%, 8.50% Exit Fee					
Total FuelCell Energy, Inc.						\$ 25,000	26,279	26,276
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Sustainable and Renewable Technology	Senior Secured	August 2019	Interest rate PRIME + 8.70%				
				or Floor rate of 12.95%, 4.50% Exit Fee	\$ 12,000	11,770	11,683	
Metalysis Limited ⁽⁵⁾⁽¹⁰⁾	Sustainable and Renewable Technology	Senior Secured	March 2021	Interest rate PRIME + 5.00%				
				or Floor rate of 9.25%, 6.95% Exit Fee	\$ 7,500	7,418	7,418	
Proterra, Inc. ⁽¹¹⁾⁽¹⁴⁾⁽¹⁷⁾	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	\$ 25,146	26,185	26,197	
	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	\$ 5,029	5,224	5,219	
Total Proterra, Inc.						\$ 30,175	31,409	31,416
Subtotal: 1-5 Years Maturity							94,506	94,423
Subtotal: Sustainable and Renewable Technology (12.16%)*							100,828	100,745
Total: Debt Investments (161.25%)*							1,368,674	1,336,326

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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	117
GlowPoint, Inc. ⁽⁴⁾	Communications & Networking	Equity	Common Stock	114,192	102	25
Peerless Network Holdings, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	6,060
Subtotal: Communications & Networking (0.75%)*					4,202	6,202
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	911
Subtotal: Diagnostic (0.11%)*					750	911
Diversified Financial Services						
Gibraltar Business Capital, LLC ⁽⁷⁾	Diversified Financial Services	Equity	Preferred Series A	10,602,752	25,538	25,538
	Diversified Financial Services	Equity	Common Stock	830,000	1,861	1,861
Total Gibraltar Business Capital, LLC				11,432,752	27,399	27,399
Subtotal: Diversified Financial Services (3.31%)*					27,399	27,399
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾	Drug Delivery	Equity	Common Stock	54,240	108	114
BioQ Pharma Incorporated ⁽¹⁵⁾	Drug Delivery	Equity	Preferred Series D	165,000	500	891
Edge Therapeutics, Inc. ⁽⁴⁾	Drug Delivery	Equity	Common Stock	49,965	309	59
Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Delivery	Equity	Common Stock	125,000	1,500	1,038
Subtotal: Drug Delivery (0.25%)*					2,417	2,102
Drug Discovery & Development						
Aveo Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾		Equity	Common Stock	1,901,791	1,715	5,558

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	Drug Discovery & Development					
Axovant Sciences Ltd. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Equity	Common Stock	129,827	1,269	172
Cerecor, Inc. ⁽⁴⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	511
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) ⁽⁴⁾	Drug Discovery & Development	Equity	Common Stock	13,550	1,000	11
Dicerna Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,365
Dynavax Technologies ⁽⁴⁾⁽¹⁰⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	398
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	235
Insmed, Incorporated ⁽⁴⁾	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	1,230
Melinta Therapeutics ⁽⁴⁾	Drug Discovery & Development	Equity	Common Stock	51,821	2,000	384
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽⁴⁾	Drug Discovery & Development	Equity	Common Stock	76,362	2,744	992

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
Rocket Pharmaceuticals, Ltd (p.k.a. Inotek Pharmaceuticals Corporation) ⁽⁴⁾	Drug Discovery & Development	Equity	Common Stock	944	\$ 1,500	\$ 18
Subtotal: Drug Discovery & Development (1.31%)*					16,778	10,874
Electronics & Computer Hardware						
Identiv, Inc. ⁽⁴⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	25
Subtotal: Electronics & Computer Hardware (0.00%)*					34	25
Information Services						
DocuSign, Inc.	Information Services	Equity	Common Stock	385,000	6,081	8,379
Subtotal: Information Services (1.01%)*					6,081	8,379
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	80
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	257
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	235
Total Lightspeed POS, Inc.				428,707	500	492
OfferUp, Inc.	Internet Consumer & Business Services	Equity	Preferred Series A	286,080	1,663	1,889
	Internet Consumer & Business Services	Equity	Preferred Series A-1	108,710	632	718
Total OfferUp, Inc.				394,790	2,295	2,607
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	416
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	233
Total Oportun (p.k.a. Progress Financial)				306,153	500	649
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	
Tectura Corporation ⁽⁷⁾		Equity		1,000,000		

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	Internet Consumer & Business Services		Preferred Series BB			
Subtotal: Internet Consumer & Business Services (0.46%)*				3,578	3,828	
Media/Content/Info						
Pinterest, Inc.	Media/Content/Info	Equity	Preferred Series Seed	620,000	4,085	4,389
Subtotal: Media/Content/Info (0.53%)*				4,085	4,389	
Medical Devices & Equipment						
AtriCure, Inc. ⁽⁴⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	266	155
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		996
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	1,056
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	1,009
Total Gelesis, Inc.				581,038	925	3,061

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽³⁾	Value ⁽⁴⁾
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	\$ 250	\$ 209
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	171
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	442
Total Medrobotics Corporation				374,703	905	822
Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	345
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	100
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	3,193
	Medical Devices & Equipment	Equity	Preferred Series E	31,199,131	2,609	2,618
Total Optiscan Biomedical, Corp.				94,415,930	11,521	6,256
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	667
Quanterix Corporation ⁽⁴⁾	Medical Devices & Equipment	Equity	Common Stock	84,778	1,000	1,445
Subtotal: Medical Devices & Equipment (1.50%)*					16,644	12,406
Software						
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	87
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,073
	Software	Equity	Preferred Series 3	93,620	300	313
Total Druva, Inc.				552,461	1,300	1,386
ForeScout Technologies, Inc. ⁽⁴⁾	Software	Equity	Common Stock	199,842	529	6,483
HighRoads, Inc.	Software	Equity	Common Stock	190	307	
NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾	Software	Equity	Preferred Series E	669,173	963	1,392
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	3,752
WildTangent, Inc. ⁽¹⁵⁾	Software	Equity	Preferred Series 3	100,000	402	172
Subtotal: Software (2.46%)*					14,943	20,406

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Surgical Devices						
Gynesonics, Inc. ⁽¹⁵⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	48
	Surgical Devices	Equity	Preferred Series C	656,538	282	65
	Surgical Devices	Equity	Preferred Series D	1,991,157	711	822
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	542
Total Gynesonics, Inc.				5,653,360	1,672	1,477
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	427
	Surgical Devices	Equity	Preferred Series C	119,999	300	340
	Surgical Devices	Equity	Preferred Series D	260,000	650	1,071
	Surgical Devices	Equity	Preferred Series F	100,200	500	561
Total Transmedics, Inc.				569,160	2,550	2,399
Subtotal: Surgical Devices (0.47%)*					4,222	3,876
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

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽³⁾	Value ⁽⁴⁾
Proterra, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 5	99,280	\$ 500	\$ 527
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾	Sustainable and Renewable Technology	Equity	Common Stock	288	61,502	12,315
Subtotal: Sustainable and Renewable Technology (1.59%)*					63,263	13,202
Total: Equity Investments (13.76%)*					164,896	113,999
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc. ⁽¹⁵⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	494
Subtotal: Biotechnology Tools (0.06%)*					323	494
Communications & Networking						
Peerless Network Holdings, Inc.	Communications & Networking	Warrant	Common Stock	3,328		16
	Communications & Networking	Warrant	Preferred Series A	135,000	95	550
Total Peerless Network Holdings, Inc.				138,328	95	566
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Common Stock	2,834,375	417	
Subtotal: Communications & Networking (0.07%)*					512	566
Consumer & Business Products						
Gadget Guard (p.k.a Antenna79) ⁽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	233
The Neat Company ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.03%)*					823	233
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	176,730	786	66
Agile Therapeutics, Inc. ⁽⁴⁾	Drug Delivery	Warrant	Common Stock	180,274	730	44

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BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	1,155
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	25
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,076
Neos Therapeutics, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	70,833	285	71
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 (0.29%)*					3,670	2,437

Drug Discovery & Development

ADMA Biologics, Inc. ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	295	31
Audentes Therapeutics, Inc. ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	9,914	62	142
Auris Medical Holding, AG ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Common Stock	15,672	249	2
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	65
Cerecor, Inc. ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	25
Chroma Therapeutics, Ltd. ⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
Cleveland BioLabs, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	\$ 105	\$ 1
Concert Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	132,069	545	1,091
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	48
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	
Evoform Biosciences, Inc (p.k.a Neothetics, Inc.) ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	7,806	266	28
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	43
Genocea Biosciences, Inc. ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	3
Immune Pharmaceuticals ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	10,742	164	
Melinta Therapeutics ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	40,545	626	1
Motif BioSciences Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	73,452	282	254
Myovant Sciences, Ltd. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Common Stock	73,710	460	831
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	82
Savara Inc. (p.k.a. Mast Therapeutics, Inc.) ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	32,467	203	93
Sorrento Therapeutics, Inc. ⁽⁴⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Common Stock	306,748	889	704
Stealth Bio Therapeutics Corp. ⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Preferred Series A	650,000	158	150
Tricida, Inc. ⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	212,765	223	217
uniQure B.V. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	218	334
XOMA Corporation ⁽⁴⁾⁽¹⁰⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	9,063	279	9

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Subtotal: Drug Discovery & Development (0.50%)*				8,202	4,154	
Electronics & Computer Hardware						
908 DEVICES INC. ⁽¹⁵⁾	Electronics & Computer Hardware	Warrant	Preferred Series D	79,856	100	84
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Subtotal: Electronics & Computer Hardware (0.01%)*				112	84	
Healthcare Services, Other						
Chromadex Corporation ⁽⁴⁾⁽¹⁵⁾	Healthcare Services, Other	Warrant	Common Stock	139,673	157	182
Subtotal: Healthcare Services, Other (0.02%)*				157	182	

See notes to consolidated financial statements.

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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		Preferred Series C-1	898,134	49	34
MDX Medical, Inc. ⁽¹⁵⁾	Information Services	Warrant	Common Stock	2,812,500	283	185
Netbase Solutions, Inc.	Information Services	Warrant	Preferred Series 1	60,000	356	373
RichRelevance, Inc. ⁽¹⁵⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.07%)*					868	592
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	66
Blurb, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	27
ClearObject, Inc. (p.k.a. CloudOne, Inc.)	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	211
Faction Holdings, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A	8,703	234	437
Intent Media, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Common Stock	140,077	168	200
Interactions Corporation	Internet Consumer & Business Services	Warrant	Preferred Series G-3	68,187	204	413
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,812
Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	99
LogicSource ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	28
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	192
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	1,406
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	15
TraceLink, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A-2	283,353	1,833	2,029
Subtotal: Internet Consumer & Business Services (0.84%)*					6,108	6,935
Media/Content/Info						

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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.	Media/Content/Info	Warrant	Common Stock	1,552,710	1,958	3,242
Rhapsody International, Inc. ⁽¹⁵⁾	Media/Content/Info	Warrant	Common Stock	715,755	385	37
WP Technology, Inc. (Wattpad, Inc.) ⁽⁵⁾⁽¹⁰⁾	Media/Content/Info	Warrant	Common Stock	255,818	4	24
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	29
Subtotal: Media/Content/Info (0.63%)*					3,425	5,207
Medical Devices & Equipment						
Amedica Corporation ⁽⁴⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	8,603	459	
Aspire Bariatrics, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series B-1	112,858	455	
Avedro, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	300

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
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	248
InspireMD, Inc. ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾	Medical Devices & Equipment	Warrant	Common Stock	1,124	242	
Intuity Medical, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series 4	1,819,078	294	394
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	264
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	154
NetBio, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	7,841	408	43
NinePoint Medical, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	104
Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series E	10,535,275	1,252	271
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	532
Quanterix Corporation ⁽⁴⁾	Medical Devices & Equipment	Warrant	Common Stock	66,039	204	326
Sebacia, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series D	778,301	133	159
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	128
ViewRay, Inc. ⁽⁴⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	206
Subtotal: Medical Devices & Equipment (0.38%)*					6,476	3,129
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁵⁾	Semiconductors	Warrant	Preferred Series C	360,000	160	434
	Semiconductors	Warrant	Preferred Series D-2	750,000	99	648
Total Achronix Semiconductor Corporation				1,110,000	259	1,082
Aquantia Corp. ⁽⁴⁾	Semiconductors	Warrant	Common Stock	19,683	4	41
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	46	219
Subtotal: Semiconductors (0.16%)*					309	1,342

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Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	65
	Software	Warrant	Preferred Series F	31,673	343	79
Total Actifio, Inc.				105,257	592	144
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁵⁾	Software	Warrant	Preferred Series B	413,433	258	44
Clickfox, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series B	1,038,563	330	35
	Software	Warrant	Preferred Series C	592,019	730	38
	Software	Warrant	Preferred Series C-A	2,218,214	230	1,441
Total Clickfox, Inc.				3,848,796	1,290	1,514
DNAxexus, Inc.	Software	Warrant	Preferred Series C	909,091	97	62
Evernote Corporation ⁽¹⁵⁾	Software	Warrant	Common Stock	62,500	106	218
Fuze, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series F	256,158	89	5
Lightbend, Inc. ⁽¹⁵⁾	Software		Preferred Series			
		Warrant	C-1	391,778	79	75
Mattersight Corporation ⁽⁴⁾	Software	Warrant	Common Stock	357,143	538	88

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
Message Systems, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	503,718	\$ 334	\$ 464
Mobile Posse, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	396,430	130	155
Neos, Inc. ⁽¹⁵⁾	Software	Warrant	Common Stock	221,150	22	
NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾	Software	Warrant	Preferred Series E	225,586	33	142
OneLogin, Inc. ⁽¹⁵⁾	Software	Warrant	Common Stock	228,972	150	172
PerfectServe, Inc.	Software	Warrant	Preferred Series C	129,073	720	1,089
Poplicus, Inc.	Software	Warrant	Common Stock	132,168		
Quid, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series D	71,576	1	6
RapidMiner, Inc.	Software		Preferred Series			
		Warrant	C-1	4,982	24	32
RedSeal Inc. ⁽¹⁵⁾	Software		Preferred Series			
		Warrant	C-Prime	640,603	66	38
Signpost, Inc.	Software	Warrant	Preferred Series C	324,005	314	108
Wrike, Inc.	Software	Warrant	Common Stock	698,760	462	1,273
Subtotal: Software (0.68%)*					5,493	5,629
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽⁴⁾	Specialty Pharmaceuticals	Warrant	Common Stock	1,717,709	861	256
Subtotal: Specialty Pharmaceuticals (0.03%)*					861	256
Surgical Devices						
Gynesonics, Inc. ⁽¹⁵⁾	Surgical Devices	Warrant	Preferred Series C	180,480	75	16
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	307
Total Gynesonics, Inc.				1,756,445	395	323
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	16
	Surgical Devices	Warrant	Preferred Series D	175,000	100	474
	Surgical Devices	Warrant	Preferred Series F	50,544	38	62
Total Transmedics, Inc.				265,980	363	552
Subtotal: Surgical Devices (0.11%)*					758	875
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁵⁾	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	41

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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	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	275	457
GreatPoint Energy, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series A	325,000	155	92
	Sustainable and Renewable Technology	Warrant	Preferred Series B	131,883	63	27
Total Kinestral Technologies, Inc.				456,883	218	119

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽³⁾	Value ⁽⁴⁾
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	518
Rive Technology, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	3
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 (0.14%)*					4,611	1,138
Total: Warrant Investments (4.01%)*					42,708	33,253
Total Investments in Securities (179.02%)*					\$ 1,576,278	\$ 1,483,578

* 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 4.75% at March 31, 2018. Daily LIBOR, 1-month LIBOR, 3-month LIBOR and 12-month LIBOR represent 1.70%, 1.88%, 2.31% and 2.66%, respectively, at March 31, 2018.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled \$26.2 million, \$128.1 million and \$101.8 million respectively. The tax cost of investments is \$1.6 billion.

(4) Except for warrants in 41 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at March 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 March 31, 2018, and is therefore considered non-income producing. Note that at March 31, 2018, only the \$10.7 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.

(9) Denotes that all or a portion of the debt investment is convertible debt.

(10) Indicates assets that the Company deems not qualifying assets under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.

(11) 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).

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- (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 II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment companies, or SBIC, subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at March 31, 2018.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at March 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.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

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

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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

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾	
Edge Therapeutics, Inc. ⁽¹²⁾	Drug Delivery	Senior Secured	February 2020	Interest rate PRIME + 4.65%				
				or Floor rate of 9.15%, 4.95% Exit Fee	\$ 20,000	\$ 20,377	\$ 20,331	
Subtotal: 1-5 Years Maturity						64,308	64,164	
Subtotal: Drug Delivery (10.17%)*						85,664	85,520	
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	

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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
Insmmed, 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

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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	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
uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee	\$ 20,000	20,579	20,543
Verastem, Inc. ⁽¹²⁾⁽¹⁷⁾	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,957	4,910
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,996	4,949
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,953	4,907
Total Verastem, Inc.					\$ 15,000	14,906	14,766
Subtotal: 1-5 Years Maturity						346,187	341,679
Subtotal: Drug Discovery & Development (42.00%)*						360,669	353,191
Electronics & Computer Hardware							
1-5 Years Maturity							
908 DEVICES INC. ⁽¹⁵⁾			September 2020	Interest rate PRIME + 4.00%	\$ 10,000	10,014	9,887

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Electronics & Computer Hardware Senior Secured or Floor rate of 8.25%,
4.25% Exit Fee

Subtotal: 1-5 Years Maturity 10,014 9,887

Subtotal: Electronics & Computer Hardware (1.18%)* 10,014 9,887

Healthcare Services, Other

1-5 Years Maturity

Medsphere Systems Corporation ⁽¹⁴⁾⁽¹⁵⁾	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%,			
				PIK Interest 1.75%	\$ 17,607	17,437	17,437

	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	4,963

Total Medsphere Systems Corporation \$ 22,616 22,400 22,400

Oak Street Health ⁽¹²⁾	Healthcare Services, Other	Senior Secured	September 2021	Interest rate PRIME + 5.00%			
				or Floor rate of 9.75%, 5.95% Exit Fee	\$ 20,000	19,965	19,965

PH Group Holdings ⁽¹³⁾	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45%			
				or Floor rate of 10.95%	\$ 20,000	19,878	19,803

	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45%			
				or Floor rate of 10.95%	\$ 10,000	9,922	9,840

Total PH Group Holdings \$ 30,000 29,800 29,643

Subtotal: 1-5 Years Maturity 72,165 72,008

Subtotal: Healthcare Services, Other (8.56%)* 72,165 72,008

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Information Services							
1-5 Years Maturity							
MDX Medical, Inc. ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾	Information Services	Senior Secured	December 2020	Interest rate PRIME + 4.25%			
				or Floor rate of 8.25%,			
				PIK Interest 1.70%	\$ 7,568	\$ 7,369	\$ 7,327
Netbase Solutions, Inc. ⁽¹³⁾⁽¹⁴⁾	Information Services	Senior Secured	August 2020	Interest rate PRIME + 6.00%			
				or Floor rate of 10.00%,			
				PIK Interest 2.00%, 3.00%			
				Exit Fee	\$ 9,051	8,730	8,730
Subtotal: 1-5 Years Maturity						16,099	16,057
Subtotal: Information Services (1.91%)*						16,099	16,057
Internet Consumer & Business Services							
1-5 Years Maturity							
AppDirect, Inc.	Internet Consumer & Business Services	Senior Secured	January 2022	Interest rate PRIME + 5.70%			
				or Floor rate of 9.95%, 3.45%			
				Exit Fee	\$ 10,000	9,885	9,885
Aria Systems, Inc. ⁽¹¹⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20%			
				or Floor rate of 6.95%,			
				PIK Interest 1.95%, 1.50%			
				Exit Fee	\$ 2,103	2,104	1,803
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20%			
				or Floor rate of 8.95%,			
				PIK Interest 1.95%, 1.50%			
				Exit Fee	\$ 18,832	18,839	16,144
Total Aria Systems, Inc.					\$ 20,935	20,943	17,947
Greenphire Inc.	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00%	\$ 3,883	3,883	3,883

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	Internet Consumer & Business Services	Senior Secured	January 2021	or Floor rate of 9.00% Interest rate PRIME + 3.75%			
				or Floor rate of 7.00%	\$ 1,000	1,000	1,000
Total Greenphire Inc.					\$ 4,883	4,883	4,883
Intent Media, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.25%			
				or Floor rate of 8.75%, PIK Interest 1.00%, 2.00% Exit Fee	\$ 5,050	5,011	5,027
	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.50%			
				or Floor rate of 9.00%, PIK Interest 2.35%, 2.00% Exit Fee	\$ 2,020	1,987	1,991
	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.50%			
				or Floor rate of 9.00%, PIK Interest 2.50%, 2.00% Exit Fee	\$ 2,022	1,988	1,992
Total Intent Media, Inc.					\$ 9,092	8,986	9,010
Interactions Corporation	Internet Consumer & Business Services	Senior Secured	March 2021	Interest rate 3-month LIBOR + 8.60%			
				or Floor rate of 9.85%, 1.75% Exit Fee	\$ 25,000	25,013	25,013
LogicSource ⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25%			
				or Floor rate of 9.75%, 5.00% Exit Fee	\$ 6,452	6,701	6,726
Snagajob.com, Inc. ⁽¹³⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.15%			
				or Floor rate of 9.15%, PIK Interest 1.95%, 2.55% Exit Fee	\$ 41,023	40,633	41,036
Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$ 20,298	20,298	19,219
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	\$ 11,015	240	
Total Tectura Corporation					\$ 31,313	20,538	19,219

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The Faction Group	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25%			
				or Floor rate of 10.25%	\$ 8,000	\$ 8,000	\$ 8,000
	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.25%	\$ 2,000	2,000	2,000
Total The Faction Group					\$ 10,000	10,000	10,000
Subtotal: 1-5 Years Maturity						147,582	143,719
Subtotal: Internet Consumer & Business Services (17.09%)*						147,582	143,719
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

