UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended September 30, 2018

OR

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

Commission File Number: 814-00702

HERCULES CAPITAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland **(State or Jurisdiction of Incorporation or Organization)**	**743113410** **(IRS Employer Identification No.)**
400 Hamilton Ave., Suite 310 **Palo Alto, California** **(Address of Principal Executive Offices)**	**94301** **(Zip Code)**

(650) 289-3060
(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

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

HERCULES CAPITAL, INC.

FORM 10-Q TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HERCULES CAPITAL, INC.
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(unaudited)
(dollars in thousands, except per share data)

	September 30, 2018		December 31, 2017	
Assets				
Investments:				
Non-control/Non-affiliate investments (cost of $1,663,658 and $1,506,454, respectively)	$	1,670,034	$	1,491,458
Control investments (cost of $64,630 and $25,419, respectively)		62,387		19,461
Affiliate investments (cost of $84,821 and $87,956, respectively)		28,095		31,295
Total investments in securities, at value (cost of $1,813,109 and $1,619,829, respectively)		1,760,516		1,542,214
Cash and cash equivalents		43,212		91,309
Restricted cash		2,429		3,686
Interest receivable		15,722		12,262
Other assets		1,175		5,244
Total assets	$	1,823,054	$	1,654,715
Liabilities				
Accounts payable and accrued liabilities	$	21,473	$	26,896
SBA Debentures, net (principal of $149,000 and $190,200, respectively) (1)		147,527		188,141
2022 Notes, net (principal of $150,000 and $150,000, respectively) (1)		147,859		147,572
2024 Notes, net (principal of $83,510 and $183,510, respectively) (1)		81,791		179,001
2025 Notes, net (principal of $75,000 and $0, respectively) (1)		72,495		—
2033 Notes, net (principal of $40,000 and $0, respectively) (1)		38,752		—
2021 Asset-Backed Notes, net (principal of $3,515 and $49,153, respectively) (1)		3,423		48,650
2022 Convertible Notes, net (principal of $230,000 and $230,000, respectively) (1)		224,660		223,488
Credit Facilities		80,894		—
Total liabilities	$	818,874	$	813,748
Net assets consist of:				
Common stock, par value		96		85
Capital in excess of par value		1,060,875		908,501
Unrealized appreciation (depreciation) on investments (2)		(53,784)		(79,760)
Accumulated undistributed realized gains (losses) on investments		(30,855)		(20,374)
Undistributed net investment income		27,848		32,515
Total net assets	$	1,004,180	$	840,967
Total liabilities and net assets	$	1,823,054	$	1,654,715
Shares of common stock outstanding ($0.001 par value, 200,000,000 authorized)		96,751		84,424
Net asset value per share	$	10.38	$	9.96

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

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

See notes to consolidated financial statements.