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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

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Quanta Fluid Solutions ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05%			
				or Floor rate of 11.55%, 5.00% Exit Fee	\$ 10,117	\$ 10,432	\$ 10,386
Quanterix Corporation ⁽¹¹⁾	Medical Devices & Equipment	Senior Secured	March 2019	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%, 4.00% Exit Fee	\$ 9,043	9,477	9,477
Sebacia, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Senior Secured	July 2020	Interest rate PRIME + 4.35%			
				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
Subtotal: 1-5 Years Maturity						73,843	73,666
Subtotal: Medical Devices & Equipment (9.37%)*						78,946	78,769
Semiconductors							
1-5 Years Maturity							
Achronix Semiconductor Corporation ⁽¹⁵⁾⁽¹⁷⁾	Semiconductors	Senior Secured	August 2020	Interest rate PRIME + 7.00%			
				or Floor rate of 11.00%, 12.50% Exit Fee	\$ 5,000	5,084	5,100
	Semiconductors	Senior Secured	February 2019	Interest rate PRIME + 6.00%			
				or Floor rate of 10.00%	\$ 4,274	4,274	4,273
Total Achronix Semiconductor Corporation					\$ 9,274	9,358	9,373
Subtotal: 1-5 Years Maturity						9,358	9,373
Subtotal: Semiconductors (1.11%)*						9,358	9,373
Software							
Under 1 Year Maturity							

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Clickfox, Inc. ⁽¹³⁾	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00%				
				or Floor rate of 11.50%, 12.01% Exit Fee	\$ 6,378	7,671	7,671	
Digital Train Limited (p.k.a. Jumpstart Games, Inc.) ⁽¹⁵⁾	Software	Senior Secured	July 2018	Interest rate 12-month LIBOR + 2.50%	\$ 5,671	5,671	4,073	
Subtotal: Under 1 Year Maturity						13,342	11,744	
1-5 Years Maturity								
Clarabridge, Inc. ⁽¹²⁾⁽¹⁴⁾	Software	Senior Secured	April 2021	Interest rate PRIME + 4.80%				
				or Floor rate of 8.55%,				
				PIK Interest 3.25%	\$ 40,893	40,870	41,063	
Emma, Inc.	Software	Senior Secured	September 2022	Interest rate daily LIBOR + 7.75%				
				or Floor rate of 8.75%	\$ 50,000	48,565	48,565	
Evernote Corporation ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45%				
				or Floor rate of 8.95%	\$ 6,000	5,974	6,100	
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00%				
				or Floor rate of 9.50%,				
				PIK Interest 1.25%	\$ 4,023	3,999	3,992	
Total Evernote Corporation						\$ 10,023	9,973	10,092
Fuze, Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	July 2021	Interest rate PRIME + 3.70%				
				or Floor rate of 7.95%,				
				PIK Interest 1.55%, 3.55% Exit Fee	\$ 50,332	50,464	50,420	
Impact Radius Holdings, Inc. ⁽¹⁴⁾⁽¹⁷⁾	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25%				
				or Floor rate of 8.75%,				
				PIK Interest 1.55%, 1.75% Exit Fee	\$ 7,544	7,552	7,498	

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		Investment ⁽¹⁾	Maturity Date				
Lithium Technologies, Inc. ⁽¹⁷⁾	Software	Senior Secured	October 2022	Interest rate 1-month LIBOR + 8.00%			
				or Floor rate of 9.00%	\$ 12,000	\$ 11,740	\$ 11,740
Microsystems Holding Company, LLC	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.25%			
				or Floor rate of 9.25%	\$ 12,000	11,821	11,821
OneLogin, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%,			
				PIK Interest 3.25%	\$ 15,883	15,811	16,071
PerfectServe, Inc.	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00%			
				or Floor rate of 10.00%,	\$ 16,000	16,023	16,023
	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00%			
				or Floor rate of 10.00%,	\$ 4,000	4,005	4,005
				2.50% Exit Fee			
Total PerfectServe, Inc.					\$ 20,000	20,028	20,028
Pollen, Inc. ⁽¹⁵⁾	Software	Senior Secured	April 2019	Interest rate PRIME + 4.25%			
				or Floor rate of 8.50%,	\$ 7,000	6,964	6,964
				4.00% Exit Fee			
Poplicus, Inc. ⁽⁸⁾⁽¹⁴⁾	Software	Senior Secured	May 2022	Interest rate FIXED 6.00%,			
				PIK Interest 3.00%	\$ 1,250	1,250	
Quid, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.25%,			
				PIK Interest 2.25%, 3.00%	\$ 8,303	8,397	8,430
				Exit Fee			
RapidMiner, Inc. ⁽¹⁴⁾	Software	Senior Secured	December 2020	Interest rate PRIME + 5.50%	\$ 7,001	6,971	6,971

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				or Floor rate of 9.75%, PIK Interest 1.65%			
Regent Education ⁽¹⁴⁾	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35%			
				Exit Fee	\$ 3,285	3,291	3,291
Signpost, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15%, or Floor rate of 8.15%, PIK Interest 1.75%, 3.75%			
				Exit Fee	\$ 15,510	15,603	15,685
Vela Trading Technologies	Software	Senior Secured	July 2022	Interest rate daily LIBOR + 9.50%, or Floor rate of 10.50%			
				Interest rate PRIME + 6.00%	\$ 20,000	19,495	19,557
Wrike, Inc. ⁽¹⁴⁾⁽¹⁷⁾	Software	Senior Secured	February 2021	Interest rate PRIME + 6.00%, or Floor rate of 9.50%, PIK Interest 2.00%, 3.00%			
				Exit Fee	\$ 10,165	9,971	10,007
ZocDoc	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.50%, or Floor rate of 10.50%, 1.00% Exit Fee	\$ 20,000	20,011	20,011
	Software	Senior Secured	November 2021	Interest rate 3-month LIBOR + 9.50%, or Floor rate of 10.50%, 1.00% Exit Fee	\$ 10,000	10,005	10,005
Total ZocDoc					\$ 30,000	30,016	30,016
Subtotal: 1-5 Years Maturity						318,782	318,219
Subtotal: Software (39.24%)*						332,124	329,963

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Specialty Pharmaceuticals							
Under 1 Year Maturity							
Jaguar Animal Health, Inc. ⁽¹¹⁾	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%			
				or Floor rate of 9.90%, 7.00%			
				Exit Fee	\$ 1,089	\$ 1,496	\$ 1,496
Subtotal: Under 1 Year Maturity						1,496	1,496
1-5 Years Maturity							
Alimera Sciences, Inc. ⁽¹¹⁾⁽¹⁴⁾	Specialty Pharmaceuticals	Senior Secured	November 2020	Interest rate PRIME + 7.50%			
				or Floor rate of 11.00%,			
				PIK Interest 1.00%, 4.00%			
				Exit Fee	\$ 35,398	35,517	35,517
Subtotal: 1-5 Years Maturity						35,517	35,517
Subtotal: Specialty Pharmaceuticals (4.40%)*						37,013	37,013
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. ⁽¹³⁾	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 5.30%			
				or Floor rate of 9.55%, 6.70%			
				Exit Fee	\$ 8,500	8,756	8,757
Subtotal: 1-5 Years Maturity						8,756	8,757
Subtotal: Surgical Devices (1.04%)*						8,756	8,757
Sustainable and Renewable Technology							
Under 1 Year Maturity							
FuelCell Energy, Inc. ⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	October 2018	Interest rate PRIME + 5.50%			
				or Floor rate of 9.50%, 8.50%			
				Exit Fee	\$ 16,806	18,190	18,190
Kinestral Technologies Inc.		Senior Secured	October 2018	Interest rate 3-month LIBOR +	\$ 3,867	3,882	3,882

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	Sustainable and Renewable Technology			7.75% or Floor rate of 8.75%, 3.23% Exit Fee			
Subtotal: Under 1 Year Maturity					22,072	22,072	
1-5 Years Maturity							
ChargePoint Inc.	Sustainable and Renewable Technology	Senior Secured	August 2020	Interest rate 3-month LIBOR + 8.75%			
				or Floor rate of 9.75%, 2.00% Exit Fee	\$ 19,394	19,416	19,416
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) ⁽⁶⁾	Sustainable and Renewable Technology	Senior Secured	August 2019	Interest rate PRIME + 8.70%			
				or Floor rate of 12.95%, 4.50% Exit Fee	\$ 14,000	13,604	13,604
Proterra, Inc. ⁽¹¹⁾⁽¹⁴⁾⁽¹⁷⁾	Sustainable and Renewable Technology	Senior Secured	November 2020	Interest rate PRIME + 3.70%			
				or Floor rate of 7.95%, PIK Interest 1.75%, 5.95% Exit Fee	\$ 25,036	25,997	26,097
	Sustainable and Renewable Technology	Senior Secured	November 2020	Interest rate PRIME + 3.70%			
				or Floor rate of 7.95%, PIK Interest 1.75%, 7.00% Exit Fee	\$ 5,007	5,173	5,190
Total Proterra, Inc.					\$ 30,043	31,170	31,287
Rive Technology, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20%			
				or Floor rate of 9.45%, 4.00% Exit Fee	\$ 4,258	4,498	4,515
Tendril Networks ⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 9.25%, 8.50% Exit Fee	\$ 13,156	13,863	13,845
Subtotal: 1-5 Years Maturity					82,551	82,667	
Subtotal: Sustainable and Renewable Technology (12.45%)*					104,623	104,739	
Total: Debt Investments (168.38%)*					1,440,055	1,415,984	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

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

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	Drug Discovery & Development					
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
Insmmed, 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.

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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⁾		Equity	Common Stock	7,536	266	138

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	Medical Devices & Equipment					
Flownix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series AA	221,893	1,500	
Gelesis, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Common Stock	198,202		879
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	939
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	894
Total Gelesis, Inc.				581,038	925	2,712
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	302
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	225
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	532
Total Medrobotics Corporation				374,703	905	1,059
Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	402

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	\$ 655	\$ 114
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	4,232
	Medical Devices & Equipment	Equity	Preferred Series E	15,638,888	1,307	1,457
Total Optiscan Biomedical, Corp.				78,855,687	10,219	6,205
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	596
Quanterix Corporation ⁽⁴⁾	Medical Devices & Equipment	Equity	Common Stock	84,778	1,000	1,820
Subtotal: Medical Devices & Equipment (1.49%)*					15,342	12,530
Software						
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	90
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,044
	Software	Equity	Preferred Series 3	93,620	300	312
Total Druva, Inc.				552,461	1,300	1,356
ForeScout Technologies, Inc. ⁽⁴⁾	Software	Equity	Common Stock	199,844	529	6,373
HighRoads, Inc.	Software	Equity	Common Stock	190	307	
NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾	Software	Equity	Preferred Series E	669,173	963	1,544
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	4,923
	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

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	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

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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(unaudited)

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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						

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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

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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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
Neotherics, 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⁾		Warrant	Preferred Series D	79,856	100	73

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	Electronics & Computer Hardware					
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
Information Services						
INMOBI Inc. ⁽⁵⁾⁽¹⁰⁾	Information Services	Warrant	Common Stock	65,587	82	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

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

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FanDuel, Inc.	Media/Content/Info	Warrant	Common Stock	15,570		
	Media/Content/Info	Warrant	Preferred Series A	4,648	730	1,875
Total FanDuel, Inc.				20,218	730	1,875
Machine Zone, Inc. ⁽¹⁶⁾	Media/Content/Info	Warrant	Common Stock	1,552,710	1,958	3,743
Rhapsody International, Inc. ⁽¹⁵⁾	Media/Content/Info	Warrant	Common Stock	715,755	385	4
WP Technology, Inc. (Wattpad, Inc.) ⁽⁵⁾⁽¹⁰⁾	Media/Content/Info	Warrant	Common Stock	255,818	4	17
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	33
Subtotal: Media/Content/Info (0.67%)*					3,425	5,672
Medical Devices & Equipment						
Amedica Corporation ⁽⁴⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	8,603	459	1
Aspire Bariatrics, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series B-1	112,858	455	65
Avedro, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	275

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽³⁾	Value ⁽⁴⁾
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

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Subtotal: Semiconductors (0.12%)*				309	1,033	
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	84
	Software	Warrant	Preferred Series F	31,673	343	79
Total Actifio, Inc.				105,257	592	163
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁵⁾	Software	Warrant	Preferred Series B	413,433	258	113
Clickfox, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series B	1,038,563	330	129
	Software	Warrant	Preferred Series C	592,019	730	179
	Software	Warrant	Preferred Series C-A	2,218,214	230	4,458
Total Clickfox, Inc.				3,848,796	1,290	4,766
DNAexus, Inc.	Software	Warrant	Preferred Series C	909,091	97	97
Evernote Corporation ⁽¹⁵⁾	Software	Warrant	Common Stock	62,500	106	175
Fuze, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series F	256,158	89	53

See notes to consolidated financial statements.

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Table of Contents**Index to Financial Statements****HERCULES CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2017****(unaudited)****(dollars in thousands)**

Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
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

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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	
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series A	325,000	155	155

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽³⁾	Value ⁽⁴⁾
	Sustainable and Renewable Technology	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 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, 2017 and is therefore considered non-income producing. Note that at December 31, 2017, only the \$11.0 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (9) Denotes that all or a portion of the debt investment is convertible debt.

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- (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 II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment companies, or SBIC, subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at December 31, 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.

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Table of Contents**Index to Financial Statements****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****1. Description of Business and Basis of Presentation**

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

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). From incorporation through December 31, 2005, the Company was subject to tax as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended (the Code). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company, or RIC, under Subchapter M of the Code (see Note 5). As an investment company, the Company follows accounting and reporting guidance as set forth in Topic 946 (Financial Services – Investment Companies) of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, as amended (ASC).

Hercules Technology II, L.P. (HT II), Hercules Technology III, L.P. (HT III), and Hercules Technology IV, L.P. (HT IV), are Delaware limited partnerships that were formed in January 2005, September 2009 and December 2010, respectively. HT II and HT III were licensed to operate as small business investment companies (SBICs) under the authority of the Small Business Administration (SBA) on September 27, 2006 and May 26, 2010, respectively. As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. HT IV was formed in anticipation of receiving an additional SBIC license; however, the Company has not received such license, and HT IV currently has no material assets or liabilities. The Company also formed Hercules Technology SBIC Management, LLC, or (HTM), a limited liability company in November 2003. HTM is a wholly owned subsidiary of the Company and serves as the limited partner and general partner of HT II and HT III (see Note 4 to the Company's consolidated financial statements).

HT II and HT III hold approximately \$113.1 million and \$285.8 million in assets, respectively, and they accounted for approximately 5.7% and 14.4% of the Company's total assets, respectively, prior to consolidation at March 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. generally accepted accounting principles (U.S. GAAP), and the portfolio investments held by these taxable subsidiaries are included in the Company's consolidated financial statements and recorded at fair value. These taxable subsidiaries are not consolidated with Hercules for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities as a result of their ownership of certain portfolio investments.

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. As provided under Regulation S-X and ASC 946, the Company will not consolidate its investment in a portfolio company other than an investment company subsidiary or a controlled operating company whose

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business consists of providing services to the Company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC Topic 946.

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

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As of the date of this report, the only VIE consolidated by the Company is its securitization VIE formed in conjunction with the issuance of the 2021 Asset-Backed Notes (as defined herein). See Note 4 Borrowings .

Reclassification

Certain balances from prior years have been reclassified in order to conform to the current year presentation.

Valuation of Investments

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

At March 31, 2018, approximately 91.6% of the Company's total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820 (Fair Value Measurements). The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy by the Company's Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

(1) the Company's quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;

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(2) preliminary valuation conclusions are then documented and business based assumptions are discussed with the Company's investment committee;

(3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio as provided by the investment committee, which incorporates the results of the independent valuation firm as appropriate; and

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

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

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

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

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

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

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 March 31, 2018 and as of December 31, 2017. The Company transfers investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three months ended March 31, 2018, there were no transfers between Levels 1 or 2.

(in thousands)	Balance	Quoted Prices In		Significant
		March 31, 2018	Active Markets For Identical Assets (Level 1)	
Description				Unobservable Inputs (Level 3)
Senior Secured Debt	\$ 1,322,451	\$		\$ 1,322,451
Unsecured Debt	13,875			13,875
Preferred Stock	65,451			65,451
Common Stock	48,548		20,216	28,332
Warrants	33,253			5,068
Escrow Receivable	1,280			1,280
Total	\$ 1,484,858	\$	20,216	\$ 5,068
				\$ 1,459,574

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(in thousands)	Balance	Quoted Prices In		Significant
		December 31, 2017	Active Markets For Identical Assets (Level 1)	
Description				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
Escrow Receivable	752			752
Total	\$ 1,542,966	\$	22,825	\$ 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 three months ended March 31, 2018 and the year ended December 31, 2017.

(in thousands)	Balance January 1, 2018	Net Realized Gains (Losses) ⁽¹⁾	Net Change in		Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance March 31, 2018
			Unrealized Appreciation ⁽²⁾	Purchases ⁽⁵⁾					
Senior Debt	\$ 1,415,984	\$ (5,008)	\$ (6,679)	\$ 196,692	\$	\$ (278,538)	\$	\$ 1,322,451	
Unsecured Debt			(1,598)	15,473				13,875	
Preferred Stock	40,683		(2,071)	26,839				65,451	
Common Stock	25,853		618	1,861				28,332	
Warrants	31,205	(386)	(3,081)	447				28,185	
Escrow Receivable	752	78		875	(425)			1,280	
Total	\$ 1,514,477	\$ (5,316)	\$ (12,811)	\$ 242,187	\$ (425)	\$ (278,538)	\$	\$ 1,459,574	

(in thousands)	Balance January 1, 2017	Net Realized Gains (Losses) ⁽¹⁾	Net Change in		Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽⁴⁾	Gross Transfers out of Level 3 ⁽⁴⁾	Balance December 31, 2017
			Unrealized Appreciation ⁽²⁾	Purchases ⁽⁵⁾					
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) There were no transfers in or out of Level 3 during the three months ended March 31, 2018.

(4) Transfers out of Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. IPOs of ForeScout Technologies, Inc., Aquantia

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Corporation, and Quanterix Corporation, and merger of our former portfolio company Cempra, Inc. and current portfolio company Melinta Therapeutics, Inc. into NASDAQ-listed company Melinta Therapeutics, Inc. Transfers into Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.

(6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

For the three months ended March 31, 2018, approximately \$2.1 million in net unrealized depreciation and \$618,000 in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$13.5 million in

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net unrealized depreciation and \$3.4 million 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 March 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.

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

Investment Type - Level	Fair Value at		Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽²⁾
	March 31, 2018	(in thousands)				
Three Debt Investments						
	Pharmaceuticals	\$ 59,128	Originated Within 4-6 Months	Origination Yield	10.55% - 12.71%	12.50%
		310,692	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.60% - 16.34% (0.25%) - 1.00%	13.65%
			Liquidation ⁽³⁾	Probability weighting of alternative outcomes	100.00%	
Technology		91,882	Originated Within 4-6 Months	Origination Yield	10.40% - 15.15%	11.59%
		364,111	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.02% - 26.08% (0.25%) - 1.00%	13.84%
		16,421	Liquidation ⁽³⁾	Probability weighting of alternative outcomes	5.00% - 100.00%	
Sustainable and Renewable Technology		17,630	Originated Within 4-6 Months	Origination Yield	11.97%	11.97%
		69,376	Market Comparable Companies	Hypothetical Market Yield	11.25% - 20.61%	14.04%
Medical Devices		17,132	Originated Within 4-6 Months	Origination Yield	13.49%	13.49%
		50,832	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	11.07% - 15.94% 0.00% - 0.75%	12.45%
		839	Liquidation ⁽³⁾	Probability weighting of alternative outcomes	10.00% - 50.00%	
Lower Middle Market		60,257	Originated Within 4-6 Months	Origination Yield	8.56% - 12.05%	11.75%
		37,371	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	12.75% - 13.29% 0.00%	13.04%
		17,095	Liquidation ⁽³⁾	Probability weighting of alternative outcomes	5.00% - 80.00%	
			Debt Investments Where Fair Value Approximates Cost			
		159,641	Debt Investments originated within 3 months			
		63,919	Debt Investments Maturing in Less than One Year			
	\$	1,336,326	Total Level Three Debt Investments			

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- (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

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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, Diversified Financial Services, 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.

Investment Type - Level	Fair Value at December 31, 2017 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽²⁾
Three Debt Investments Pharmaceuticals	\$ 44,301	Originated Within 6 Months Market Comparable Companies	Origination Yield	10.71% - 12.61%	11.89%
	379,841		Hypothetical Market Yield	10.14% - 16.14%	12.94%
	2,257	Liquidation ⁽³⁾	Premium/(Discount) Probability weighting of alternative outcomes	(0.25%) - 0.75% 100.00%	
Technology	158,916	Originated Within 6 Months Market Comparable Companies	Origination Yield	9.4% - 25.11%	11.68%
	290,561		Hypothetical Market Yield	9.47% - 19.21%	13.55%
	22,020	Liquidation ⁽³⁾	Premium/(Discount) Probability weighting of alternative outcomes	(0.25%) - 1.00% 5.00% - 100.00%	
Sustainable and Renewable Technology	33,020	Originated Within 6 Months Market Comparable Companies	Origination Yield	11.97% - 20.06%	15.31%
	49,647		Hypothetical Market Yield	11.15% - 14.16%	12.13%
Medical Devices	17,013	Originated Within 6 Months Market Comparable Companies	Premium/(Discount)	0.00% - 0.25%	
	89,869		Origination Yield	13.49%	13.49%
			Hypothetical Market Yield	9.66% - 17.57%	12.28%
Lower Middle Market	97,291	Originated Within 6 Months	Premium/(Discount)	0.00% - 0.50%	
			Origination Yield	8.29% - 12.68%	12.01%

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	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.