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

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

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

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Investment income:				
Interest income				
Non-control/Non-affiliate investments	$ 47,662	$ 41,725	$ 134,031	$ 124,049
Control investments	921	464	2,348	1,505
Affiliate investments	509	246	1,570	248
Total interest income	49,092	42,435	137,949	125,802
Fee income				
Commitment, facility and loan fee income:				
Non-control/Non-affiliate investments	1,858	2,239	6,228	7,613
Control investments	1	1	1	11
Affiliate investments	71	2	263	2
Total commitment, facility and loan fee income	1,930	2,242	6,492	7,626
One-time fee income:				
Non-control/Non-affiliate investments	1,580	1,188	6,423	7,254
Total one-time fee income	1,580	1,188	6,423	7,254
Total fee income	3,510	3,430	12,915	14,880
Total investment income	52,602	45,865	150,864	140,682
Operating expenses:				
Interest	9,451	9,185	28,715	28,046
Loan fees	1,502	1,314	6,039	5,500
General and administrative				
Legal Expenses	677	925	1,889	3,792
Other Expenses	3,044	2,623	9,515	8,570
Total general and administrative	3,721	3,548	11,404	12,362
Employee compensation:				
Compensation and benefits	5,294	6,014	18,069	17,276
Stock-based compensation	3,332	1,831	8,498	5,573
Total employee compensation	8,626	7,845	26,567	22,849
Total operating expenses	23,300	21,892	72,725	68,757
Net investment income	29,302	23,973	78,139	71,925
Net realized gain (loss) on investments				
Non-control/Non-affiliate investments	3,350	(8,911)	(4,115)	(10,940)
Control investments	—	(15,543)	(4,308)	(15,989)
Affiliate investments	—	—	(2,058)	—
Total net realized gain (loss) on investments	3,350	(24,454)	(10,481)	(26,929)
Net change in unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	3,967	11,320	22,327	45,420
Control investments	378	17,624	3,715	17,703
Affiliate investments	(1,368)	4,609	(66)	(47,486)
Total net unrealized appreciation (depreciation) on investments	2,977	33,553	25,976	15,637
Total net realized and unrealized gain (loss)	6,327	9,099	15,495	(11,292)
Net increase (decrease) in net assets resulting from operations	$ 35,629	$ 33,072	$ 93,634	$ 60,633
Net investment income before investment gains and losses per common share:				
Basic	$ 0.31	$ 0.29	$ 0.87	$ 0.87
Change in net assets resulting from operations per common share:				
Basic	$ 0.37	$ 0.40	$ 1.04	$ 0.73
Diluted	$ 0.37	$ 0.40	$ 1.04	$ 0.73
Weighted average shares outstanding				
Basic	95,460	82,496	89,100	82,073
Diluted	95,671	82,607	89,212	82,173
Distributions declared per common share:				
Basic	$ 0.31	$ 0.31	$ 0.93	$ 0.93

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(unaudited)
(dollars and shares in thousands)

	Common Stock		Capital in excess	Unrealized Appreciation (Depreciation)	Accumulated Undistributed Realized Gains (Losses)	Undistributed Net Investment	Net
	Shares	Par Value	of par value	on Investments	on Investments	Income	Assets
Balance at December 31, 2016	79,555	$ 80	$ 839,657	$ (89,025)	$ 14,314	$ 22,918	$ 787,944
Net increase (decrease) in net assets resulting from operations	—	—	—	15,637	(26,929)	71,925	60,633
Public offering, net of offering expenses	4,077	4	56,330	—	—	—	56,334
Issuance of common stock due to stock option exercises	46	—	213	—	—	—	213
Retired shares from net issuance	(18)	—	(172)	—	—	—	(172)
Issuance of common stock under restricted stock plan	10	—	—	—	—	—	—
Retired shares for restricted stock vesting	(187)	—	(2,483)	—	—	—	(2,483)
Distributions reinvested in common stock	132	—	1,780	—	—	—	1,780
Issuance of Convertible Notes	—	—	3,413	—	—	—	3,413
Distributions	—	—	—	—	(14,893)	(62,104)	(76,997)
Stock-based compensation (1)	—	—	5,619	—	—	—	5,619
Balance at September 30, 2017	83,615	$ 84	$ 904,357	$ (73,388)	$ (27,508)	$ 32,739	$ 836,284
Balance at December 31, 2017	84,424	$ 85	$ 908,501	$ (79,760)	$ (20,374)	$ 32,515	$ 840,967
Net increase (decrease) in net assets resulting from operations	—	—	—	25,976	(10,481)	78,139	93,634
Public offering, net of offering expenses	11,953	11	143,787	—	—	—	143,798
Issuance of common stock due to stock option exercises	63	—	704	—	—	—	704
Retired shares from net issuance	(57)	—	(718)	—	—	—	(718)
Issuance of common stock under restricted stock plan	336	—	—	—	—	—	—
Retired shares for restricted stock vesting	(76)	—	(937)	—	—	—	(937)
Distributions reinvested in common stock	108	—	1,372	—	—	—	1,372
Distributions	—	—	—	—	—	(82,806)	(82,806)
Stock-based compensation (1)	—	—	8,166	—	—	—	8,166
Balance at September 30, 2018	96,751	$ 96	$ 1,060,875	$ (53,784)	$ (30,855)	$ 27,848	$ 1,004,180

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

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)
(dollars in thousands)

	For the Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	$ 93,634	$ 60,633
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(706,113)	(487,321)
Principal and fee payments received on investments	503,971	486,985
Proceeds from the sale of investments	17,521	21,945
Net unrealized depreciation (appreciation) on investments	(25,976)	(15,637)
Net realized loss (gain) on investments	10,481	26,929
Accretion of paid-in-kind principal	(7,040)	(7,078)
Accretion of loan discounts	(2,961)	(5,242)
Accretion of loan discount on Convertible Notes	504	448
Accretion of loan exit fees	(12,482)	(14,413)
Change in deferred loan origination revenue	3,472	1,083
Unearned fees related to unfunded commitments	1,908	441
Amortization of debt fees and issuance costs	5,197	4,534
Depreciation	147	153
Stock-based compensation and amortization of restricted stock grants (1)	8,166	5,619
Change in operating assets and liabilities:		
Interest and fees receivable	(3,460)	1,107
Prepaid expenses and other assets	2,141	(1,100)
Accounts payable	(187)	—
Accrued liabilities	(4,282)	(2,457)
Net cash provided by (used in) operating activities	(115,359)	76,629
Cash flows from investing activities:		
Purchases of capital equipment	(325)	(127)
Net cash provided by (used in) investing activities	(325)	(127)
Cash flows from financing activities:		
Issuance of common stock, net	143,498	56,334
Retirement of employee shares	(651)	(2,442)
Distributions paid	(81,434)	(75,217)
Issuance of 2022 Convertible Notes	—	230,000
Issuance of 2024 Notes	—	5,637
Issuance of 2025 Notes	75,000	—
Issuance of 2033 Notes	40,000	—
Repayments of 2019 Notes	—	(110,364)
Repayments of 2024 Notes	(100,000)	—
Repayments of 2021 Asset-Backed Notes	(45,637)	(43,729)
Repayments of Long-Term SBA Debentures	(41,200)	—
Borrowings of credit facilities	216,109	8,497
Repayments of credit facilities	(135,216)	(13,513)
Cash paid for debt issuance costs	(3,978)	(4,662)
Fees paid for credit facilities and debentures	(161)	(28)
Net cash provided by (used in) financing activities	66,330	50,513
Net increase (decrease) in cash, cash equivalents and restricted cash	(49,354)	127,015
Cash, cash equivalents and restricted cash at beginning of period	94,995	21,366
Cash, cash equivalents and restricted cash at end of period	$ 45,641	$ 148,381
Supplemental non-cash investing and financing activities:		
Distributions reinvested	1,372	1,780

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

See notes to consolidated financial statements.

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

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

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

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Debt Investments							
Biotechnology Tools							
Under 1 Year Maturity							
Exicure, Inc. (12)	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, 3.85% Exit Fee	$ 4,999	$ 5,171	$ 5,171
Subtotal: Under 1 Year Maturity						5,171	5,171
Subtotal: Biotechnology Tools (0.51%)*						5,171	5,171
Consumer & Business Products							
1-5 Years Maturity							
WHOOP, INC. (12)	Consumer & Business Products	Senior Secured	July 2021	Interest rate PRIME + 3.75% or Floor rate of 8.50%, 6.95% Exit Fee	$ 6,000	5,970	5,970
Subtotal: 1-5 Years Maturity						5,970	5,970
Subtotal: Consumer & Business Products (0.59%)*						5,970	5,970
Diversified Financial Services							
1-5 Years Maturity							
Gibraltar Business Capital, LLC (7)	Diversified Financial Services	Unsecured	March 2023	Interest rate FIXED 14.50%	$ 15,000	14,718	14,865
Subtotal: 1-5 Years Maturity						14,718	14,865
Subtotal: Diversified Financial Services (1.48%)*						14,718	14,865
Drug Delivery							
Under 1 Year Maturity							
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	$ 5,939	6,523	6,523
Subtotal: Under 1 Year Maturity						6,523	6,523
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. (11)	Drug Delivery	Senior Secured	March 2020	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 11.69% Exit Fee	$ 12,943	13,786	13,733
Antares Pharma Inc. (10)(15)	Drug Delivery	Senior Secured	July 2022	Interest rate PRIME + 4.50% or Floor rate of 9.25%, 4.25% Exit Fee	$ 25,000	25,233	25,304
Subtotal: 1-5 Years Maturity						39,019	39,037
Subtotal: Drug Delivery (4.54%)*						45,542	45,560