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

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

- (2) The weighted averages are calculated based on the fair market value of each investment.
- (3) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (4) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

Investment Type - Level Three	Fair Value at March 31, 2018 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽⁶⁾
Equity and Warrant Investments					
Equity Investments	\$ 9,019	Market Comparable Companies	EBITDA Multiple ⁽²⁾	3.7x - 58.1x	16.4x
			Revenue Multiple ⁽²⁾	0.6x - 11.8x	3.9x
			Discount for Lack of Marketability ⁽³⁾	12.12% - 18.46%	17.39%
			Average Industry Volatility ⁽⁴⁾	32.5% - 80.36%	54.51%
			Risk-Free Interest Rate	1.97% - 2.25%	2.19%
			Estimated Time to Exit (in months)	8 - 23	19
	18,670	Market Adjusted OPM Backsolve	Market Equity Adjustment ⁽⁵⁾	(42.3%) - 42.71%	6.61%
			Average Industry Volatility ⁽⁴⁾	33.52% - 85.47%	71.87%
			Risk-Free Interest Rate	0.88% - 2.15%	1.86%
			Estimated Time to Exit (in months)	11 - 23	18
	12,432	Liquidation	Probability weighting of alternative outcomes	50% - 100%	
	53,662	Other ⁽⁷⁾			
Warrant Investments	18,169	Market Comparable Companies	EBITDA Multiple ⁽²⁾	3.7x - 58.1x	17.9x
			Revenue Multiple ⁽²⁾	0.5x - 11.8x	3.2x
			Discount for Lack of Marketability ⁽³⁾	11.13% - 28.69%	15.76%
			Average Industry Volatility ⁽⁴⁾	27.33% - 99.42%	57.06%
			Risk-Free Interest Rate	2.05% - 2.46%	2.12%
			Estimated Time to Exit (in months)	11 - 47	15
	7,986	Market Adjusted OPM Backsolve	Market Equity Adjustment ⁽⁵⁾	(31.02%) - 186.26%	14.68%
			Average Industry Volatility ⁽⁴⁾	19.08% - 103.43%	67.94%
			Risk-Free Interest Rate	0.96% - 2.47%	1.85%
			Estimated Time to Exit (in months)	11 - 47	20
	2,030	Other ⁽⁷⁾			
Total Level Three Warrant and Equity Investments	\$ 121,968				

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

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

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

Debt Investments

The Company follows the guidance set forth in ASC Topic 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy, which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of

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development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. In addition, the Company may, from time to time, invest in public debt of companies that meet the Company's investment objectives. These investments are considered Level 2 assets.

In making a good faith determination of the value of the Company's investments, the Company generally starts with the cost basis of the investment, which includes the value attributed to the original issue discount (OID), if any, and payment-in-kind (PIK) interest or other receivables which have been accrued as earned. The Company then applies the valuation methods as set forth below.

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The Company applies a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. The Company determines the yield at inception for each debt investment. The Company then uses senior secured, leveraged loan yields provided by third party providers to determine the change in market yields between inception of the debt investment and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

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

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

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

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

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

Equity-Related Securities and Warrants

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

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

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corroborate the Company's valuation of the warrant and equity-related securities. The Company periodically reviews the valuation of its portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date.

Escrow Receivables

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of March 31, 2018, there were no material past due escrow receivables.

Portfolio Composition

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

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The following table summarizes the Company's realized gains and losses and changes in unrealized appreciation and depreciation on control and affiliate investments for the three months ended March 31, 2018 and 2017.

(in thousands)

Portfolio Company	Type	Fair Value at March 31, 2018	Investment Income	For the Three Months Ended March 31, 2018	
				Net Change in Unrealized Appreciation/ (Depreciation)	Realized Gain/(Loss)
Control Investments					
Achilles Technology Management Co II, Inc.	Control	\$ 117	\$	\$ (125)	\$
Gibraltar Business Capital, LLC	Control	37,201	127		
Second Time Around (Simplify Holdings, LLC)	Control			1,781	(1,743)
Tectura Corporation	Control	17,095	459	(2,276)	335
Total Control Investments		\$ 54,413	\$ 586	\$ (620)	\$ (1,408)
Affiliate Investments					
Optiscan BioMedical, Corp.	Affiliate	\$ 6,527	\$	\$ (1,065)	
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	23,998	669	828	
Stion Corporation	Affiliate				
Total Affiliate Investments		\$ 30,525	\$ 669	\$ (237)	\$
Total Control & Affiliate Investments		\$ 84,938	\$ 1,255	\$ (857)	\$ (1,408)

(in thousands)

Portfolio Company	Type	Fair Value at March 31, 2017	Investment Income	For the Three Months Ended March 31, 2017	
				Net Change in Unrealized Appreciation/ (Depreciation)	Realized Gain/(Loss)
Control Investments					
Achilles Technology Management Co II, Inc.	Control	\$ 2,833	\$ 74	\$ (1,941)	\$
SkyCross, Inc.	Control	2,103		2,103	
Tectura Corporation	Control	19,839	445	51	(51)
Total Control Investments		\$ 24,775	\$ 519	\$ 213	\$ (51)
Affiliate Investments					
Optiscan BioMedical, Corp.	Affiliate	\$ 5,311	\$	\$ 439	\$
Stion Corporation	Affiliate		2		
Total Affiliate Investments		\$ 5,311	\$ 2	\$ 439	\$
Total Control & Affiliate Investments		\$ 30,086	\$ 521	\$ 652	\$ (51)

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

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

In April 2017, the Company's investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as a control investment as a result of obtaining more than 25% of the portfolio company's voting securities. In April 2017, under Section 363 of the Bankruptcy Code, Sungevity, Inc. entered into a \$50.0 million

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asset purchase agreement and DIP financing facility with a group of investors, led by Northern Pacific Group and including the Company. On April 7, 2017, the U.S. Bankruptcy Court approved the DIP financing facility and on April 17, the U.S. Bankruptcy Court approved the asset purchase agreement. On April 26, 2017, Solar Spectrum Holdings LLC, a new company backed by the investment group, announced that it had acquired certain assets of Sungevity, Inc. as part of the bankruptcy court-approved sale. As a result, the cost basis of the Company's debt investment in Sungevity, Inc. was converted to an equity position in Solar Spectrum Holdings LLC and the Company's warrant and equity positions in Sungevity, Inc. were written off for a realized loss.

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

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

In June 2016, the Company acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, the Company made a \$1.0 million and \$250,000 debt investment, respectively, in Achilles Technology Management II, Inc. to provide working capital under the terms of a loan servicing agreement.

In August 2017, the Company's debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, the Company's equity investment in Achilles Technology Management II, Inc. was reduced by \$900,000 in lieu of a success fee on the repayment of our debt investment. The remaining equity investment in Achilles Technology Management II, Inc. is carried on the consolidated statement of assets and liabilities at fair value.

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

	March 31, 2018		December 31, 2017	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(in thousands)				
Senior Secured Debt with Warrants	\$ 736,137	49.6%	\$ 880,115	57.1%
Senior Secured Debt	619,567	41.8%	572,738	37.1%
Unsecured Debt	13,875	0.9%		
Preferred Stock	65,451	4.4%	40,683	2.6%
Common Stock	48,548	3.3%	48,678	3.2%
Total	\$ 1,483,578	100.0%	\$ 1,542,214	100.0%

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

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

(in thousands)	March 31, 2018		December 31, 2017	
	Investments at	Percentage of	Investments at	Percentage of
	Fair Value	Total Portfolio	Fair Value	Total Portfolio
United States	\$ 1,274,185	86.0%	\$ 1,404,235	91.1%
United Kingdom	112,221	7.6%	91,105	5.9%
Australia	34,682	2.3%		0.0%
Netherlands	20,913	1.4%	20,783	1.3%
Cayman Islands	19,822	1.3%	14,954	1.0%
Sweden	11,933	0.8%		0.0%
Switzerland	9,206	0.6%	10,581	0.7%
Canada	616	0.0%	556	0.0%
Israel		0.0%		0.0%
Total	\$ 1,483,578	100.0%	\$ 1,542,214	100.0%

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

(in thousands)	March 31, 2018		December 31, 2017	
	Investments at	Percentage of	Investments at	Percentage of
	Fair Value	Total Portfolio	Fair Value	Total Portfolio
Software	\$ 393,088	26.5%	\$ 360,123	23.4%
Drug Discovery & Development	387,371	26.1%	369,173	23.9%
Internet Consumer & Business Services	178,502	12.0%	154,909	10.0%
Sustainable and Renewable Technology	115,085	7.8%	118,432	7.7%
Drug Delivery	84,494	5.7%	91,214	5.9%
Healthcare Services, Other	72,041	4.8%	72,337	4.7%
Medical Devices & Equipment	69,174	4.6%	94,595	6.1%
Media/Content/Info	45,569	3.0%	152,998	9.9%
Diversified Financial Services	37,201	2.5%		0.0%
Information Services	32,196	2.2%	24,618	1.6%
Electronics & Computer Hardware	21,906	1.5%	9,982	0.6%
Consumer & Business Products	19,366	1.3%	19,792	1.3%
Surgical Devices	12,663	0.9%	13,161	0.9%
Communications & Networking	6,768	0.5%	6,649	0.4%
Biotechnology Tools	5,645	0.4%	5,604	0.4%
Semiconductors	1,342	0.1%	10,406	0.7%
Diagnostic	911	0.1%	720	0.1%
Specialty Pharmaceuticals	256	0.0%	37,501	2.4%
Total	\$ 1,483,578	100.0%	\$ 1,542,214	100.0%

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

Investment Collateral

In the majority of cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include its intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At March 31, 2018, approximately 85.6% of the Company's debt investments were in a senior secured first lien position, with 48.0%

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secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, 33.3% 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, 1.7% of the Company's debt investments were senior secured by the equipment of the portfolio company and 2.6% of the Company's debt investments were in a first lien last-out senior secured position with security interest in all of the assets of the portfolio company,

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including its intellectual property. Another 13.4% of the Company's debt investments were secured by a second priority security interest in all of the portfolio company's assets, other than intellectual property, and 1.0% were unsecured as a result of the terms of the acquisition of two of our portfolio companies.

Cash, Restricted Cash, and Cash Equivalents

Cash and cash equivalents consists solely of funds deposited with financial institutions and short-term liquid investments in money market deposit accounts. Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash and cash equivalents include amounts that are collected and are held by trustees who have been appointed as custodians of the assets securing certain of the Company's financing transactions.

Income Recognition

The Company records interest income on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. OID initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect that principal, interest, and other obligations due will be collected in full, the Company will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or the Company believes the portfolio company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection.

At March 31, 2018, the Company had four debt investments on non-accrual with a cumulative investment cost and approximate fair value of \$12.3 million and \$0, respectively. At December 31, 2017, the Company had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$14.8 million and \$340,000, respectively. The decrease in the cost of debt investments on non-accrual between December 31, 2017 and March 31, 2018 is the result of the write-off of one debt investment that was on non-accrual at December 31, 2017 which resulted in a realized loss of approximately \$1.7 million.

Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees. The Company had approximately \$33.0 million of unamortized fees at March 31, 2018, of which approximately \$28.8 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$4.2 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2017 the Company had approximately \$33.3 million of unamortized fees, of which approximately \$29.3 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$4.0 million was deferred contingent upon the occurrence of a funding or milestone.

The Company recognizes nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Certain fees may still be recognized as one-time fee income, including prepayment penalties, fees related to select covenant default, waiver fees and acceleration of previously deferred loan fees and OID related to early loan pay-off or material modification of the specific debt outstanding. The Company recorded approximately \$3.2 million and \$565,000 in one-time fee income during the three months ended March 31, 2018 and 2017, respectively.

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In addition, the Company may also be entitled to an exit fee that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At March 31, 2018, the Company had approximately \$22.9 million in exit fees receivable, of which approximately \$20.4 million was included as a component of the cost basis of the Company's current debt investments and approximately \$2.5 million was a deferred receivable related to expired commitments. At December 31, 2017, the Company had approximately \$27.5 million in exit fees receivable, of which approximately \$23.9 million was included as an offset to the cost basis of the Company's current debt investments and approximately \$3.6 million was deferred related to expired commitments.

The Company has debt investments in its portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the portfolio company to be able to pay all principal and interest due. The Company recorded approximately \$2.3 million and \$2.2 million in PIK income during the three months ended March 31, 2018 and 2017, respectively.

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

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three months ended March 31, 2018 and 2017.

3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables including escrow receivables, accounts payable and accrued liabilities, approximate the fair values of such items due to the short maturity of such instruments. The borrowings of the Company are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The fair value of the Company's outstanding borrowings is based on observable market trading prices or quotations and unobservable market rates as applicable for each instrument.

Based on market quotations on or around March 31, 2018, the 2022 Notes, 2021 Asset-Backed Notes and 2022 Convertible Notes were quoted for 1.011, 1.000 and 1.015 per dollar at par value, respectively. At March 31, 2018, the 2024 Notes were trading on the NYSE for \$25.28 per unit at par value. The par value at underwriting for the 2024 Notes was \$25.00 per unit. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures is approximately \$193.8 million, compared to the carrying amount of \$190.2 million as of March 31, 2018.

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

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

(in thousands)

Description ⁽¹⁾	March 31, 2018	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
SBA Debentures	\$ 193,778	\$	\$	\$ 193,778
2022 Notes	151,611		151,611	
2024 Notes	185,565		185,565	
2021 Asset-Backed Notes	33,575		33,575	
2022 Convertible Notes	233,450		233,450	
Total	\$ 797,979	\$	\$ 604,201	\$ 193,778

(in thousands)

Description ⁽¹⁾	December 31, 2017	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
SBA Debentures	\$ 198,038	\$	\$	\$ 198,038
2022 Notes	152,091		152,091	
2024 Notes	188,061		188,061	
2021 Asset-Backed Notes	49,199		49,199	
2022 Convertible Notes	236,470		236,470	
Total	\$ 823,859	\$	\$ 625,821	\$ 198,038

(1) As of March 31, 2018, and December 31, 2017, there were no borrowings outstanding on both the Wells Facility and Union Facility.

4. Borrowings**Outstanding Borrowings**

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

(in thousands)	March 31, 2018			December 31, 2017		
	Total Available	Principal	Carrying Value ⁽¹⁾	Total Available	Principal	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 188,299	\$ 190,200	\$ 190,200	\$ 188,141
2022 Notes	150,000	150,000	147,698	150,000	150,000	147,572
2024 Notes	183,510	183,510	179,161	183,510	183,510	179,001
2021 Asset-Backed Notes	33,575	33,575	33,156	49,153	49,153	48,650
2022 Convertible Notes	230,000	230,000	223,878	230,000	230,000	223,488
Wells Facility ⁽³⁾	120,000			120,000		
Union Bank Facility ⁽³⁾	75,000			75,000		
Total	\$ 982,285	\$ 787,285	\$ 772,192	\$ 997,863	\$ 802,863	\$ 786,852

(1)

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

- (2) At both March 31, 2018 and December 31, 2017, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.
- (3) Availability subject to the Company meeting the borrowing base requirements.

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

(in thousands)	March 31, 2018	December 31, 2017
SBA Debentures	\$ 1,901	\$ 2,059
2022 Notes	1,548	1,633
2024 Notes	4,417	4,591
2021 Asset-Backed Notes	420	503
2022 Convertible Notes	3,492	3,715
Wells Facility ⁽¹⁾	726	227
Union Bank Facility ⁽¹⁾	306	379
Total	\$ 12,810	\$ 13,107

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

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of March 31, 2018, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of March 31, 2018. As of March 31, 2018, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2018 the Company held investments in HT II in 34 companies with a fair value of approximately \$84.9 million, accounting for approximately 5.7% of the Company's total investment portfolio at March 31, 2018. HT II held approximately \$113.1 million in assets and accounted for approximately 5.7% of the Company's total assets prior to consolidation at March 31, 2018.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of March 31, 2018, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of March 31, 2018. As of March 31, 2018, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of March 31, 2018, the Company held investments in HT III in 47 companies with a fair value of approximately \$236.0 million, accounting for approximately 15.9% of the Company's total investment portfolio at March 31, 2018. HT III held approximately \$285.8 million in assets and accounted for approximately 14.4% of the Company's total assets prior to consolidation at March 31, 2018.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$19.5 million and have average annual fully taxed net income not exceeding \$6.5 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations

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also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through the Company's wholly owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of March 31, 2018 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the three months ended March 31, 2018 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.56%. The average amount of debentures outstanding for the three months ended March 31, 2018 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.46%.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 1,718	\$ 1,719
Amortization of debt issuance cost (loan fees)	158	168
Total interest expense and fees	\$ 1,876	\$ 1,887
Cash paid for interest expense	\$ 3,442	\$ 3,442

In aggregate, at March 31, 2018, with the Company's net investment of \$118.5 million, HT II and HT III have the capacity to issue a total of \$190.2 million of SBA-guaranteed debentures, subject to SBA approval. At March 31, 2018, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.

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

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

(1) Interest rate includes annual charge

2019 Notes

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

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

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$	\$ 1,159
Amortization of debt issuance cost (loan fees)		1,546
Total interest expense and fees	\$	\$ 2,705
Cash paid for interest expense	\$	\$ 1,911

2022 Notes

On October 23, 2017, the Company issued \$150.0 million in aggregate principal amount of 4.625% Notes due 2022 (the 2022 Notes). The 2022 Notes were issued pursuant to the Fourth Supplemental Indenture to the Base Indenture, dated October 23, 2017 (the 2022 Notes Indenture), between the Company and U.S. Bank, National Association, as trustee (the 2022 Trustee). The sale of the 2022 Notes generated net proceeds of approximately \$147.5 million, including a public offering discount of \$826,500. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discounts and commissions of approximately \$975,000, were approximately \$1.7 million.

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

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

The Company may redeem some or all of the 2022 Notes at any time, or from time to time, at the redemption price set forth under the terms of the indenture after September 23, 2022. No sinking fund is provided for the 2022 Notes. The 2022 Notes were issued in denominations of \$2,000 and integral multiples of \$1,000 thereof. As of March 31, 2018, the Company was in compliance with the terms of the 2022 Notes Indenture.

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

(in thousands)	March 31, 2018	December 31, 2017
Principal amount of debt	\$ 150,000	\$ 150,000
Unamortized debt issuance cost	(1,548)	(1,633)
Original issue discount, net of accretion	(754)	(795)
Carrying value of 2022 Notes	\$ 147,698	\$ 147,572

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2022 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 1,734	\$
Amortization of debt issuance cost (loan fees)	84	
Accretion of original issue discount	41	
Total interest expense and fees	\$ 1,859	\$
Cash paid for interest expense	\$	\$

2024 Notes

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 6.25% unsecured notes due 2024 (the 2024 Notes). On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes.

On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallotments on April 29, 2016.

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On June 27, 2016, the Company closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallotments, resulting in total aggregate principal of \$69.0 million from the offering.

On October 11, 2016, the Company entered into a debt distribution agreement, pursuant to which it may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as its sales agent (the 2024 Notes Agent). Sales of the 2024 Notes may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the Securities Act), including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

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

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

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

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

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

On February 9, 2018, the Company's Board of Directors approved a redemption of \$100.0 million of outstanding aggregate principal amount of the 2024 Notes and notice for such redemption was provided. The Company redeemed this portion of the 2024 Notes on April 2, 2018. See Note 12 Subsequent Events.

The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset

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coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends and other distributions as well as the purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act of 1934, as amended (the Exchange Act). The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of March 31, 2018, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

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

(in thousands)	March 31, 2018	December 31, 2017
Principal amount of debt	\$ 183,510	\$ 183,510
Unamortized debt issuance cost	(4,417)	(4,591)
Original issue premium, net of amortization	68	82
Carrying value of 2024 Notes	\$ 179,161	\$ 179,001

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 2,881	\$ 3,987
Amortization of debt issuance cost (loan fees)	174	249
Amortization of original issue premium	(13)	(16)
Total interest expense and fees	\$ 3,042	\$ 4,220
Cash paid for interest expense	\$ 2,867	\$ 3,977

2021 Asset-Backed Notes

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

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

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

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

At March 31, 2018 and December 31, 2017, the 2021 Asset-Backed Notes had an outstanding principal balance of \$33.6 million and \$49.2 million, respectively.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 341	\$ 888
Amortization of debt issuance cost (loan fees)	83	210
Total interest expense and fees	\$ 424	\$ 1,098
Cash paid for interest expense	\$ 387	\$ 940

Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$3.6 million and \$3.7 million of restricted cash as of March 31, 2018 and December 31, 2017, respectively, funded through interest collections.

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

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

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

Prior to the close of business on the business day immediately preceding August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of March 31, 2018, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

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

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

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

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

(in thousands)	March 31, 2018	December 31, 2017
Principal amount of debt	\$ 230,000	\$ 230,000
Unamortized debt issuance cost	(3,492)	(3,715)
Original issue discount, net of accretion	(2,630)	(2,797)
Carrying value of 2022 Convertible Notes	\$ 223,878	\$ 223,488

For the three months ended March 31, 2018 and 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$ 2,516	\$ 1,758
Amortization of debt issuance cost (loan fees)	223	133
Accretion of original issue discount	168	112
Total interest expense and fees	\$ 2,907	\$ 2,003
Cash paid for interest expense	\$ 5,031	\$

As of March 31, 2018, the Company is in compliance with the terms of the indentures governing the 2022 Convertible Notes.

Credit Facilities

As of March 31, 2018, and December 31, 2017, the Company has two available credit facilities, the Wells Facility and the Union Bank Facility.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly owned subsidiary, Hercules Funding II LLC (Hercules Funding II), entered into an Amended and Restated Loan and Security Agreement (the Wells Facility) with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time.

The Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostark Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with

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various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three months ended March 31, 2018 and 2017, this non-use fee was \$150,000 and \$145,000, respectively.

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

As of March 31, 2018, the minimum tangible net worth covenant increased to \$742.7 million as a result of the public offering of 18.2 million shares of common stock issued for a total gross proceeds of approximately \$242.8 million under an At-The-Market (ATM) equity distribution agreement (the Prior Equity Distribution Agreement) with JMP Securities (JMP) through February 2017, and a new ATM equity distribution agreement in September 2017 (the Equity Distribution Agreement) with JMP for the issuance of 1.6 million shares for gross proceeds of \$20.5 million during 2017, and the issuance of 478,000 shares for gross proceeds of \$6.3 million during the three months ended March 31, 2018. See Note 6 Stockholder s Equity.

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

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

The Company did not make any draws or repayments on the available facility during the three months ended March 31, 2018. The Company had aggregate draws of \$8.5 million on the available facility during the three months ended March 31, 2017 offset by repayments of \$13.5 million. There were no borrowings outstanding on the facility as of March 31, 2018 and December 31, 2017.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Three Months Ended	
	March 31,	
	2018	2017
Interest expense	\$	\$ 2
Amortization of debt issuance cost (loan fees)	44	107
Total interest expense and fees	\$ 44	\$ 109
Cash paid for interest expense	\$	\$ 256

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Union Bank Facility

On May 5, 2016, the Company, through a special purpose wholly owned subsidiary, Hercules Funding III LLC (Hercules Funding III), as borrower, entered into the credit facility (the Union Bank Facility) with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Union Bank Facility from time to time. The Union Bank Facility replaced the company s credit facility (the Prior Union Bank Facility) entered into on August 14, 2014 (as amended and restated from time to time) with MUFG Union Bank, as the arranger and administrative agent, and the lenders party to the Prior Union Bank Facility from time to time. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

On July 18, 2016, the Company entered into the First Amendment to the Loan and Security Agreement, dated as of May 5, 2016 with MUFG Union Bank, N.A. The Amendment amends certain definitions relating to borrowings which accrue interest based on the London Interbank Offered Rate (LIBOR Loans) and (ii) the method(s) for calculating interest on and the paying of certain fees related to such LIBOR Loans.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank s prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three months ended March 31, 2018, the company incurred non-use fees of \$94,000. For the three months ended March 31, 2017, the company incurred non-use fees under the Prior Union Bank Facility of \$94,000.

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

As of March 31, 2018, the minimum tangible net worth covenant increased to \$789.2 million as a result the public offering of 18.2 million shares of common stock issued for a total net proceeds of approximately \$239.8 million under the Prior Equity Distribution Agreement through February 2017, and the issuance of 1.6 million shares for net proceeds of \$20.0 million during 2017, and the issuance of 478,000 shares for net proceeds of \$6.0 million during the three months ended March 31, 2018 under the Equity Distribution Agreement. See Note 6 Stockholder s Equity.

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

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

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

The Company did not make any draws or repayments on the available facility during the three months ended March 31, 2018 and 2017. At March 31, 2018 and December 31, 2017, there were no borrowings outstanding on the Union Bank Facility.

For the three months ended March 31, 2018 and 2017, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

(in thousands)	Three Months Ended March 31,	
	2018	2017
Interest expense	\$	\$
Amortization of debt issuance cost (loan fees)	74	112
Total interest expense and fees	\$ 74	\$ 112
Cash paid for interest expense	\$	\$

5. Income Taxes

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

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

During the three months ended March 31, 2018, the Company declared a distribution of \$0.31 per share. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's taxable year generally based upon its taxable income for the full taxable year and distributions paid for the full taxable year. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. If the Company had determined the tax attributes of our distributions taxable year-to-date as of March 31, 2018, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of the Company's 2018 distributions to stockholders will be.

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

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

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

Taxable income for the three months ended March 31, 2018 was approximately \$23.6 million or \$0.28 per share. Taxable net realized gains for the same period were \$219,000 or approximately \$0.00 per share. Taxable income for the three months ended March 31, 2017 was approximately \$20.5 million or \$0.25 per share. Taxable net realized gains for the same period were \$3.9 million or approximately \$0.05 per share.

For the three months ended March 31, 2018, the Company paid approximately \$667,000 of tax expense and had no accrued but unpaid tax expense as of the balance sheet date. For the three months ended March 31, 2017, the Company paid approximately \$1.0 million of tax expense and had no accrued but unpaid tax expense as of the balance sheet date.

The Company intends to distribute 100% of spillover earnings from ordinary income from the Company's taxable year ended December 31, 2017 to the Company's stockholders during 2018.

6. Stockholder's Equity

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

On September 7, 2017, the Company terminated the Prior Equity Distribution Agreement and entered into the new Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior

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

During the three months ended March 31, 2018, the Company sold 478,000 shares of common stock for total accumulated net proceeds of approximately \$6.0 million, including \$312,000 of offering expenses under the Equity Distribution Agreement.

During the three months ended March 31, 2017, the Company sold 3.3 million shares of common stock under the Prior Equity Distribution Agreement for total accumulated net proceeds of approximately \$46.9 million, including \$495,000 of offering expenses.

The Company generally uses net proceeds from these offerings to make investments, to repurchase or pay down liabilities and for general corporate purposes. As of March 31, 2018, approximately 9.9 million shares remain available for issuance and sale under the Equity Distribution Agreement. See Note 12 Subsequent Events.

The Company has issued stock options for common stock subject to future issuance, of which 542,690 and 590,525 were outstanding at March 31, 2018 and December 31, 2017, respectively.

7. Equity Incentive Plan

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 12.0 million shares of common stock.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan) and, together with the 2004 Plan, the Plans) for purposes of attracting and retaining the services of its Board of Directors. On June 21, 2017, the 2006 Plan expired in accordance with its terms and no additional awards may be granted under the 2006 Plan. In the future, we may adopt a Non-Employee Director Plan that, among other things, provides for the issuance of restricted stock to directors. Under the 2006 Plan, the Company is authorized to issue 1.0 million shares of common stock. The Company filed an exemptive relief request with the Securities and Exchange Commission (SEC) to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

On June 21, 2007, the stockholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that may be issued under both Plans to 10% of the outstanding shares of the Company's stock on the effective date of the Plans plus 10% of the number of shares of stock issued or delivered by the Company during the terms of the Plans. The amendments further specify that no one person shall be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Plan. Further, the amount of voting securities that would result from the exercise of all of the Company's outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of its outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of the Company's outstanding warrants, options and rights issued to the Company's directors, officers and employees, together with any restricted stock issued pursuant to the Plans, would exceed 15% of the Company's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of the Company's outstanding voting securities.

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

On December 29, 2016, the Company's Board of Directors approved a further amendment and restatement of the 2004 Plan. The amended plan provides, in addition to the preexisting types of awards available for grant thereunder and among other things, (1) for the grant of restricted stock units; (2) for the deferral of the receipt of the shares of the Company's common stock underlying vested restricted stock units; (3) that grantees may receive up to 10% of the value of the tentative restricted stock unit grants proposed for any grantee in the form of an option to acquire shares of the Company's common stock; (4) that awards of restricted stock units may include performance vesting conditions; (5) that awards may require that all or a portion of the shares of the Company's common stock delivered in respect of any vested restricted stock unit award be subject to a specified post-delivery holding period; and (6) that restricted stock unit awards may accrue distribution equivalents in respect of the Company's common stock underlying any restricted stock unit award payable in the form of cash or additional shares of the Company's common stock to the extent, and in respect of, any vested restricted stock units.

The following table summarizes the common stock option activities for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at December 31,	590,525	\$ 13.60	668,171	\$ 13.73
Granted	22,000	\$ 12.11	56,000	\$ 14.56
Exercised	(38,208)	\$ 11.31	(24,023)	\$ 11.23
Forfeited	(20,628)	\$ 13.41	(4,723)	\$ 10.46
Expired	(10,999)	\$ 14.39		\$
Outstanding at March 31,	542,690	\$ 13.69	695,425	\$ 13.91
Shares Expected to Vest at March 31,	176,076	\$ 13.69	297,487	\$ 13.91

The following table summarizes common stock options outstanding and exercisable at March 31, 2018:

(Dollars in thousands,

except exercise price)

Range of exercise prices	Options Outstanding			Options Exercisable				
	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price	Number of shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price
\$9.25 - \$14.02	305,884	5.67	\$ 115,163	\$ 12.35	157,004	5.13	\$ 87,521	\$ 12.07
\$14.56 - \$16.34	236,806	3.70		\$ 15.42	209,610	3.40		\$ 15.49
\$9.25 - \$16.34	542,690	4.81	\$ 115,163	\$ 13.69	366,614	4.14	\$ 87,521	\$ 14.02

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

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All options may be exercised for a period ending seven years after the date of grant. At March 31, 2018 options for 366,614 shares were exercisable at a weighted average exercise price of approximately \$14.02 per share with a weighted average remaining contractual term of 4.14 years.

The Company determined that the fair value of options granted under the Plans during the three months ended March 31, 2018 and 2017 was approximately \$12,000 and \$40,000, respectively. During the three months ended March 31, 2018 and 2017, approximately \$14,000 and \$20,000 of share-based cost due to stock option grants was expensed, respectively. As of March 31, 2018, there was approximately \$85,000 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average remaining vesting period of 1.91 years.

The Company follows ASC Topic 718 (Compensation Stock Compensation) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Expected Volatility	21.19%	23.07%
Expected Dividends	10%	10%
Expected term (in years)	4.5	4.5
Risk-free rate	2.19% - 2.64%	1.70% - 2.02%

During the three months ended March 31, 2018 and 2017, the Company granted 334,995 shares and 4,464 shares, respectively, of restricted stock awards pursuant to the Plans. The Company determined that the fair value of restricted stock awards granted under the Plans during the three months ended March 31, 2018 and 2017 was approximately \$4.4 million and \$65,000, respectively. As of March 31, 2018, there was approximately \$5.7 million of total unrecognized compensation costs related to restricted stock awards. These costs are expected to be recognized over a weighted average remaining vesting period of 2.22 years.

The following table summarizes the activities for the Company's unvested restricted stock awards for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,			
	2018		2017	
	Restricted Stock		Restricted Stock	
	Awards	Date	Awards	Date
	Awards	Fair Value	Awards	Fair Value
Unvested at December 31,	261,245	\$ 12.43	799,558	\$ 12.54
Granted	334,995	\$ 13.04	4,464	\$ 14.56
Vested	(83,054)	\$ 13.03	(240,299)	\$ 12.42
Forfeited	(1,168)	\$ 12.01	(1,602)	\$ 13.60
Unvested at March 31,	512,018	\$ 12.73	562,121	\$ 12.61

During the three months ended March 31, 2018, and 2017, the Company granted 411,689 shares and 600,461 shares of restricted stock units pursuant to the Plans based on the December 2016 amended terms. The Company determined that the fair value of restricted stock units granted under the Plans during the three months ended March 31, 2018 and 2017, was approximately \$5.4 million and \$8.5 million. As of March 31, 2018, there was approximately \$9.6 million of total unrecognized compensation costs related to restricted stock units. These costs are expected to be recognized over a weighted average remaining vesting period of 2.32 years.

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The following table summarizes the activities for the Company's unvested restricted stock units for the three months ended March 31, 2018:

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at December 31,	594,322	\$ 12.99		\$
Granted	411,689	\$ 13.04	600,461	\$ 13.94
Distribution Equivalent Unit Granted	20,386	\$ 12.42	11,788	\$ 13.94
Vested ⁽¹⁾	(198,006)	\$ 12.91		\$
Forfeited	(3,544)	\$ 12.66	(1,078)	\$ 13.92
Unvested at March 31,	824,847	\$ 12.69	611,171	\$ 13.94

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

During the three months ended March 31, 2018, the Company expensed approximately \$2.3 million of compensation expense related to restricted stock awards and restricted stock units. The Company had approximately \$1.8 million in compensation expense related to restricted stock awards during the three months ended March 31, 2017.

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company's common stock to pay for the exercise price and applicable taxes with respect to an option exercise (net issuance exercise). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of the Company's stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make a cash payment at the time of option exercise or to pay taxes on restricted stock.

8. Earnings Per Share

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

(in thousands, except per share data)	Three Months Ended March 31,	
	2018	2017
Numerator		
Net increase in net assets resulting from operations	\$ 5,946	\$ (5,588)
Less: Distributions declared-common and restricted shares	(26,419)	(25,667)
Undistributed earnings	(20,473)	(31,255)
Undistributed earnings-common shares	(20,473)	(31,255)
Add: Distributions declared-common shares	26,247	25,479
Numerator for basic and diluted change in net assets per common share	\$ 5,774	\$ (5,776)

Denominator

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Basic weighted average common shares outstanding	84,596	81,420
Common shares issuable	70	
Weighted average common shares outstanding assuming dilution	84,666	81,420
Change in net assets per common share		
Basic	\$ 0.07	\$ (0.07)
Diluted	\$ 0.07	\$ (0.07)

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

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For the three months ended March 31, 2018 and 2017, the effect of the 2022 Convertible Notes under the treasury stock method is anti-dilutive and, accordingly, is excluded from the calculation of diluted earnings per share.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the three months ended March 31, 2018, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 4.3 million shares related to 2022 Convertible Notes, 73,024 shares of unvested common stock options, and no shares of unvested restricted stock units. For the three months ended March 31, 2017, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, consisted of 1.2 million shares related to 2022 Convertible Notes, 72,796 shares of unvested common stock options, and 30,649 shares of unvested restricted stock units.

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

9. Financial Highlights

Following is a schedule of financial highlights for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Per share data ⁽¹⁾ :		
Net asset value at beginning of period	\$ 9.96	\$ 9.90
Net investment income	0.31	0.28
Net realized gain (loss) on investments	(0.06)	0.04
Net unrealized appreciation (depreciation) on investments	(0.18)	(0.39)
Total from investment operations	0.07	(0.07)
Net increase (decrease) in net assets from capital share transactions ⁽¹⁾	(0.03)	0.22
Distributions of net investment income ⁽⁶⁾	(0.31)	(0.31)
Distributions of capital gains ⁽⁶⁾		
Stock-based compensation expense included in investment income ⁽²⁾	0.03	0.02
Net asset value at end of period	\$ 9.72	\$ 9.76
Ratios and supplemental data:		
Per share market value at end of period	\$ 12.10	\$ 15.13
Total return ⁽³⁾	(5.44%)	9.47%
Shares outstanding at end of period	85,239	82,801
Weighted average number of common shares outstanding	84,596	81,420
Net assets at end of period	\$ 828,731	\$ 807,896
Ratio of total expense to average net assets ⁽⁴⁾	10.64%	11.48%
Ratio of net investment income before investment gains and losses to average net assets ⁽⁴⁾	12.25%	10.99%
Portfolio turnover rate ⁽⁵⁾	15.62%	10.89%
Weighted average debt outstanding	\$ 795,060	\$ 785,915
Weighted average debt per common share	\$ 9.40	\$ 9.65

- (1) All per share activity is calculated based on the weighted average shares outstanding for the relevant period, except net increase (decrease) in net assets from capital share transactions, which is based on the common shares outstanding as of the relevant balance sheet date.
- (2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC Topic 718 (Compensation – Stock Compensation), net investment income includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.
- (3) The total return for the three months ended March 31, 2018 and 2017 equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. As such, the total return is not annualized. The total return does not reflect any sales load that must be paid by investors.
- (4) These ratios are calculated based on weighted average net assets for the relevant period and are annualized. The ratio of total expense to average net assets for the period ended March 31, 2017 was incorrectly computed. The ratio was revised from 7.99% as previously disclosed to 11.48% as adjusted. The ratio was

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incorrectly computed for June 30, 2017 as well. It will be revised from 7.63% as previously disclosed to 11.24% in the June 30, 2018 Consolidated Financial Statements.

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- (5) The portfolio turnover rate for the three months ended March 31, 2018 and 2017 equals the lesser of investment portfolio purchases or sales during the period, divided by the average investment portfolio value during the period. As such, portfolio turnover rate is not annualized.
- (6) Includes distributions on unvested shares.

10. Commitments and Contingencies

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

At March 31, 2018, the Company had approximately \$51.9 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones.

The Company also had approximately \$174.0 million of non-binding term sheets outstanding at March 31, 2018. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

As of March 31, 2018, the Company's unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

(in thousands)

Portfolio Company	Unfunded Commitments⁽¹⁾
Chemocentryx, Inc.	\$ 10,000
Evernote Corporation	10,000
Proterra, Inc.	10,000
Impact Radius Holdings, Inc.	5,000
Wrike, Inc.	5,000
Achronix Semiconductor Corporation	5,000
Oak Street Health	5,000
Lithium Technologies, Inc.	878
Greenphire	500
Insurance Technologies Corp.	500
Total	\$ 51,878

- (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.

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Certain premises are leased or licensed under agreements which expire at various dates through June 2027. Total rent expense amounted to approximately \$451,000 and \$444,000 during the three months ended March 31, 2018 and 2017.

The Company's contractual obligations as of March 31, 2018 include:

Contractual Obligations ⁽¹⁾	Total	Payments due by period (in thousands)			
		Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Borrowings ⁽²⁾⁽³⁾⁽⁵⁾	\$ 787,285	\$ 151,975	\$ 61,550	\$ 490,250	\$ 83,510
Operating Lease Obligations ⁽⁴⁾	17,290	2,436	5,005	5,912	3,937
Total	\$ 804,575	\$ 154,411	\$ 66,555	\$ 496,162	\$ 87,447

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

(2) Includes \$190.2 million in principal outstanding under the SBA debentures, \$150.0 million of the 2022 Notes, \$183.5 million of the 2024 Notes, \$33.6 million of the 2021 Asset-Backed Notes and \$230.0 million of the 2022 Convertible Notes as of March 31, 2018.

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

(4) Facility leases and licenses.

(5) Reflects announced redemption of a portion of the 2024 Notes in April 2018. See Note 4 Borrowings.

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

11. Recent Accounting Pronouncements

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

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

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues including, among

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other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017. The Company has adopted this standard, which did not have a material impact, on its consolidated financial statements and related disclosures for the periods presented.

In October 2016, the SEC adopted new rules and forms and amended other rules to enhance the reporting and disclosure of information by registered investment companies. As part of these changes, the SEC amended Regulation S-X to standardize and enhance disclosures in investment company financial statements. Implementation of the new or amended rules is required for reporting periods ending after August 1, 2017. The Company has reviewed the requirements and adopted the amendments to Regulation S-X on its consolidated financial statements and related disclosures for the periods presented.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017. The Company has adopted this standard, which did not have a material impact, on its consolidated financial statements and related disclosures for the periods presented.

12. Subsequent Events

Distribution Declaration

On April 25, 2018 the Board of Directors declared a cash distribution of \$0.31 per share to be paid on May 21, 2018 to stockholders of record as of May 14, 2018. This distribution represents the Company's fifty-first consecutive distribution since the Company's IPO, bringing the total cumulative distribution to date to \$14.33 per share.

Redemption of 2024 Notes

On February 9, 2018, the Company's Board of Directors approved a redemption of \$100.0 million of outstanding aggregate principal amount of the 2024 Notes, which were redeemed on April 2, 2018.

ATM Equity Program Issuances

Subsequent to March 31, 2018 and as of April 30, 2018, the Company sold 679,800 shares of common stock for total accumulated net proceeds of approximately \$8.2 million, including \$74,000 of offering expenses, under the Equity Distribution Agreement with JMP. As of April 30, 2018, approximately 9.2 million shares remain available for issuance and sale under the Equity Distribution Agreement.

2025 Notes

On April 26, 2018, the Company issued \$75.0 million in aggregate principal amount of 5.25% notes due 2025 (the 2025 Notes). The 2025 Notes were issued pursuant to the Fifth Supplemental Indenture to the Base Indenture, dated April 26, 2018 (the 2025 Notes Indenture), between the Company and U.S. Bank, National Association, as trustee. The sale of the 2025 Notes generated net proceeds of approximately \$73.0 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions, were approximately \$2.0 million.

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

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

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

The 2025 Notes are listed on the NYSE, and trade on the NYSE under the symbol HCXZ.

Portfolio Company Developments

As of April 30, 2018, the Company held warrants or equity positions in three companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All three companies filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all. In addition, subsequent to March 31, 2018, the following companies announced or completed liquidity events:

1. In March 2018, our portfolio company IntegenX, Inc., the market leader of rapid human DNA identification technology for use in forensics and law enforcement applications, announced that they have been acquired by Thermo Fisher Scientific Inc., the world leader in serving science. Terms of the transaction were not disclosed.
2. In April 2018, our portfolio company, DocuSign, Inc. completed its initial public offering.