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Drug Discovery & Development							
Under 1 Year Maturity							
Auris Medical Holding, AG (5)(10)	Drug Discovery & Development	Senior Secured	February 2019	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee	$ 1,527	$ 2,209	$ 2,209
Brickell Biotech, Inc. (12)	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%, 7.82% Exit Fee	$ 5,581	5,996	5,996
Epirus Biopharmaceuticals, Inc. (8)	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee	$ 2,277	2,561	65
Subtotal: Under 1 Year Maturity						10,766	8,270
1-5 Years Maturity							
Acacia Pharma Inc. (10)	Drug Discovery & Development	Senior Secured	January 2022	Interest rate PRIME + 4.50% or Floor rate of 9.25%, 3.95% Exit Fee	$ 10,000	9,815	9,815
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	10,053	9,954
	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 3.00% Exit Fee	$ 10,000	10,144	10,123
Total Aveo Pharmaceuticals, Inc.					$ 20,000	20,197	20,077
Axovant Sciences Ltd. (5)(10)(16)	Drug Discovery & Development	Senior Secured	March 2021	Interest rate PRIME + 6.80% or Floor rate of 10.55%	$ 55,000	54,107	54,262
BridgeBio Pharma LLC (13)	Drug Discovery & Development	Senior Secured	January 2022	Interest rate PRIME + 4.35% or Floor rate of 9.35%, 6.35% Exit Fee	$ 35,000	34,850	34,850
Chemocentryx, Inc. (10)(15)(17)	Drug Discovery & Development	Senior Secured	December 2021	Interest rate PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee	$ 15,000	14,976	14,990
Genocea Biosciences, Inc. (11)	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 2.75% or Floor rate of 7.75%, 10.12% Exit Fee	$ 14,000	14,762	14,767
Merrimack Pharmaceuticals, Inc. (12)	Drug Discovery & Development	Senior Secured	August 2021	Interest rate PRIME + 4.00% or Floor rate of 9.25%, 5.55% Exit Fee	$ 15,000	14,928	14,928
Mesoblast (5)(10)	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 4.95% or Floor rate of 9.45%, 6.95% Exit Fee	$ 35,000	35,116	35,519
Metuchen Pharmaceuticals LLC (14)	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%, 2.25% Exit Fee	$ 19,902	20,508	20,480
Motif BioSciences Inc. (5)(10)(15)	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 5.50% or Floor rate of 10.00%, 2.15% Exit Fee	$ 15,000	14,839	14,787
Myovant Sciences, Ltd. (5)(10)(13)	Drug Discovery & Development	Senior Secured	November 2021	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 6.55% Exit Fee	$ 40,000	40,050	39,638
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (10)(15)(16)	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 40,000	40,776	40,383
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 10,000	10,210	10,096
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 2.25% Exit Fee	$ 10,000	10,064	9,980
	Drug Discovery & Development	Senior Secured	August 2022	Interest rate PRIME + 2.10% or Floor rate of 7.85%, 6.95% Exit Fee	$ 10,000	9,959	9,959
Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					$ 70,000	71,009	70,418
Stealth Bio Therapeutics Corp. (5)(10)(12)	Drug Discovery & Development	Senior Secured	January 2021	Interest rate PRIME + 5.50% or Floor rate of 9.50%, 6.00% Exit Fee	$ 20,000	20,253	20,059
Tricida, Inc. (15)(17)	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 3.35% or Floor rate of 8.35%, 11.14% Exit Fee	$ 25,000	25,132	25,096
uniQure B.V. (5)(10)(11)	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee	$ 20,000	20,608	20,551
Verastem, Inc. (12)	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,031	5,026
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,059	5,054
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,030	5,023
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 10,000	9,967	9,888
Total Verastem, Inc.					$ 25,000	25,087	24,991
Subtotal: 1-5 Years Maturity						436,237	435,228
Subtotal: Drug Discovery & Development (44.17%)*						447,003	443,498