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Schedule 12-14

HERCULES CAPITAL, INC.**SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES****For the Three Months Ended March 31, 2018****(in thousands)**

Portfolio Company	Investment (1)	Amount of Interest Credited to Income(2)	Realized Gain (Loss)	As of December 31, 2017 Fair Value	Gross Additions(3)	Gross Reductions(4)	Net Change in Unrealized Appreciation/ (Depreciation)	As of March 31, 2018 Fair Value
Control Investments								
Majority Owned Control Investments								
Achilles Technology Management Co II, Inc.	Common Stock	\$	\$	\$ 242	\$	\$	\$ (125)	\$ 117
Gibraltar Business Capital, LLC(8)	Senior Debt		127		9,802			9,802
	Preferred Stock				25,538			25,538
	Common Stock				1,861			1,861
Total Majority Owned Control Investments		\$ 127	\$	\$ 242	\$ 37,201	\$	\$ (125)	\$ 37,318
Other Control Investments								
Second Time Around (Simplify Holdings, LLC)(7)	Senior Debt	\$	\$ (1,743)	\$	\$	\$ (1,781)	\$ 1,781	\$
Tectura Corporation(5)	Senior Debt	459	335	19,219	487	(335)	(2,276)	17,095
	Preferred Stock							
Total Other Control Investments		\$ 459	\$ (1,408)	\$ 19,219	\$ 487	\$ (2,116)	\$ (495)	\$ 17,095
Total Control Investments		\$ 586	\$ (1,408)	\$ 19,461	\$ 37,688	\$ (2,116)	\$ (620)	\$ 54,413
Affiliate Investments								
Optiscan BioMedical, Corp.	Preferred Warrants	\$	\$	\$ 86	\$	\$	\$ 185	\$ 271
	Preferred Stock			6,205	1,301		(1,250)	6,256
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)(6)	Senior Debt	561		13,604	166	(2,000)	(87)	11,683
	Common Stock			11,400			915	12,315
Stion Corporation	Preferred Warrants							
Total Affiliate Investments		\$ 561	\$	\$ 31,295	\$ 1,467	\$ (2,000)	\$ (237)	\$ 30,525
Total Control and Affiliate Investments		\$ 1,147	\$ (1,408)	\$ 50,756	\$ 39,155	\$ (4,116)	\$ (857)	\$ 84,938

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

(2) Represents the total amount of interest or dividends credited to income for the period an investment was an affiliate or control investment.

(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities.

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- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include previously recognized depreciation on investments that become control or affiliate investments during the period.
- (5) As of March 31, 2017, the Company's investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board.
- (6) As of September 30, 2017, the Company's investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as an affiliate investment due to a reduction in equity ownership. Note that this investment was classified as a control investment as of June 30, 2017 after the Company obtained a controlling financial interest.
- (7) As of February 2018, the Company's investments in Second Time Around ((Simplify Holdings, LLC) were deemed wholly worthless and written off for a realized loss.
- (8) As of March 31, 2018, the Company's investment in Gibraltar Business Capital, LLC became classified as a control investment as a result of obtaining a controlling financial interest.

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Schedule 12-14

HERCULES CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

As of March 31, 2018

(in thousands)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal or Shares	Cost	Value ⁽²⁾
Control Investments							
Majority Owned Control Investments							
Achilles Technology Management Co II, Inc.	Communications & Networking	Common Stock			100	\$ 3,100	\$ 117
Gibraltar Business Capital, LLC	Diversified Financial Services	Unsecured Debt	March 2023	Interest rate FIXED 14.50%	\$ 10,000	9,802	9,802
	Diversified Financial Services	Preferred Stock			10,602,752	25,538	25,538
	Diversified Financial Services	Common Stock			830,000	1,861	1,861
Total Gibraltar Business Capital, LLC						\$ 37,201	\$ 37,201
Total Majority Owned Control Investments (4.51%)*						\$ 40,301	\$ 37,318
Other Control Investments							
Tectura Corporation	Internet Consumer & Business Services	Senior Secured Debt	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$ 20,450	\$ 20,450	\$ 17,095
	Internet Consumer & Business Services	Senior Secured Debt	June 2021	PIK Interest 8.00%	\$ 10,680	240	
	Internet Consumer & Business Services	Preferred Series BB Equity			1,000,000		
Total Tectura Corporation						20,690	17,095
Total Other Control Investments (2.06%)*						\$ 20,690	\$ 17,095
Total Control Investments (6.57%)*						\$ 60,991	\$ 54,413
Affiliate Investments							
Optiscan BioMedical, Corp.	Medical Devices & Equipment	Preferred Series B Equity			6,185,567	\$ 3,000	\$ 345
	Medical Devices & Equipment	Preferred Series C Equity			1,927,309	655	100
					55,103,923	5,257	3,193

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	Medical Devices & Equipment	Preferred Series D Equity					
	Medical Devices & Equipment	Preferred Series E Equity			31,199,131	2,609	2,618
	Medical Devices & Equipment	Preferred Series E Warrants			10,535,275	1,252	271
Total Optiscan BioMedical, Corp.						12,773	6,527
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Sustainable and Renewable Technology	Senior Secured Debt	August 2019	Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee	\$ 12,000	11,770	11,683
	Sustainable and Renewable Technology	Common Stock				288	61,502
Total Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)					\$ 73,272		\$ 23,998
Stion Corporation	Sustainable and Renewable Technology	Preferred Series Seed Warrants			2,154	1,378	
Total Affiliate Investments (3.68%)*					\$ 87,423		\$ 30,525
Total Control and Affiliate Investments (10.25%)*					\$ 148,414		\$ 84,938

* Value as a percent of net assets

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

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

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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 as of December 31, 2017 and 2016, 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, 2017, 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, 2017 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, 2017 and 2016, and the results of their operations, changes in their net assets and their cash flows for each of the three years in the period ended December 31, 2017 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, 2017, 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, 2017 and 2016 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.

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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 22, 2018

We have served as the Company's auditor since 2010.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	December 31, 2017	December 31, 2016
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,506,454 and \$1,475,918, respectively)	\$ 1,491,458	\$ 1,414,210
Control investments (cost of \$25,419 and \$22,598, respectively)	19,461	4,700
Affiliate investments (cost of \$87,956 and \$13,010, respectively)	31,295	5,032
Total investments in securities, at value (cost of \$1,619,829 and \$1,511,526, respectively)	1,542,214	1,423,942
Cash and cash equivalents	91,309	13,044
Restricted cash	3,686	8,322
Interest receivable	12,262	11,614
Other assets	5,244	7,282
Total assets	\$ 1,654,715	\$ 1,464,204
Liabilities		
Accounts payable and accrued liabilities	\$ 26,896	\$ 21,463
Credit Facilities		5,016
2021 Asset-Backed Notes, net (principal of \$49,153 and \$109,205, respectively) ⁽¹⁾	48,650	107,972
Convertible Notes, net (principal of \$230,000 and \$0, respectively) ⁽¹⁾	223,488	
2019 Notes, net (principal of \$0 and \$110,364, respectively) ⁽¹⁾		108,818
2022 Notes, net (principal of \$150,000 and \$0, respectively) ⁽¹⁾	147,572	
2024 Notes, net (principal of \$183,510 and \$252,873, respectively) ⁽¹⁾	179,001	245,490
SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) ⁽¹⁾	188,141	187,501
Total liabilities	\$ 813,748	\$ 676,260
Commitments and Contingencies (Note 10)		
Net assets consist of:		
Common stock, par value	85	80
Capital in excess of par value	908,501	839,657
Unrealized depreciation on investments ⁽²⁾	(79,760)	(89,025)
Accumulated undistributed realized gains (losses) on investments	(20,374)	14,314
Undistributed net investment income	32,515	22,918
Total net assets	\$ 840,967	\$ 787,944
Total liabilities and net assets	\$ 1,654,715	\$ 1,464,204
Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized)	84,424	79,555
Net asset value per share	\$ 9.96	\$ 9.90

(1) The Company's 2021 Asset-Backed Notes, Convertible Notes, 2019 Notes, 2022 Notes, 2024 Notes, and SBA debentures, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See Note 4 Borrowings.

(2) Amounts includes \$2.1 million and \$1.4 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, and estimated taxes payable liabilities as of December 31, 2017 and 2016, respectively.

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

(Dollars in thousands)	December 31, 2017	December 31, 2016
Assets		
Restricted Cash	\$ 3,686	\$ 8,322
Total investments in securities, at value (cost of \$146,208 and \$244,695, respectively)	144,513	242,349
Total assets	\$ 148,199	\$ 250,671
Liabilities		
2021 Asset-Backed Notes, net (principal of \$49,153 and \$109,205, respectively) ⁽¹⁾	\$ 48,650	\$ 107,972
Total liabilities	\$ 48,650	\$ 107,972

(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.

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	For the Year Ended December 31,		
	2017	2016	2015
Investment income:			
Interest and PIK interest income			
Interest income:			
Non-control/Non-affiliate investments	\$ 160,131	\$ 150,705	\$ 135,261
Control investments	1,304	38	
Affiliate investments	801	160	347
Total interest income	162,236	150,903	135,608
PIK interest income:			
Non-control/Non-affiliate investments	9,293	7,784	4,658
Control investments	667	40	
Total PIK interest income	9,960	7,824	4,658
Total interest and PIK interest income	172,196	158,727	140,266
Fee income			
Non-control/Non-affiliate investments	18,630	16,318	16,865
Control investments	11	6	
Affiliate investments	43		1
Total fees	18,684	16,324	16,866
Total investment income	190,880	175,051	157,132
Operating expenses:			
Interest	37,857	32,016	30,834
Loan fees	8,728	5,042	6,055
General and administrative:			
Legal expenses	4,572	4,823	3,079
Other expenses	11,533	11,283	13,579
Total general and administrative	16,105	16,106	16,658
Employee compensation:			
Compensation and benefits	24,555	22,500	20,713
Stock-based compensation	7,191	7,043	9,370
Total employee compensation	31,746	29,543	30,083
Total operating expenses	94,436	82,707	83,630
Other income (loss)		8,000	(1)
Net investment income	96,444	100,344	73,501
Net realized gain (loss) on investments			
Non-control/Non-affiliate investments	(10,235)	4,576	5,147

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Control investments	(16,476)		
Total net realized gain (loss) on investments	(26,711)	4,576	5,147
Net change in unrealized appreciation (depreciation) on investments			
Non-control/Non-affiliate investments	43,796	(29,970)	(36,839)
Control investments	14,152	(4,025)	
Affiliate investments	(48,683)	(2,222)	1,107
Total net unrealized appreciation (depreciation) on investments	9,265	(36,217)	(35,732)
Total net realized and unrealized loss	(17,446)	(31,641)	(30,585)
Net increase in net assets resulting from operations	\$ 78,998	\$ 68,703	\$ 42,916
Net investment income before investment gains and losses per common share:			
Basic	\$ 1.16	\$ 1.34	\$ 1.04
Change in net assets resulting from operations per common share:			
Basic	\$ 0.95	\$ 0.91	\$ 0.60
Diluted	\$ 0.95	\$ 0.91	\$ 0.59
Weighted average shares outstanding			
Basic	82,519	73,753	69,479
Diluted	82,640	73,775	69,663
Distributions declared per common share:			
Basic	\$ 1.24	\$ 1.24	\$ 1.24

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(dollars and shares in thousands)

	Common Stock		Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Undistributed Realized Gains (Losses) on Investments	Undistributed Net Investment Income	Provision for Income Taxes on Investment Gains	Net Assets
	Shares	Par Value						
Balance at December 31, 2014	64,715	\$ 65	\$ 657,233	\$ (17,076)	\$ 14,079	\$ 4,905	\$ (342)	\$ 658,864
Net increase (decrease) in net assets resulting from operations				(35,732)	5,147	73,501		42,916
Public offering, net of offering expenses	7,591	8	100,084					100,092
Acquisition of common stock under repurchase plan	(437)		(4,644)					(4,644)
Issuance of common stock due to stock option exercises	64		427					427
Retired shares from net issuance	(29)		(423)					(423)
Issuance of common stock under restricted stock plan	676	1	(1)					
Retired shares for restricted stock vesting	(662)	(1)	(4,566)					(4,567)
Distributions reinvested in common stock	200		2,446					2,446
Distributions					(15,327)	(72,111)		(87,438)
Stock-based compensation ⁽¹⁾			9,461					9,461
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(7,773)		8,767	(994)		
Balance at December 31, 2015	72,118	\$ 73	\$ 752,244	\$ (52,808)	\$ 12,666	\$ 5,301	\$ (342)	\$ 717,134
Net increase (decrease) in net assets resulting from operations		\$	\$	(36,217)	4,576	100,344		68,703
Public offering, net of offering expenses	7,428	7	92,820					92,827
Acquisition of common stock under repurchase plan	(450)	(1)	(4,789)					(4,790)
Issuance of common stock due to stock option exercises	55		654					654
Retired shares from net issuance	(17)		(235)					(235)
Issuance of common stock under restricted stock plan	556	1	(1)					
Retired shares for restricted stock vesting	(279)		(2,944)					(2,944)
Distributions reinvested in common stock	144		1,799					1,799
Distributions					(7,962)	(84,371)		(92,333)
Stock-based compensation ⁽¹⁾			7,129					7,129
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles			(7,020)		5,034	1,644	342	
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		\$	\$	9,265	(26,711)	96,444		78,998
Public offering, net of offering expenses	4,919	5	66,930					66,935

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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		(14,893)	(88,194)
Stock-based compensation ⁽¹⁾		7,247	7,247
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles		(8,263)	6,916
			1,347
Balance at December 31, 2017	84,424	\$ 85	\$ 908,501
		\$ (79,760)	\$ (20,374)
		\$ 32,515	\$ 840,967

(1) Stock-based compensation includes \$57, \$87 and \$90 of restricted stock and option expense related to director compensation for the years ended December 31, 2017, 2016 and 2015, respectively.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net increase in net assets resulting from operations	\$ 78,998	\$ 68,703	\$ 42,916
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(764,795)	(680,971)	(712,701)
Principal and fee payments received on investments	641,016	444,758	509,593
Proceeds from the sale of investments	23,881	18,998	17,892
Net unrealized depreciation (appreciation) on investments	(9,265)	36,217	35,732
Net realized loss (gain) on investments	26,711	(4,576)	(5,147)
Accretion of paid-in-kind principal	(9,686)	(7,319)	(4,037)
Accretion of loan discounts	(6,711)	(7,163)	(8,049)
Accretion of loan discount on convertible notes	615	82	246
Loss on debt extinguishment (convertible notes)			1
Payment of loan discount on convertible notes			(5)
Accretion of loan exit fees	(19,098)	(22,614)	(14,947)
Change in deferred loan origination revenue	962	347	1,904
Unearned fees related to unfunded commitments	1,048	(758)	(2,064)
Amortization of debt fees and issuance costs	7,492	3,773	5,161
Depreciation	201	202	193
Stock-based compensation and amortization of restricted stock grants ⁽¹⁾	7,247	7,129	9,461
Change in operating assets and liabilities:			
Interest and fees receivable	(648)	(2,375)	213
Prepaid expenses and other assets	(1,097)	3,234	4,826
Accounts payable	(10)	56	(639)
Accrued liabilities	4,739	3,892	5,090
Net cash used in operating activities	(18,400)	(138,385)	(114,361)
Cash flows from investing activities:			
Purchases of capital equipment	(274)	(252)	(187)
Reduction of restricted cash	4,636	869	3,469
Net cash provided by investing activities	4,362	617	3,282
Cash flows from financing activities:			
Issuance of common stock, net	66,935	92,827	100,092
Repurchase of common stock, net		(4,790)	(4,645)
Retirement of employee shares	(2,685)	(2,525)	(4,562)
Distributions paid	(100,885)	(90,534)	(84,992)
Issuance of Convertible Notes	230,000		
Issuance of 2022 Notes	150,000		
Issuance of 2024 Notes	5,636	149,873	
Repayments of 2017 Asset-Backed Notes			(16,049)
Repayments of 2019 Notes	(110,364)		(60,000)
Repayments of 2021 Asset-Backed Notes	(60,053)	(20,095)	
Repayments of 2024 Notes	(75,000)		
Borrowings of credit facilities	8,497	285,891	138,689
Repayments of credit facilities	(13,513)	(330,877)	(88,689)
Cash paid for debt issuance costs	(6,342)	(5,289)	
Cash paid for redemption of convertible notes		(17,604)	(65)
Fees paid for credit facilities and debentures	77	(1,261)	(620)

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Net cash provided by (used in) financing activities	92,303	55,616	(20,841)
Net increase (decrease) in cash and cash equivalents	78,265	(82,152)	(131,920)
Cash and cash equivalents at beginning of period	13,044	95,196	227,116
Cash and cash equivalents at end of period	\$ 91,309	\$ 13,044	\$ 95,196
Supplemental non-cash investing and financing activities:			
Interest paid	\$ 33,579	\$ 31,011	\$ 30,527
Income taxes paid	\$ 1,076	\$ 184	\$ 973
Distributions reinvested	\$ 2,202	\$ 1,799	\$ 2,446

- (1) Stock-based compensation includes \$57, \$87 and \$90 of restricted stock and option expense related to director compensation for the years ended December 31, 2017, 2016 and 2015, respectively.

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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							
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	\$5,115	\$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

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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

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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⁾	
Edge Therapeutics, Inc. ⁽¹²⁾	Drug Delivery	Senior Secured	February 2020	Interest rate PRIME + 4.65% or Floor rate of 9.15%, 4.95% Exit Fee	\$ 20,000	\$20,377	\$20,330	
Total: 1-5 Years Maturity						64,308	64,160	
Total: Drug Delivery (10.17%)*						85,664	85,520	
Drug Discovery & Development								
Under 1 Year Maturity								
ArtRx 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	
Virion Pharmaceuticals, 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	3,400	
Total: Under 1 Year Maturity						14,482	11,510	
5 Years Maturity								
Meris 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	10,560	
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	10,340	
	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	9,910	
Total Aveo Pharmaceuticals, Inc.						\$ 20,000	20,263	20,250
Novo Nordisk 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	53,440	
Beigene 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	6,360	
Progenics Pharmaceuticals, 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	4,940	
		Senior Secured	January 2019	Interest rate PRIME + 2.25% or Floor rate of 7.25%,	\$ 13,851	14,482	14,380	

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Enocea Sciences, Inc. ⁽¹¹⁾	Drug Discovery & Development			4.95% Exit Fee				
Med, 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	54,96	
Metuchen Pharmaceuticals Co. ⁽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	25,64	
Profit BioSciences Co. ⁽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	14,65	
Novo Nordisk Pharmaceuticals, A/S ⁽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	24,70	
Orion Pharmaceuticals, Oy. ⁽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	39,82	
	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	9,95	

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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	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.) 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	\$ 60,000	60,148	59,682
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
uniQure B.V. ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee	\$ 20,000	20,579	20,543
Verastem, Inc. ⁽¹²⁾⁽¹⁷⁾	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,957	4,910
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,996	4,949
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$ 5,000	4,953	4,907
Total Verastem, Inc.					\$ 15,000	14,906	14,766
Subtotal: 1-5 Years Maturity						346,187	341,679
Subtotal: Drug Discovery & Development (42.00%)*						360,669	353,191
Electronics & Computer Hardware							
1-5 Years Maturity							
908 DEVICES INC. ⁽¹⁵⁾	Electronics & Computer Hardware	Senior Secured	September 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee	\$ 10,000	10,014	9,887

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Subtotal: 1-5 Years Maturity					10,014	9,887	
Subtotal: Electronics & Computer Hardware (1.18%)*					10,014	9,887	
Healthcare Services, Other							
1-5 Years Maturity							
Medsphere Systems Corporation ⁽¹⁴⁾⁽¹⁵⁾	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	\$ 17,607	17,437	17,437
	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	4,963
Total Medsphere Systems Corporation					\$ 22,616	22,400	22,400
Oak Street Health ⁽¹²⁾	Healthcare Services, Other	Senior Secured	September 2021	Interest rate PRIME + 5.00% or Floor rate of 9.75%,			
				5.95% Exit Fee	\$ 20,000	19,965	19,965
PH Group Holdings ⁽¹³⁾	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	\$ 20,000	19,878	19,803
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	\$ 10,000	9,922	9,840
Total PH Group Holdings					\$ 30,000	29,800	29,643
Subtotal: 1-5 Years Maturity							
Subtotal: Healthcare Services, Other (8.56%)*					72,165	72,008	

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value
Information Services							
Years Maturity							
X Medical, (14)(15)(17)	Information Services	Senior Secured	December 2020	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 1.70%	\$ 7,568	\$ 7,369	\$ 7,369
base Solutions, (13)(14)	Information Services	Senior Secured	August 2020	Interest rate PRIME + 6.00% or Floor rate of 10.00%, PIK Interest 2.00%, 3.00% Exit Fee	\$ 9,051	8,730	8,730
Total: 1-5 Years Maturity						16,099	16,099
Total: Information Services (1.91%)*						16,099	16,099
Internet Consumer & Business Services							
Years 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	9,885
A Systems, (11)(14)	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%, 1.50% Exit Fee	\$ 2,103	2,104	1,811
	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	16,100
al Aria Systems, Inc.					\$ 20,935	20,943	17,900
enphire 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	3,883
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75% or Floor rate of 7.00%	\$ 1,000	1,000	1,000
al Greenphire Inc.					\$ 4,883	4,883	4,883
nt Media, (14)(15)	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.25% or Floor rate of 8.75%, PIK Interest 1.00%, 2.00% Exit Fee	\$ 5,050	5,011	5,011
	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	1,987
	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	1,988

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al Intent Media, Inc.					\$ 9,092	8,986	9,0
ractions poration	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			
icSource ⁽¹⁵⁾	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25% or Floor rate of 9.75%, 5.00% Exit Fee	\$ 25,000	25,013	25,0
gajob.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	\$ 6,452	6,701	6,7
					\$ 41,023	40,633	41,0

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor⁽²⁾	Principal Amount	Cost⁽³⁾	Value⁽⁴⁾
Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁴⁾	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$ 20,298	\$ 20,298	\$ 19,219
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	\$ 11,015	240	
Total Tectura Corporation					\$ 31,313	20,538	19,219
The Faction Group	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25% or Floor rate of 10.25%	\$ 8,000	8,000	8,000
	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%	\$ 2,000	2,000	2,000
Total The Faction Group					\$ 10,000	10,000	10,000
Subtotal: 1-5 Years Maturity						147,582	143,719
Subtotal: Internet Consumer & Business Services (17.09%)*						147,582	143,719
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

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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

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value ⁽⁴⁾
	Medical Devices & Equipment	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% or Floor rate of 8.00%, 4.00% Exit Fee	\$ 9,043	9,477	9,477
Sebacia, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Senior Secured	July 2020	Interest rate PRIME + 4.35% 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
Subtotal: 1-5 Years Maturity						73,843	73,666
Subtotal: Medical Devices & Equipment (9.37%)*						78,946	78,769
Semiconductors							
Under 1-5 Years Maturity							
Achronix Semiconductor Corporation ⁽¹⁵⁾⁽¹⁷⁾	Semiconductors	Senior Secured	August 2020	Interest rate PRIME + 7.00% or Floor rate of 11.00%, 12.50% Exit Fee	\$ 5,000	5,084	5,100
	Semiconductors	Senior Secured	February 2019	Interest rate PRIME + 6.00% or Floor rate of 10.00%	\$ 4,274	4,274	4,273
Total Achronix Semiconductor Corporation					\$ 9,274	9,358	9,373
Subtotal: 1-5 Years Maturity						9,358	9,373
Subtotal: Semiconductors (1.11%)*						9,358	9,373
Software							
Under 1 Year Maturity							
Clickfox, Inc. ⁽¹³⁾	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.50%, 12.01% Exit Fee	\$ 6,378	7,671	7,671
Digital Train Limited p.k.a. Jumpstart	Software	Senior Secured	July 2018	Interest rate 12-month LIBOR + 2.50%	\$ 5,671	5,671	4,073

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Games, Inc.)⁽¹⁵⁾

Subtotal: Under 1 Year Maturity					13,342	11,744	
-5 Years Maturity							
Clarabridge, Inc. ⁽¹²⁾⁽¹⁴⁾	Software	Senior Secured	April 2021	Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25%	\$ 40,893	40,870	41,063
Emma, Inc.	Software	Senior Secured	September 2022	Interest rate daily LIBOR + 7.75% or Floor rate of 8.75%	\$ 50,000	48,565	48,565
Evernote Corporation ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁷⁾	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 6,000	5,974	6,100
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	\$ 4,023	3,999	3,992
Total Evernote Corporation					\$ 10,023	9,973	10,092

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(dollars in thousands)

Folio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value
Inc. ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	July 2021	Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.55%, 3.55% Exit Fee	\$ 50,332	\$ 50,464	\$ 50,000
ct Radius ings, (4)(17)	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55%, 1.75% Exit Fee	\$ 7,544	7,552	7,000
um nologies, (7)	Software	Senior Secured	October 2022	Interest rate 1-month LIBOR + 8.00% or Floor rate of 9.00%	\$ 12,000	11,740	11,000
osystems ing Company,	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.25% or Floor rate of 9.25%	\$ 12,000	11,821	11,000
ogin, (4)(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	16,000
ctServe, Inc.	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00% or Floor rate of 10.00%, 2.50% Exit Fee	\$ 16,000	16,023	16,000
	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00% or Floor rate of 10.00%, 2.50% Exit Fee	\$ 4,000	4,005	4,000
PerfectServe, Inc. n, Inc. ⁽¹⁵⁾	Software	Senior Secured	April 2019	Interest rate PRIME + 4.25% or Floor rate of 8.50%, 4.00% Exit Fee	\$ 7,000	6,964	6,000
cus, Inc. ⁽⁸⁾⁽¹⁴⁾	Software	Senior Secured	May 2022	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$ 1,250	1,250	1,250
, Inc. ⁽¹⁴⁾⁽¹⁵⁾	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25%, 3.00% Exit Fee	\$ 8,303	8,397	8,000
dMiner, 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	6,000
nt Education ⁽¹⁴⁾	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35% Exit Fee	\$ 3,285	3,291	3,000
post, Inc. ⁽¹⁴⁾	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%, 3.75% Exit Fee	\$ 15,510	15,603	15,000
Trading nologies e, Inc. ⁽¹⁴⁾⁽¹⁷⁾	Software	Senior Secured	July 2022	Interest rate daily LIBOR + 9.50% or Floor rate of 10.50%	\$ 20,000	19,495	19,000
	Software	Senior Secured	February 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 2.00%, 3.00% Exit Fee	\$ 10,165	9,971	10,000
Doc	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.50% or Floor rate of 10.50%, 1.00% Exit Fee	\$ 20,000	20,011	20,000
	Software	Senior Secured	November 2021	Interest rate 3-month LIBOR + 9.50% or Floor rate of 10.50%	\$ 10,000	10,005	10,000

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1.00% Exit Fee

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

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Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor ⁽²⁾	Principal Amount	Cost ⁽³⁾	Value
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Animal	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	\$
Under 1 Year Maturity							1,496
1-5 Years Maturity							
Sciences, Inc. ⁽⁴⁾	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	
1-5 Years Maturity							35,517
Specialty Pharmaceuticals (4.40%)*							37,013
Surgical Devices							
Under 1 Year Maturity							
edics, 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	
Under 1 Year Maturity							8,756
Surgical Devices (1.04%)*							8,756
Stable and Renewable Technology							
Under 1 Year Maturity							
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	
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	
Under 1 Year Maturity							22,072
1-5 Years Maturity							
oint Inc.	Sustainable and Renewable Technology	Senior Secured	August 2020	Interest rate 3-month LIBOR + 8.75% or Floor rate of 9.75%, 2.00% Exit Fee	\$ 19,394	19,416	

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Spectrum LLC Longevity,	Sustainable and Renewable Technology	Senior Secured	August 2019	Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee	\$ 14,000	13,604
(4)(17)	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	\$ 25,036	25,997
	Sustainable and Renewable Technology	Senior Secured	November 2020	Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.75%, 7.00% Exit Fee	\$ 5,007	5,173
oterra, Inc. Technology,	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20% or Floor rate of 9.45%, 4.00% Exit Fee	\$ 4,258	4,498
Networks ⁽¹²⁾	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 9.25%, 8.50% Exit Fee	\$ 13,156	13,863
1-5 Years Maturity						82,551
1-5 Years Maturity: Sustainable and Renewable Technology (12.45%)*						104,623
Debt Investments (168.38%)*						1,440,055

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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⁾		Equity	Common Stock	223,463	2,000	259

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	Drug Discovery & Development					
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
Information Services						
DocuSign, Inc.	Information Services	Equity	Common Stock	385,000	6,081	8,011
Subtotal: Information Services (0.95%)*					6,081	8,011

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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⁾
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

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Total Gelesis, Inc.				581,038	925	2,712
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	302
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	225
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	532
Total Medrobotics Corporation				374,703	905	1,059
Optiscan Biomedical, Corp. ⁽⁶⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	402
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	114
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	4,232

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
	Medical Devices & Equipment	Equity	Preferred Series E	15,638,888	\$ 1,307	\$ 1,457
Total Optiscan Biomedical, Corp.				78,855,687	10,219	6,205
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	596
Quanterix Corporation ⁽⁴⁾	Medical Devices & Equipment	Equity	Common Stock	84,778	1,000	1,820
Subtotal: Medical Devices & Equipment (1.49%)*					15,342	12,530
Software						
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	90
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,044
	Software	Equity	Preferred Series 3	93,620	300	312
Total Druva, Inc.				552,461	1,300	1,356
ForeScout Technologies, Inc. ⁽⁴⁾	Software	Equity	Common Stock	199,844	529	6,373
HighRoads, Inc.	Software	Equity	Common Stock	190	307	
NewVoiceMedia Limited ⁽⁵⁾⁽¹⁰⁾	Software	Equity	Preferred Series E	669,173	963	1,544
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	4,923
	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

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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

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

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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⁾
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

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	Drug Discovery & Development					
Chroma Therapeutics, Ltd. ⁽⁵⁾⁽¹⁰⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	3
Concert Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	132,069	545	1,344
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	29,239	165	2
CytRx Corporation ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	105,694	160	58
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	17,190	369	
Dicerna Pharmaceuticals, Inc. ⁽⁴⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc. ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	64,194	276	
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	29
Genocea Biosciences, Inc. ⁽⁴⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	4

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽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

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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

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
Intent Media, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Common Stock	140,077	\$ 168	\$ 207
Interactions Corporation	Internet Consumer & Business Services	Warrant	Preferred Series G-3	68,187	204	204
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	2,627
Lightspeed POS, Inc. ⁽⁵⁾⁽¹⁰⁾	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
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⁾		Warrant	Common Stock	39,364	242	

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	Medical Devices & Equipment					
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

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
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
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

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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

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽³⁾	Value⁽⁴⁾
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	
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series A	325,000	155	155

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	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	

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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⁾
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 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, 2017, and is therefore considered non-income producing. Note that at December 31, 2017, only the \$11.0 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (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 II, L.P., or HT II, or Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment companies, or SBIC, subsidiaries.
- (16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at December 31, 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.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾	
Debt Investments								
Biotechnology Tools								
1-5 Years Maturity								
Excicure, Inc. ^{(11)(14A)}	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%	\$ 6,000	\$ 5,971	\$ 6,035	
Subtotal: 1-5 Years Maturity						5,971	6,035	
Subtotal: Biotechnology Tools (0.77%)*						5,971	6,035	
Communications & Networking								
Under 1 Year Maturity								
Achilles Technology Management Co II, Inc. ^{(6)(13)(14B)}	Communications & Networking	Senior Secured	August 2017	PIK Interest 10.50%	\$ 1,278	1,304	1,304	
OpenPeak, Inc. ⁽⁷⁾	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$ 12,211	8,975		
Subtotal: Under 1 Year Maturity						10,279	1,304	
1-5 Years Maturity								
Avanti Communications Group ⁽⁴⁾⁽⁹⁾	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$ 8,025	7,212	4,825	
SkyCross, Inc. ^{(6)(7)(13)(14B)(15)}	Communications & Networking	Senior Secured	January 2018	Interest rate FIXED 10.95%, PIK Interest 5.00%	\$ 16,758	16,900		
Spring Mobile Solutions, Inc. ^{(12)(14B)}	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70% or Floor rate of 9.95%	\$ 3,000	3,038	3,044	
Subtotal: 1-5 Years Maturity						27,150	7,869	
Subtotal: Communications & Networking (1.16%)*						37,429	9,173	
Consumer & Business Products								
1-5 Years Maturity								
Antenna79 (p.k.a. Pong Research Corporation) ^{(14A)(15)}	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 7.45% or Floor rate of 10.95%	\$ 20,000	19,837	19,837	
	Consumer & Business Products	Senior Secured	December 2018	Interest rate PRIME + 6.00% or Floor rate of 9.50%	\$ 1,000	965	965	
Total Antenna79 (p.k.a. Pong Research Corporation)						\$ 21,000	20,802	20,802
Nasty Gal ^{(14B)(15)}	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$ 13,241	13,148	13,148	
Second Time Around (Simplify Holdings, LLC) ^{(14A)(15)}	Consumer & Business Products	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.75%	\$ 2,280	2,302	2,283	

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Subtotal: 1-5 Years Maturity							36,252	36,233
Subtotal: Consumer & Business Products (4.60%)*							36,252	36,233
Drug Delivery								
Under 1 Year Maturity								
AcelRx Pharmaceuticals, Inc. ^{(9)(10)(14A)(15)}	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%	\$ 20,466	21,151	21,151	
				or Floor rate of 9.10%				
Celsion Corporation ^{(10)(14A)}	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%	\$ 2,246	2,575	2,575	
				or Floor rate of 11.25%				
Subtotal: Under 1 Year Maturity							23,726	23,726
1-5 Years Maturity								
Agile Therapeutics, Inc. ^{(10)(14A)}	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%	\$ 16,500	16,524	16,434	
				or Floor rate of 9.00%				
Apexia Pharmaceuticals Company ^{(11)(14A)}	Drug Delivery	Senior Secured	January 2020	Interest rate PRIME + 5.75%	\$ 20,000	19,700	19,706	
				or Floor rate of 9.25%				
BioQ Pharma Incorporated ^{(10)(14A)(14B)}	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%	\$ 8,231	8,636	8,577	
				or Floor rate of 11.25%				
	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 7.00%	\$ 2,464	2,511	2,509	
				or Floor rate of 10.25%				
Total BioQ Pharma Incorporated					\$ 10,695	11,147	11,086	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Edge Therapeutics, Inc. ^{(11)(14A)(17)}	Drug Delivery	Senior Secured	February 2020	Interest rate PRIME + 4.65%	\$ 15,000	\$ 15,004	\$ 15,045
				or Floor rate of 9.15%			
Pulmatrix Inc. ^{(8)(10)(14A)}	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%	\$ 5,954	6,022	6,013
				or Floor rate of 9.50%			
ZP Opco, Inc (p.k.a. Zosano Pharma) ^{(10)(14A)}	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%	\$ 12,123	12,325	12,238
				or Floor rate of 7.95%			
Subtotal: 1-5 Years Maturity						80,722	80,522
Subtotal: Drug Delivery (13.23%)*						104,448	104,248
Drug Discovery & Development Under 1 Year Maturity							
Cerecor, Inc. ^{(11)(14A)}	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 4.70%	\$ 2,374	2,499	2,499
				or Floor rate of 7.95%			
Neuralstem, Inc. ^{(14A)(15)}	Drug Discovery & Development	Senior Secured	April 2017	Interest rate PRIME + 6.75%	\$ 3,766	3,996	3,996
				or Floor rate of 10.00%			
Subtotal: Under 1 Year Maturity						6,495	6,495
1-5 Years Maturity							
Auris Medical Holding, AG ^{(4)(9)(14B)}	Drug Discovery & Development	Senior Secured	January 2020	Interest rate PRIME + 6.05%	\$ 12,500	12,317	12,326
				or Floor rate of 9.55%			
Aveo Pharmaceuticals, Inc. ^{(9)(12)(14A)(14B)}	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 6.90%	\$ 10,000	10,269	10,218
				or Floor rate of 11.90%			
	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 6.90%	\$ 5,000	4,926	4,918
				or Floor rate of 11.90%			
Total Aveo Pharmaceuticals, Inc.					\$ 15,000	15,195	15,136
Bellicum Pharmaceuticals, Inc. ^{(14A)(14B)(15)}	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85%	\$ 15,000	15,212	15,387
				or Floor rate of 9.35%			
	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85%	\$ 5,000	4,981	5,049
				or Floor rate of 9.35%			
Total Bellicum Pharmaceuticals, Inc.					\$ 20,000	20,193	20,436
Brickell Biotech, Inc. ^{(11)(14B)}	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70%	\$ 7,500	7,521	7,560
				or Floor rate of 9.20%			
Cerulean Pharma, Inc. ^{(12)(14B)}	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 1.55%	\$ 13,078	13,994	13,908
		Senior Secured	December 2018	or Floor rate of 7.30%	\$ 19,548	19,276	19,372

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CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ^{(10)(14A)}	Drug Discovery & Development			Interest rate PRIME + 7.70% or Floor rate of 10.95%			
CytRx Corporation ^{(10)(14B)(15)}	Drug Discovery & Development	Senior Secured	February 2020	Interest rate PRIME + 6.00% or Floor rate of 9.50%	\$ 25,000	25,086	25,166
Epirus Biopharmaceuticals, Inc. ^{(7)(14A)}	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$ 3,066	3,349	
Genocea Biosciences, Inc. ^{(10)(14A)}	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 2.25% or Floor rate of 7.25%	\$ 17,000	17,313	17,376
Immune Pharmaceuticals ^{(10)(14B)}	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 4.75% or Floor rate of 10.00%	\$ 3,271	3,350	2,693
Insmed, Incorporated ^{(10)(14A)}	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 4.75% or Floor rate of 9.25%	\$ 55,000	54,695	54,559
Mast Therapeutics, Inc. ^{(14A)(15)}	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 5.70% or Floor rate of 8.95%	\$ 3,347	3,921	3,923
Melinta Therapeutics ^{(12)(14A)}	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 3.75% or Floor rate of 8.25%	\$ 24,502	25,001	24,945
Merrimack Pharmaceuticals, Inc. ⁽⁹⁾	Drug Discovery & Development	Senior Secured	December 2022	Interest rate FIXED 11.50%	\$ 25,000	25,000	25,000
Metuchen Pharmaceuticals LLC ^{(13)(14A)}	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%	\$ 35,081	34,541	34,541
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ^{(14A)(15)}	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%	\$ 40,000	39,388	39,504

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
PhaseRx, Inc. ^{(14B)(15)}	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 5.75% or Floor rate of 9.25%	\$ 6,000	\$ 5,921	\$ 5,945
Sorrento Therapeutics, Inc. ^{(9)(14B)}	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 5.75% or Floor rate of 9.25%	\$ 50,000	48,069	48,069
uniQure B.V. ^{(4)(9)(10)(14B)}	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%	\$ 20,000	20,133	20,081
XOMA Corporation ^{(9)(14B)(15)}	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 2.15% or Floor rate of 9.40%	\$ 16,380	16,970	16,901
Subtotal: 1-5 Years Maturity						411,233	407,441
Subtotal: Drug Discovery & Development (52.53%)*						417,728	413,936
Electronics & Computer Hardware							
1-5 Years Maturity							
Persimmon Technologies ^{(11)(13)(14B)}	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.50%	\$ 7,012	7,096	7,134
Subtotal: 1-5 Years Maturity						7,096	7,134
Subtotal: Electronics & Computer Hardware (0.91%)*						7,096	7,134
Healthcare Services, Other							
1-5 Years Maturity							
InstaMed Communications, LLC ^{(14B)(15)}	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$ 10,000	10,125	10,261
PH Group Holdings	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	\$ 20,000	19,802	19,802
Subtotal: 1-5 Years Maturity						29,927	30,063
Subtotal: Healthcare Services, Other (3.82%)*						29,927	30,063
Internet Consumer & Business Services							
1-5 Years Maturity							
Aria Systems, Inc. ⁽¹⁰⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%,	\$ 2,061	2,045	1,728

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	Internet Consumer & Business Services	Senior Secured	June 2019	PIK Interest 1.95%			
				Interest rate PRIME + 5.20%			
				or Floor rate of 8.95%,			
				PIK Interest 1.95%	\$ 18,463	18,307	15,467
Total Aria Systems, Inc. CloudOne, Inc. ^{(10)(14B)}	Internet Consumer & Business Services	Senior Secured	April 2019		\$ 20,524	20,352	17,195
				Interest rate PRIME + 6.35%			
				or Floor rate of 9.85%	\$ 5,000	5,091	5,138
Intent Media, Inc. ^{(13)(14A)(15)}	Internet Consumer & Business Services	Senior Secured	December 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.75%,			
				PIK Interest 1.00%	\$ 5,000	4,851	4,851
LogicSource ^{(14B)(15)}	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25%			
				or Floor rate of 9.75%	\$ 8,500	8,533	8,649
Snagajob.com, Inc. ^{(12)(13)(14A)}	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.15%			
				or Floor rate of 9.15%,			
				PIK Interest 1.95%	\$ 35,293	34,517	35,067

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Tectura Corporation ⁽⁷⁾⁽⁸⁾⁽¹³⁾	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$ 19,691	\$19,691	\$19,691
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	11,015	240	
Total Tectura Corporation					\$ 30,706	19,931	19,691
Subtotal: 1-5 Years Maturity						93,275	90,591
Subtotal: Internet Consumer & Business Services (11.50%)*						93,275	90,591
Media/Content/Info 1-5 Years Maturity							
FanDuel, Inc. ^(14B)	Media/Content/Info	Senior Secured	November 2019	Interest rate PRIME + 7.25% or Floor rate of 10.75%	\$ 20,000	19,352	19,352
Machine Zone, Inc. ⁽¹³⁾⁽¹⁶⁾	Media/Content/Info	Senior Secured	May 2018	Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00%	\$ 103,785	102,444	103,083
WP Technology, Inc. (Wattpad, Inc.) ^{(4)(9)(11)(14B)(17)}	Media/Content/Info	Senior Secured	April 2020	Interest rate PRIME + 4.75% or Floor rate of 8.25%	\$ 5,000	5,029	5,099
	Media/Content/Info	Senior Secured	April 2020	Interest rate PRIME + 4.75% or Floor rate of 8.25%	\$ 2,500	2,471	2,510
Total WP Technology, Inc. (Wattpad, Inc.)					\$ 7,500	7,500	7,609
Subtotal: 1-5 Years Maturity						129,296	130,044
Subtotal: Media/Content/Info (16.50%)*						129,296	130,044
Medical Devices & Equipment Under 1 Year Maturity							
InspireMD, Inc. ^{(4)(9)(14B)}	Medical Devices & Equipment	Senior Secured	June 2017	Interest rate PRIME + 5.00% or Floor rate of 10.50%	\$ 2,237	2,743	2,743

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Subtotal: Under 1 Year Maturity					2,743	2,743	
1-5 Years Maturity							
Amedica Corporation ^{(8)(14B)(15)}	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.70%			
				or Floor rate of 10.95%	\$ 7,417	8,816	8,715
Aspire Bariatrics, Inc. ^{(14B)(15)}	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00%			
				or Floor rate of 9.25%	\$ 5,295	5,400	5,368
Avedro, Inc. ^{(14A)(15)}	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 9,777	9,975	9,982
Flowonix Medical Incorporated ^{(12)(14B)}	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 10.00%	\$ 10,905	11,340	11,275
	Medical Devices & Equipment	Senior Secured	March 2019	Interest rate PRIME + 6.50%			
				or Floor rate of 10.00%	\$ 4,255	4,243	4,214
Total Flowonix Medical Incorporated					\$ 15,160	15,583	15,489
Gamma Medica, Inc. ^{(10)(14B)}	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$ 2,500	2,650	2,645
IntegenX, Inc. ^{(14B)(15)}	Medical Devices & Equipment	Senior Secured	June 2019	Interest rate PRIME + 6.05%			
				or Floor rate of 10.05%	\$ 15,000	15,068	15,168
	Medical Devices & Equipment	Senior Secured	June 2019	Interest rate PRIME + 6.05%			
				or Floor rate of 10.05%	\$ 1,750	1,694	1,730
Total IntegenX, Inc.					\$ 16,750	16,762	16,898
Micell Technologies, Inc. ^{(11)(14B)}	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$ 8,277	8,255	8,321
Quanta Fluid Solutions ^{(4)(9)(10)(14B)}	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05%			
				or Floor rate of 11.55%	\$ 12,500	12,547	12,500

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CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Quanterix Corporation ^{(10)(14A)}	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$ 9,964	\$ 10,276	\$ 10,316
SynergEyes, Inc. ^{(14B)(15)}	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$ 2,347	2,762	2,719
Subtotal: 1-5 Years Maturity						93,026	92,953
Subtotal: Medical Devices & Equipment (12.15%)*						95,769	95,696
Semiconductors							
Under 1 Year Maturity							
Achronix Semiconductor Corporation ^{(14B)(15)(17)}	Semiconductors	Senior Secured	November 2017	Interest rate PRIME + 7.00%			
				or Floor rate of 10.50%	\$ 1,682	1,682	1,682
Subtotal: Under 1 Year Maturity						1,682	1,682
1-5 Years Maturity							
Achronix Semiconductor Corporation ^{(14B)(15)(17)}	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$ 3,341	3,546	3,530
Avnera Corporation ^{(10)(14A)}	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$ 5,577	5,699	5,816
Subtotal: 1-5 Years Maturity						9,245	9,346
Subtotal: Semiconductors (1.40%)*						10,927	11,028
Software							
Under 1 Year Maturity							
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ^{(7)(13)(14C)(15)(18)}	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$ 1,566	1,698	730
RedSeal Inc. ⁽¹⁵⁾⁽¹⁷⁾	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25%			
				or Floor rate of 6.50%	\$ 2,635	2,635	2,635

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Subtotal: Under 1 Year Maturity

4,333 3,365

1-5 Years Maturity

Actifio, Inc. ^{(13)(14A)}	Software	Senior Secured	January 2019	Interest rate PRIME+4.25%			
				or Floor rate of 8.25%,			
	Software	Senior Secured	January 2019	PIK Interest 2.25%	\$ 30,961	30,830	30,918
				Interest rate PRIME + 4.75%			
				or Floor rate of 8.75%,			
				PIK Interest 2.50%	\$ 10,171	9,929	10,036
Total Actifio, Inc.					\$ 41,132	40,759	40,954
Clickfox, Inc. ^{(12)(14C)}	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00%			
				or Floor rate of 11.50%	\$ 12,000	12,261	12,273
Cloud Technology Partners, Inc. ^(14A)	Software	Senior Secured	June 2018	Interest rate PRIME + 3.05%			
				or Floor rate of 7.05%	\$ 3,000	2,966	2,966
	Software	Senior Secured	December 2019	Interest rate PRIME + 5.75%			
				or Floor rate of 9.75%	\$ 10,000	9,863	9,863
Total Cloud Technology Partners, Inc.					\$ 13,000	12,829	12,829
Druva, Inc. ^{(10)(12)(14B)(17)}	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$ 9,157	9,604	9,613
	Software	Senior Secured	May 2018	Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$ 10,000	10,066	10,141
Total Druva, Inc.					\$ 19,157	19,670	19,754
Evernote Corporation ⁽¹⁵⁾⁽¹⁷⁾	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45%			
				or Floor rate of 8.95%	\$ 6,000	5,961	5,961
Lithium Technologies, Inc. ^{(13)(14A)(15)(19)}	Software	Senior Secured	June 2020	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%,			
				PIK Interest 1.80%	\$ 25,019	24,999	24,999
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ^{(7)(13)(14A)(15)}	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%,			
				PIK Interest 10.75%	\$ 13,000	12,747	5,477

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Mattersight Corporation ⁽¹¹⁾⁽¹³⁾	Software	Senior Secured	February 2020	Interest rate PRIME + 6.25% or Floor rate of 9.75%, PIK Interest 2.15%	\$ 22,664	\$ 22,023	\$ 22,280
OneLogin, Inc. ⁽¹³⁾⁽¹⁵⁾	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, PIK Interest 3.25%	\$ 15,369	15,249	15,488
Quid, Inc. ^{(13)(14A)(15)}	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25%	\$ 8,116	8,126	8,220
RedSeal Inc. ^{(14A)(15)(17)}	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75% or Floor rate of 11.00%	\$ 5,000	5,120	5,107
	Software	Senior Secured	January 2020	Interest rate PRIME + 7.75% or Floor rate of 11.25%	\$ 5,000	4,880	4,880
Total RedSeal Inc.					\$ 10,000	10,000	9,987
Signpost, Inc. ^{(13)(14A)(15)}	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%	\$ 15,237	15,022	15,190
Subtotal: 1-5 Years Maturity						199,646	193,412
Subtotal: Software (24.97%)*						203,979	196,777
Specialty Pharmaceuticals							
1-5 Years Maturity							
Alimera Sciences, Inc. ^{(10)(13)(14A)}	Specialty Pharmaceuticals	Senior Secured	November 2020	Interest rate PRIME + 7.50% or Floor rate of 11.00%	\$ 35,041	34,606	34,798

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PIK Interest 1.00%

Jaguar Animal Health, Inc. ^{(10)(14B)}	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%			
				or Floor rate of 9.90%	\$ 3,511	3,803	3,725

Subtotal: 1-5 Years Maturity 38,409 38,523

Subtotal: Specialty Pharmaceuticals (4.89%)* 38,409 38,523

Surgical Devices

1-5 Years Maturity

Transmedics, Inc. ^{(12)(14B)}	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 5.30%			
				or Floor rate of 9.55%	\$ 8,500	8,497	8,529

Subtotal: 1-5 Years Maturity 8,497 8,529

Subtotal: Surgical Devices (1.08%)* 8,497 8,529

Sustainable and Renewable Technology

Under 1 Year Maturity

American Superconductor Corporation ^{(10)(14B)}	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25%			
				or Floor rate of 11.00%	\$ 1,500	1,550	1,550

Modumetal, Inc. ^{(11)(14C)(14D)}	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70%			
				or Floor rate of 11.95%	\$ 376	882	882

	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 6.00%			
				or Floor rate of 9.25%	\$ 3,370	4,115	4,115

Total Modumetal, Inc. \$ 3,746 4,997 4,997

Stion Corporation ^{(5)(14A)}	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$ 333	333	333

Sungevity, Inc. ^{(12)(14D)}	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70%			
				or Floor rate of 6.95%	\$ 35,000	39,834	29,709

	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70%			
				or Floor rate of 6.95%	\$ 20,000	20,000	14,917

Total Sungevity, Inc. \$ 55,000 59,834 44,626

Subtotal: Under 1 Year Maturity 66,714 51,506

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Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Maturity Date	Interest Rate and Floor	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
1-5 Years Maturity							
FuelCell Energy, Inc. ^{(11)(14B)}	Sustainable and Renewable Technology	Senior Secured	October 2018	Interest rate PRIME + 5.50%			
				or Floor rate of 9.50%	\$ 20,000	\$20,488	\$20,707
Proterra, Inc. ^{(10)(14A)(14B)}	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate PRIME + 6.95%			
				or Floor rate of 10.20%	\$ 30,000	30,670	30,592
	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate PRIME + 5.75%			
				or Floor rate of 9.25%	\$ 10,000	9,921	9,916
Total Proterra, Inc.					\$ 40,000	40,591	40,508
Rive Technology, Inc. ^{(14A)(15)}	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20%			
				or Floor rate of 9.45%	\$ 7,500	7,586	7,650
Tendril Networks ^{(11)(14B)}	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$ 15,000	15,405	15,324
Verdezyne, Inc. ^{(14B)(15)}	Sustainable and Renewable Technology	Senior Secured	April 2019	Interest rate PRIME + 8.25%			
				or Floor rate of 11.75%	\$ 15,000	15,084	15,098
Subtotal: 1-5 Years Maturity						99,154	99,287
Subtotal: Sustainable and Renewable Technology (19.14%)*						165,868	150,793
Total: Debt Investments (168.64%)*						1,384,871	1,328,803

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. ⁽¹⁵⁾	Biotechnology Tools	Equity	Preferred Series C	189,394	\$ 500	\$ 575
Subtotal: Biotechnology Tools (0.07%)*					500	575
Communications & Networking						
Achilles Technology Management Co II, Inc. ⁽⁶⁾⁽¹⁵⁾	Communications & Networking	Equity	Common Stock	100	4,000	3,396
GlowPoint, Inc. ⁽³⁾	Communications & Networking	Equity	Common Stock	114,192	101	31
Peerless Network Holdings, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	4,990
Subtotal: Communications & Networking (1.07%)*					5,101	8,417
Consumer & Business Products						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261		279
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	273
Total Market Force Information, Inc.				668,231	500	552
Subtotal: Consumer & Business Products (0.07%)*					500	552
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	574
Subtotal: Diagnostic (0.07%)*					750	574
Drug Delivery						
AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	54,240	108	141
BioQ Pharma Incorporated ⁽¹⁵⁾	Drug Delivery	Equity	Preferred Series D	165,000	500	542
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	161,856	1,000	2,023
Merrion Pharmaceuticals, Plc ⁽⁴⁾⁽⁹⁾	Drug Delivery	Equity	Common Stock	20,000	9	
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Delivery	Equity	Common Stock	125,000	1,500	731
Revanche Therapeutics, Inc. ⁽³⁾	Drug Delivery	Equity	Common Stock	22,765	557	472
Subtotal: Drug Delivery (0.50%)*					3,674	3,909
Drug Discovery & Development						

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Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Drug Discovery & Development	Equity	Common Stock	426,931	1,060	231
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	105
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	96
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	411
Dynavax Technologies ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Equity	Common Stock	20,000	550	79
Epirus Biopharmaceuticals, Inc.	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	921
Inotek Pharmaceuticals Corporation ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	23
Insmed, Incorporated ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	936
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,042

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾	Drug Discovery & Development	Equity	Common Stock	76,362	\$ 2,743	\$ 1,175
Subtotal: Drug Discovery & Development (0.76%)*					14,853	6,019
Electronics & Computer Hardware						
Identiv, Inc. ⁽³⁾	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	21
Subtotal: Electronics & Computer Hardware (0.00%)*					34	21
Information Services						
DocuSign, Inc. ⁽¹⁵⁾	Information Services	Equity	Common Stock	385,000	6,081	6,081
Subtotal: Information Services (0.77%)*					6,081	6,081
Internet Consumer & Business Services						
Blurb, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	197
Brigade Group, Inc. (p.k.a. Philotic, Inc.)	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	
Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	228
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	221
Total Lightspeed POS, Inc. OfferUp, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Equity	Preferred Series A	286,080	1,663	1,663
	Internet Consumer & Business Services	Equity	Preferred Series A-1	108,710	632	632
Total OfferUp, Inc.				394,790	2,295	2,295
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	431
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	249
Total Oportun (p.k.a. Progress Financial)				306,153	500	680
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	34
Tectura Corporation	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000		

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Subtotal: Internet Consumer & Business Services (0.46%)*				3,578	3,655	
Media/Content/Info						
Pinterest, Inc.	Media/Content/Info	Equity	Preferred Series Seed	620,000	4,085	4,085
Subtotal: Media/Content/Info (0.52%)*				4,085	4,085	
Medical Devices & Equipment						
AtriCure, Inc. ⁽³⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Common Stock	7,536	266	147
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series AA	221,893	1,500	359
Gelesis, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Common Stock	198,202		634
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	687
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	650
Total Gelesis, Inc.				581,038	925	1,971
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	216

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	\$ 155	\$ 188
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	514
Total Medrobotics Corporation				374,703	905	918
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	292
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	85
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	3,014
	Medical Devices & Equipment	Equity	Preferred Series E	13,573,546	1,136	1,138
Total Optiscan Biomedical, Corp.				76,790,345	10,048	4,529
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	548
Quanterix Corporation	Medical Devices & Equipment	Equity	Preferred Series D	272,479	1,000	1,086
Subtotal: Medical Devices & Equipment (1.21%)*					15,171	9,558
Software						
Box, Inc. ⁽³⁾	Software	Equity	Common Stock	611,442	4,709	8,475
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	86
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,288
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,725
	Software	Equity	Preferred Series E	80,587	131	440
Total ForeScout Technologies, Inc.				399,686	529	2,165
HighRoads, Inc.	Software	Equity	Common Stock	190	307	
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Equity	Preferred Series E	669,173	963	1,025
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	5,431
WildTangent, Inc. ⁽¹⁵⁾	Software	Equity	Preferred Series 3	100,000	402	148
Subtotal: Software (2.36%)*					13,392	18,618
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955		
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636		

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Total QuatRx Pharmaceuticals Company				4,936,420	750	
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	
Surgical Devices						
Gynesonics, Inc. ⁽¹⁵⁾	Surgical Devices	Equity	Preferred Series B	219,298	250	37
	Surgical Devices	Equity	Preferred Series C	656,538	282	52
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	671
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	450
Total Gynesonics, Inc.				5,653,360	1,673	1,210
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	357
	Surgical Devices	Equity	Preferred Series C	119,999	300	291
	Surgical Devices	Equity	Preferred Series D	260,000	650	912
	Surgical Devices	Equity	Preferred Series F	100,200	500	523
Total Transmedics, Inc.				569,160	2,550	2,083
Subtotal: Surgical Devices (0.42%)*					4,223	3,293

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Sustainable and Renewable Technology						
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Equity	Common Stock	19,250	\$ 761	\$
Glori Energy, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	1
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	533
Protterra, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 5	99,280	500	512
Sungevity, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	
TPI Composites, Inc. ⁽³⁾	Sustainable and Renewable Technology	Equity	Common Stock	78,018	273	1,251
Subtotal: Sustainable and Renewable Technology (0.29%)*					8,949	2,297
Total: Equity Investments (8.59%)*					81,641	67,654
Warrant Investments						
Biotechnology Tools						
Excicure, Inc.	Biotechnology Tools	Warrant	Preferred Series C	104,348	107	181
Labcyte, Inc. ⁽¹⁵⁾	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	409
Subtotal: Biotechnology Tools (0.07%)*					430	590
Communications & Networking						
Intelepeer, Inc. ⁽¹⁵⁾	Communications & Networking	Warrant	Common Stock	117,958	102	
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	14
Peerless Network Holdings, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	415
SkyCross, Inc. ⁽⁶⁾⁽¹⁵⁾	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Common Stock	2,834,375	418	
Subtotal: Communications & Networking (0.05%)*					1,219	429
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⁾		Warrant	Preferred Series B	190,234	230	354

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		Consumer & Business Products				
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,076	5,574
Nasty Gal ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	
The Neat Company ⁽¹⁵⁾	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	
Subtotal: Consumer & Business Products (0.75%)*					1,922	5,928

Drug Delivery

AcelRx Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	176,730	785	92
Agile Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	180,274	730	269
Aprecia Pharmaceuticals Company	Drug Delivery	Warrant	Preferred Series A-1	735,981	366	242
BIND Therapeutics, Inc. ⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	152,586	488	
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	264
Celsion Corporation ⁽³⁾	Drug Delivery	Warrant	Common Stock	194,986	428	

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Dance Biopharm, Inc. ⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	110,882	\$ 74	\$
Edge Therapeutics, Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	78,595	390	402
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	391
Neos Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Delivery	Warrant	Common Stock	70,833	285	17
Pulmatrix Inc. ⁽³⁾	Drug Delivery	Warrant	Common Stock	25,150	116	
ZP Opco, Inc (p.k.a. Zosano Pharma) ⁽³⁾	Drug Delivery	Warrant	Common Stock	72,379	266	
Subtotal: Drug Delivery (0.21%)*					4,523	1,677
Drug Discovery & Development						
ADMA Biologics, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	89,750	295	43
Anthera Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	40,178	984	
Auris Medical Holding, AG ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	156,726	249	51
Aveo Pharmaceuticals, Inc. ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	2,069,880	396	123
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	139
Cerecor, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	22,328	70	
Cerulean Pharma, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	171,901	369	14
Chroma Therapeutics, Ltd. ⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	
Cleveland BioLabs, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	7,813	105	
Concert Pharmaceuticals, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	70,796	367	56
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	292,398	165	8
CytRx Corporation ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	634,146	416	78
Dicerna Pharmaceuticals, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	200	28	
Epirus Biopharmaceuticals, Inc.	Drug Discovery & Development	Warrant	Common Stock	64,194	276	
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,009	142	13
Genocea Biosciences, Inc. ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	73,725	266	75
Immune Pharmaceuticals ⁽³⁾	Drug Discovery & Development	Warrant	Common Stock	214,853	164	
Mast Therapeutics, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	2,272,724	203	85
Melinta Therapeutics		Warrant	Preferred Series 3	1,382,323	626	295

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	Drug Discovery & Development					
Nanotherapeutics, Inc. ⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	171,389	838	767
Neothetics, Inc. (p.k.a. Lithera, Inc) ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	46,838	266	29
Neuralstem, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	75,187	77	1
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	69,840	152	157
PhaseRx, Inc. ⁽³⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	63,000	125	15
Sorrento Therapeutics, Inc. ⁽³⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	306,748	890	632

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
uniQure B.V. ⁽³⁾⁽⁴⁾⁽⁹⁾	Drug Discovery & Development	Warrant	Common Stock	37,174	\$ 218	\$ 8
XOMA Corporation ⁽³⁾⁽⁹⁾⁽¹⁵⁾	Drug Discovery & Development	Warrant	Common Stock	9,063	279	6
Subtotal: Drug Discovery & Development (0.33%)*					8,575	2,595
Electronics & Computer Hardware						
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series D	63,348	40	509
Subtotal: Electronics & Computer Hardware (0.06%)*					52	509
Healthcare Services, Other						
Chromadex Corporation ⁽³⁾⁽¹⁵⁾	Healthcare Services, Other	Warrant	Common Stock	139,673	157	137
Subtotal: Healthcare Services, Other (0.02%)*					157	137
Information Services						
INMOBI Inc. ⁽⁴⁾⁽⁹⁾	Information Services	Warrant	Common Stock	46,874	82	
InXpo, Inc. ⁽¹⁵⁾	Information Services	Warrant	Preferred Series C	648,400	98	4
	Information Services	Warrant	Preferred Series C-1	1,165,183	74	6
Total InXpo, Inc.				1,813,583	172	10
RichRelevance, Inc. ⁽¹⁵⁾	Information Services	Warrant	Preferred Series E	112,612	98	
Subtotal: Information Services (0.00%)*					352	10
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	239,692	73	
Blurb, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	96
CashStar, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C-2	727,272	130	24
CloudOne, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	46
Intent Media, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Common Stock	140,077	168	167
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,102	1,093

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Lightspeed POS, Inc. ⁽⁴⁾⁽⁹⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	31
LogicSource ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	59
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	190
Prism Education Group, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series B	200,000	43	
ShareThis, Inc. ⁽¹⁵⁾	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	1
Snagajob.com, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A	1,575,000	640	1,075
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	19
Tectura Corporation	Internet Consumer & Business Services	Warrant	Preferred Series B-1	253,378	51	
Subtotal: Internet Consumer & Business Services (0.36%)*					3,853	2,801

See notes to consolidated financial statements.

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Portfolio Company	Sub-Industry	Type of Investment⁽¹⁾	Series	Shares	Cost⁽²⁾	Value⁽³⁾
Media/Content/Info						
FanDuel, Inc.	Media/Content/Info	Warrant	Preferred Series E-1	4,648	\$ 730	\$ 682
Machine Zone, Inc. ⁽¹⁶⁾	Media/Content/Info	Warrant	Common Stock	1,552,710	1,958	2,729
Rhapsody International, Inc. ⁽¹⁵⁾	Media/Content/Info	Warrant	Common Stock	715,755	385	7
WP Technology, Inc. (Wattpad, Inc.) ⁽⁴⁾⁽⁹⁾	Media/Content/Info	Warrant	Common Stock	127,909	1	6
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	14
Subtotal: Media/Content/Info (0.44%)*					3,422	3,438
Medical Devices & Equipment						
Amedica Corporation ⁽³⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	103,225	459	14
Aspire Bariatrics, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series D	395,000	455	217
Avedro, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	254
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series AA	155,325	362	21
Gamma Medica, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	450,956	170	234
Gelesis, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	153
InspireMD, Inc. ⁽³⁾⁽⁴⁾⁽⁹⁾	Medical Devices & Equipment	Warrant	Common Stock	39,364	242	20
IntegenX, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series C	547,752	15	35
Medrobotics Corporation ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	292
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	347
NetBio, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	7,841	408	158
NinePoint Medical, Inc. ⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	65
Optiscan Biomedical, Corp. ⁽⁵⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Preferred Series D	10,535,275	1,252	170
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	355
Quanterix Corporation	Medical Devices & Equipment	Warrant	Preferred Series C	173,428	180	104
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	
Strata Skin Sciences, Inc. (p.k.a. MELA Sciences, Inc.) ⁽³⁾	Medical Devices & Equipment	Warrant	Common Stock	69,320	402	
ViewRay, Inc. ⁽³⁾⁽¹⁵⁾	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	2

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Subtotal: Medical Devices & Equipment (0.31%)*				6,149	2,441	
Semiconductors						
Achronix Semiconductor Corporation ⁽¹⁵⁾	Semiconductors	Warrant	Preferred Series C	360,000	160	71
	Semiconductors	Warrant	Preferred Series D-1	500,000	7	25
Total Achronix Semiconductor Corporation				860,000	167	96
Aquantia Corp.	Semiconductors	Warrant	Preferred Series G	196,831	4	88
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	46	114
Subtotal: Semiconductors (0.04%)*					217	298
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	83

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
	Software	Warrant	Preferred Series F	31,673	\$ 343	\$ 54
Total Actifio, Inc.				105,257	592	137
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	
CareCloud Corporation ⁽¹⁵⁾	Software	Warrant	Preferred Series B	413,433	258	488
Clickfox, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series B	1,038,563	330	63
	Software	Warrant	Preferred Series C	592,019	730	76
	Software	Warrant	Preferred Series C-A	2,218,214	230	1,604
Total Clickfox, Inc.				3,848,796	1,290	1,743
Cloud Technology Partners, Inc.	Software	Warrant	Preferred Series C	113,960	34	35
Evernote Corporation ⁽¹⁵⁾	Software	Warrant	Common Stock	62,500	106	110
JumpStart Games, Inc. (p.k.a Knowledge Holdings, Inc.) ⁽¹⁵⁾	Software	Warrant	Preferred Series E	614,333	16	
Mattersight Corporation ⁽³⁾	Software	Warrant	Common Stock	357,143	538	386
Message Systems, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	503,718	334	325
Mobile Posse, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	396,430	130	102
Neos, Inc. ⁽¹⁵⁾	Software	Warrant	Common Stock	221,150	22	64
NewVoiceMedia Limited ⁽⁴⁾⁽⁹⁾	Software	Warrant	Preferred Series E	225,586	33	45
OneLogin, Inc. ⁽¹⁵⁾	Software	Warrant	Common Stock	228,972	150	188
Poplicus, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	2,595,230		6
Quid, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series D	71,576	1	8
RedSeal Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C-Prime	640,603	66	65
Signpost, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	324,005	314	167
Soasta, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series E	410,800	691	190
Sonian, Inc. ⁽¹⁵⁾	Software	Warrant	Preferred Series C	185,949	106	105
Subtotal: Software (0.53%)*					4,869	4,164
Specialty Pharmaceuticals						
Alimera Sciences, Inc. ⁽³⁾	Specialty Pharmaceuticals	Warrant	Common Stock	1,717,709	860	421
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Warrant	Preferred Series E	155,324	308	
Subtotal: Specialty Pharmaceuticals (0.05%)*					1,168	421
Surgical Devices						
Gynesonics, Inc. ⁽¹⁵⁾	Surgical Devices	Warrant	Preferred Series C	180,480	75	14
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	240
Total Gynesonics, Inc.				1,756,445	395	254
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	16
	Surgical Devices	Warrant	Preferred Series D	175,000	100	405
	Surgical Devices	Warrant	Preferred Series F	50,544	38	56

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Total Transmedics, Inc.				265,980	363	477
Subtotal: Surgical Devices (0.09%)*					758	731
Sustainable and Renewable Technology						
Agrivida, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	120	99
Alphabet Energy, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	86,329	82	
American Superconductor Corporation ⁽³⁾	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	85
Beamreach Solar (p.k.a. Solixel, Inc.) ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	1,171,625	1,162	
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,666	104	
Calera, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment ⁽¹⁾	Series	Shares	Cost ⁽²⁾	Value ⁽³⁾
EcoMotors, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	\$ 308	\$ 30
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	20
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	6,229	50	
Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)				537,040	231	
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	201
GreatPoint Energy, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	
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	457
Rive Technology, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	3
Stion Corporation ⁽⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	
Sungevity, Inc.	Sustainable and Renewable Technology	Warrant	Common Stock	20,000,000	543	
	Sustainable and Renewable Technology	Warrant	Preferred Series C	32,472,222	902	
Total Sungevity, Inc.				52,472,222	1,445	
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	219
Trilliant, Inc. ⁽¹⁵⁾	Sustainable and Renewable Technology	Warrant	Preferred Series A	320,000	162	202
Subtotal: Sustainable and Renewable Technology (0.17%)*					7,348	1,316
Total: Warrant Investments (3.49%)*					45,014	27,485
Total Investments (180.72%)*					\$ 1,511,526	\$ 1,423,942

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

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- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$24.7 million, \$114.5 million and \$89.8 million respectively. The tax cost of investments is \$1.5 billion.
- (3) Except for warrants in 37 publicly traded companies and common stock in 19 publicly traded companies, all investments are restricted at December 31, 2016 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Non-U.S. company or the company's principal place of business is outside the United States.
- (5) Affiliate investment as defined under the 1940 Act in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
- (6) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
- (7) Debt is on non-accrual status at December 31, 2016, and is therefore considered non-income producing. Note that at December 31, 2016, only the \$11.0 million PIK loan is on non-accrual for the Company's debt investment in Tectura Corporation.
- (8) Denotes that all or a portion of the debt investment is convertible debt.

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HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(dollars in thousands)

- (9) Indicates assets that the Company deems not qualifying assets under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
- (10) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
- (11) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
- (12) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
- (13) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
- (14) Denotes that all or a portion of the debt investment includes an exit fee receivable.
- A. This fee ranges from 1.0% to 5.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- B. This fee ranges from 5.0% to 10.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- C. This fee ranges from 10.0% to 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- D. This fee is greater than 15.0% of the total debt commitment based on the contractual terms of our loan servicing agreements.
- (15) Denotes that all or a portion of the investment in this portfolio company is held by 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, 2016.
- (17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at December 31, 2016. Refer to Note 10.
- (18) Repayment of debt investment is delinquent of the contractual maturity date as of December 31, 2016.
- (19) The stated PIK interest rate may be reduced to 1.45% subject to achievement of a milestone by the portfolio company.

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

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (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 Internal Revenue Code of 1986, as amended (the Code). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company, or RIC, under Subchapter M of the Code (see Note 5). As an investment company, the Company follows accounting and reporting guidance as set forth in Topic 946 (Financial Services Investment Companies) of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, as amended (ASC).

Hercules Technology II, L.P. (HT II), Hercules Technology III, L.P. (HT III), and Hercules Technology IV, L.P. (HT IV), are Delaware limited partnerships that were formed in January 2005, September 2009 and December 2010, respectively. HT II and HT III were licensed to operate as small business investment companies (SBICs) under the authority of the Small Business Administration (SBA) on September 27, 2006 and May 26, 2010, respectively. As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. HT IV was formed in anticipation of receiving an additional SBIC license; however, the Company has not received such license, and HT IV currently has no material assets or liabilities. The Company also formed Hercules Technology SBIC Management, LLC, or (HTM), a limited liability company in November 2003. HTM is a wholly owned subsidiary of the Company and serves as the limited partner and general partner of HT II and HT III (see Note 4 to the Company's consolidated financial statements).

HT II and HT III hold approximately \$111.8 million and \$284.0 million in assets, respectively, and they accounted for approximately 5.4% and 13.8% of the Company's total assets, respectively, prior to consolidation at December 31, 2017.

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

The consolidated financial statements include the accounts of the Company, its subsidiaries and its consolidated securitization VIE. All significant inter-company accounts and transactions have been eliminated in consolidation. In accordance with Articles 6 and 10 of Regulation S-X, the Company does not consolidate portfolio company investments. It is not appropriate for an investment company to consolidate a portfolio

company that is not an investment company or that provides services to the Company. Rather, an investment company's interest in portfolio companies that are not investment companies should be measured at fair value in accordance with ASC Topic 946.

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

As of the date of this report, the only VIE consolidated by the Company is its securitization VIE formed in conjunction with the issuance of the 2021 Asset-Backed Notes (as defined herein). See Note 4 Borrowings.

Revision of Previously Issued Financial Statements

It was determined that there was a misclassification in the previously issued consolidated financial statements of \$15.3 million, and \$8.0 million in the distributions for the years ended December 31, 2015 and 2016 respectively. The amounts had been categorized as distributions of net investment income rather than distributions of realized gains and the components of net assets have been revised in the respective years to reflect the correct classification. In addition, the financial highlights in note 9 have been updated to reclassify \$0.22 and \$0.11 per share from distributions of net investment income to distributions of realized gains for the

years ended December 31, 2015 and 2016 respectively. The amounts reclassified are not material individually, or in the aggregate, and there is no impact on previously reported net assets, total distributions, and earnings per share for the years ended December 2015 and 2016. The Company plans to reflect the revised amounts in its quarterly consolidated financial statements in future filings containing such information.

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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, 2017, approximately 93.2% of the Company's total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820 (Fair Value Measurements). The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy by the Company's Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

- (1) the Company's quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and business based assumptions are discussed with the Company's investment committee;
- (3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio as provided by the investment committee which incorporates the results of the independent valuation firm as appropriate; and
- (4) the Board of Directors, upon the recommendation of the Audit Committee, discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the investment committee.

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

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

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

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

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

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, 2017 and December 31, 2016. The Company transfers investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the year ended December 31, 2017, there were no transfers between Levels 1 or 2.

(in thousands)	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)
Description				
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

(in thousands)	Balance December 31, 2016	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Senior Secured Debt	\$ 1,328,803	\$	\$ 4,825	\$ 1,323,978
Preferred Stock	39,418			39,418
Common Stock	28,236	17,271		10,965
Warrants	27,485		3,239	24,246
Escrow Receivable	1,382			1,382
Total	\$ 1,425,324	\$ 17,271	\$ 8,064	\$ 1,399,989

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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, 2017 and December 31, 2016.

(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 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	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

(in thousands)	Balance January 1, 2016	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, 2016
Senior Debt	\$ 1,102,396	\$ (6,968)	\$ (12,675)	\$ 687,353	\$	\$ (441,567)	\$	\$ (4,561)	\$ 1,323,978
Preferred Stock	35,245	(334)	(7,864)	13,873	(1,367)		626	(761)	39,418
Common Stock	1,527		(1,404)	6,081			4,761		10,965
Warrants	18,565	(116)	3,465	4,082	(1,186)			(564)	24,246
Escrow Receivable	2,967	(6)		2,009	(3,588)				1,382
Total	\$ 1,160,700	\$ (7,424)	\$ (18,478)	\$ 713,398	\$ (6,141)	\$ (441,567)	\$ 5,387	\$ (5,886)	\$ 1,399,989

(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, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions, IPOs of ForeScout Technologies, Inc., Aquantia Corporation, and Quanterix Corporation, and merger of the Company's former portfolio company Cempra, Inc. and current portfolio company Melinta Therapeutics, Inc. into NASDAQ-listed company Melinta Therapeutics, Inc. Transfers into Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.

(4) Transfers out of Level 3 during the year ended December 31, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an initial public offering, or IPO, and acquisition, respectively; the exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc. Transfers into Level 3 during the year ended December 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of the Company's preferred shares to common shares in SCIEnergy, Inc.

(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, 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.

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For the year ended December 31, 2016, approximately \$9.1 million and \$1.4 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$25.7 million in net unrealized

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depreciation and \$2.8 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

The following tables provide quantitative information about the Company's Level 3 fair value measurements as of December 31, 2017 and December 31, 2016. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

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

Investment Type - Level Three	Fair Value at		Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽²⁾
	December 31, 2017	(in thousands)				
Debt Investments						
	Pharmaceuticals	\$ 44,301	Originated Within 6 Months	Origination Yield	10.71% - 12.61%	11.89%
		379,841	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.14% - 16.14% (0.25%) - 0.75%	12.94%
		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 Premium/(Discount)	9.47% - 19.21% (0.25%) - 1.00%	13.55%
		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 Premium/(Discount)	11.15% - 14.16% 0.00% - 0.25%	12.13%
Medical Devices		17,013	Originated Within 6 Months	Origination Yield	13.49%	13.49%
		89,869	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	9.66% - 17.57% 0.00% - 0.50%	12.28%
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.

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

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

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

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- (2) The weighted averages are calculated based on the fair market value of each investment.
- (3) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (4) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

Investment Type - Level Three Debt Investments	Fair Value at December 31, 2016 (in thousands)	Valuation Techniques/ Methodologies		Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽²⁾
Pharmaceuticals	\$ 102,412	Originated Within 6 Months		Origination Yield	12.24% - 14.59%	13.64%
	434,718	Market Comparable Companies		Hypothetical Market Yield Premium/(Discount)	9.07% - 15.62% (0.25%) - 0.75%	12.44%
	2,693	Liquidation ⁽³⁾		Probability weighting of alternative outcomes	25.00% - 100.00%	
Technology	93,674	Originated Within 6 Months		Origination Yield	7.29% - 16.53%	13.69%
	325,553	Market Comparable Companies		Hypothetical Market Yield Premium/(Discount)	10.14% - 21.66% (0.50%) - 0.50%	12.69%
	24,706	Liquidation ⁽³⁾		Probability weighting of alternative outcomes	20.00% - 100.00%	
Sustainable and Renewable Technology	99,286	Market Comparable Companies		Hypothetical Market Yield Premium/(Discount)	11.77% - 16.84% 0.00% - 0.25%	13.45%
	44,626	Liquidation ⁽³⁾		Probability weighting of alternative outcomes	10.00% - 40.00%	
Medical Devices	88,983	Market Comparable Companies		Hypothetical Market Yield Premium/(Discount)	10.25% - 18.60% (0.25%) - 0.75%	14.01%
Lower Middle Market	25,017	Market Comparable Companies		Hypothetical Market Yield Premium/(Discount)	8.85% - 15.79% 0.00% - 0.25%	10.10%
	13,148	Liquidation ⁽³⁾		Probability weighting of alternative outcomes	100.00%	
Debt Investments Where Fair Value Approximates Cost						
	25,000	Imminent Payoffs ⁽⁴⁾				
	44,162	Debt Investments Maturing in Less than One Year				
	\$ 1,323,978	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.

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

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

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

- (2) The weighted averages are calculated based on the fair market value of each investment.
- (3) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (4) Imminent payoffs represent debt investments that the Company expects to be fully repaid within the next three months, prior to their scheduled maturity date.

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

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

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Investment Type - Level Three Equity and Warrant Investments	Fair Value at December 31, 2016 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽⁵⁾
Equity Investments	\$ 9,258	Market Comparable Companies	EBITDA Multiple ⁽²⁾	0.0x - 38.7x	12.3x
			Revenue Multiple ⁽²⁾	0.9x - 8.7x	3.1x
	19,836	Market Adjusted OPM Backsolve	Discount for Lack of Marketability ⁽³⁾	13.75% - 25.97%	16.73%
			Average Industry Volatility ⁽⁴⁾	45.54% - 113.16%	61.06%
			Risk-Free Interest Rate	0.79% - 1.50%	0.91%
			Estimated Time to Exit (in months)	10 - 38	15
			Average Industry Volatility ⁽⁴⁾	29.93% - 109.95%	73.49%
			Risk-Free Interest Rate	0.65% - 1.44%	0.92%
	21,289	Other ⁽⁶⁾	Estimated Time to Exit (in months)	10 - 34	15
	Warrant Investments	8,959	Market Comparable Companies	EBITDA Multiple ⁽²⁾	2.6x - 51.4x
Revenue Multiple ⁽²⁾				0.4x - 6.1x	2.5x
9,713		Market Adjusted OPM Backsolve	Discount for Lack of Marketability ⁽³⁾	11.74% - 27.25%	19.02%
			Average Industry Volatility ⁽⁴⁾	38.58% - 111.15%	62.03%
			Risk-Free Interest Rate	0.68% - 1.68%	1.04%
			Estimated Time to Exit (in months)	7 - 47	20
			Average Industry Volatility ⁽⁴⁾	29.93% - 116.29%	67.20%
			Risk-Free Interest Rate	0.45% - 1.84%	0.99%
5,574		Other ⁽⁶⁾	Estimated Time to Exit (in months)	3 - 47	20
Total Level Three Warrant and Equity Investments		\$ 74,629			

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

(2) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.

(3) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.

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

(5) Weighted averages are calculated based on the fair market value of each investment.

(6) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

Debt Investments

The Company follows the guidance set forth in ASC Topic 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy, which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. In addition, the Company may, from time to time, invest in public debt of companies that meet the Company's investment objectives. These investments are considered Level 2 assets.

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In making a good faith determination of the value of the Company's investments, the Company generally starts with the cost basis of the investment, which includes the value attributed to the original issue discount (OID), if any, and payment-in-kind (PIK) interest or other receivables which have been accrued as earned. The Company then applies the valuation methods as set forth below.

The Company applies a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. The Company determines the yield at inception for each debt investment. The Company then uses senior secured, leveraged loan yields provided by third party providers to determine the change in market yields between inception of the debt investment and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

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

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

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

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

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

Equity-Related Securities and Warrants

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

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

Escrow Receivables

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of December 31, 2017 there were no material past due escrow receivables.

Portfolio Composition

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

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The following table summarizes the Company's realized gain and loss and changes in the Company's unrealized appreciation and depreciation on control and affiliate investments for the years ended December 31, 2017 and 2016, and affiliate investments for the year ended December 2015. The Company did not hold any control investments at December 31, 2015.

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2017	Investment Income	Year Ended December 31, 2017		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾	Realized Gain/(Loss)
Control Investments						
Achilles Technology Management Co II, Inc.	Control	\$ 242	\$ 155	\$ (2,254)	\$	\$ (486)
HercGamma, Inc.	Control			(523)	523	(487)
SkyCross, Inc.	Control			1,842	15,452	(15,452)
Tectura Corporation	Control	19,219	1,827	(1,079)	51	(51)
Second Time Around (Simplify Holdings, LLC)	Control			140		
Total Control Investments		\$ 19,461	\$ 1,982	\$ (1,874)	\$ 16,026	\$ (16,476)
Affiliate Investments						
Optiscan BioMedical, Corp.	Affiliate	\$ 6,291	\$	\$ 1,419	\$	\$
Stion Corporation	Affiliate		2			
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	25,004	842	(50,102)		
Total Affiliate Investments		\$ 31,295	\$ 844	\$ (48,683)	\$	\$
Total Control & Affiliate Investments		\$ 50,756	\$ 2,826	\$ (50,557)	\$ 16,026	\$ (16,476)

(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2016	Investment Income	Year Ended December 31, 2016		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾	Realized Gain/(Loss)
Control Investments						
SkyCross, Inc.	Control	\$	\$	\$ (3,421)	\$	\$
Achilles Technology Management Co II, Inc.	Control	4,700	84	(604)		
Total Control Investments		\$ 4,700	\$ 84	\$ (4,025)	\$	\$
Affiliate Investments						
Optiscan BioMedical, Corp.	Affiliate	\$ 4,699	\$ 12	\$ (3,409)	\$	\$
Stion Corporation	Affiliate	333	148	539	648	
Total Affiliate Investments		\$ 5,032	\$ 160	\$ (2,870)	\$ 648	\$
Total Control & Affiliate Investments		\$ 9,732	\$ 244	\$ (6,895)	\$ 648	\$

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(in thousands)

Portfolio Company	Type	Fair Value at December 31, 2015	Investment Income	Year Ended December 31, 2015		
				Net Change in Unrealized Appreciation/ (Depreciation)	Reversal of Unrealized Appreciation/ (Depreciation) ⁽¹⁾	Realized Gain/(Loss)
Optiscan BioMedical, Corp.	Affiliate	\$ 6,973	\$	\$ 901	\$	\$
Stion Corporation	Affiliate	1,013	348	206		
Total		\$ 7,986	\$ 348	\$ 1,107	\$	\$

(1) Represents reversals of prior period net unrealized depreciation upon being realized as a loss due to write off or reversals of prior period collateral based impairments.

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In July 2017, the Company acquired the primary assets of Second Time Around (Simplify Holdings, LLC) as part of an article 9 consensual foreclosure and public auction. These assets represent the remaining possible recovery on the Company's debt and as such this investment became classified as a control investment as of September 30, 2017.

In June 2017, the Company acquired 100% ownership of the equity in HercGamma, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2017, HercGamma, Inc. acquired the assets of a medical device company that develops advanced digital imaging to detect breast cancer, as part of an article 9 consensual foreclosure and public auction for consideration with an estimated fair value of \$1.2 million. In September 2017, the Company reduced the cost basis of its equity position by \$646,000 with net proceeds from an asset sale and by \$36,000 from a final distribution in October 2017. Subsequent to the distributions, the Company's investments were deemed wholly worthless and written off for a realized loss.

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

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

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

In June 2016, the Company's investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In September 2017, the Company's investments were deemed wholly worthless and written off for a realized loss.

In June 2016, the Company also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, the Company made a \$1.0 million and \$250,000 debt investment, respectively, in Achilles Technology Management II, Inc. to provide working capital under the terms of a loan servicing agreement.

In August 2017, the Company's debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, the Company's equity investment in Achilles Technology Management II, Inc. was reduced by \$900,000 in lieu of a success fee on the repayment of our debt investment. The remaining equity investment in Achilles Technology Management II, Inc. is carried on the consolidated statement of assets and liabilities at fair value.

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The following table shows the fair value of the Company's portfolio of investments by asset class as of December 31, 2017 and December 31, 2016:

(in thousands)	December 31, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 880,115	57.1%	\$ 1,078,779	75.7%
Senior Secured Debt	572,738	37.1%	277,509	19.5%
Preferred Stock	40,683	2.6%	39,418	2.8%
Common Stock	48,678	3.2%	28,236	2.0%
Total	\$ 1,542,214	100.0%	\$ 1,423,942	100.0%

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

A summary of the Company's investment portfolio, at value, by geographic location as of December 31, 2017 and December 31, 2016 is shown as follows:

(in thousands)	December 31, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,404,235	91.1%	\$ 1,362,223	95.6%
United Kingdom	91,105	5.9%	18,395	1.3%
Netherlands	20,783	1.3%	20,089	1.4%
Cayman Islands	14,954	1.0%		0.0%
Switzerland	10,581	0.7%	12,377	0.9%
Canada	556	0.0%	8,095	0.6%
Israel		0.0%	2,763	0.2%
Total	\$ 1,542,214	100.0%	\$ 1,423,942	100.0%

The following table shows the fair value of the Company's portfolio by industry sector at December 31, 2017 and December 31, 2016:

(in thousands)	December 31, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 369,173	23.9%	\$ 422,550	29.7%
Software	360,123	23.4%	219,559	15.4%
Internet Consumer & Business Services	154,909	10.0%	97,047	6.8%
Media/Content/Info	152,998	9.9%	137,567	9.7%
Sustainable and Renewable Technology	118,432	7.7%	154,406	