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Electronics & Computer Hardware							
1-5 Years Maturity							
908 DEVICES INC. (15)	Electronics & Computer Hardware	Senior Secured	September 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee	$ 10,000	$ 10,080	$ 10,099
Glo AB (5)(10)(13)(14)	Electronics & Computer Hardware	Senior Secured	February 2021	Interest rate PRIME + 6.20% or Floor rate of 10.45%, PIK Interest 1.75%, 2.95% Exit Fee	$ 12,138	12,153	12,214
Subtotal: 1-5 Years Maturity						22,233	22,313
Subtotal: Electronics & Computer Hardware (2.22%)*						22,233	22,313
Healthcare Services, Other							
1-5 Years Maturity							
Medsphere Systems Corporation (14)(15)	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	$ 20,346	20,211	20,116
	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	$ 5,076	5,047	5,020
Total Medsphere Systems Corporation					$ 25,422	25,258	25,136
Oak Street Health (12)	Healthcare Services, Other	Senior Secured	September 2021	Interest rate PRIME + 5.00% or Floor rate of 9.75%, 5.95% Exit Fee	$ 30,000	30,320	30,127
PH Group Holdings (13)	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 20,000	19,929	19,946
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 10,000	9,955	9,931
Total PH Group Holdings					$ 30,000	29,884	29,877
Subtotal: 1-5 Years Maturity						85,462	85,140
Subtotal: Healthcare Services, Other (8.48%)*						85,462	85,140
Information Services							
1-5 Years Maturity							
MDX Medical, Inc. (14)(15)(19)	Information Services	Senior Secured	December 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, PIK Interest 1.70%	$ 15,223	14,921	14,864
Subtotal: 1-5 Years Maturity						14,921	14,864
Subtotal: Information Services (1.48%)*						14,921	14,864

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Internet Consumer & Business Services							
Under 1 Year Maturity							
The Faction Group LLC	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%	$ 2,000	$ 2,000	$ 2,000
Subtotal: Under 1 Year Maturity						2,000	2,000
1-5 Years Maturity							
AppDirect, Inc. (13)(19)	Internet Consumer & Business Services	Senior Secured	January 2022	Interest rate PRIME + 5.70% or Floor rate of 9.95%, 3.45% Exit Fee	$ 20,000	19,932	19,953
Art.com, Inc. (12)(14)(15)	Internet Consumer & Business Services	Senior Secured	April 2021	Interest rate PRIME + 5.40% or Floor rate of 10.15%, PIK Interest 1.70%, 1.50% Exit Fee	$ 10,074	9,946	9,926
Cloudpay, Inc. (5)(10)	Internet Consumer & Business Services	Senior Secured	April 2022	Interest rate PRIME + 4.05% or Floor rate of 8.55%, 6.95% Exit Fee	$ 11,000	10,949	10,949
EverFi, Inc. (14)(16)	Internet Consumer & Business Services	Senior Secured	May 2022	Interest rate PRIME + 3.90% or Floor rate of 8.65%, PIK Interest 2.30%	$ 50,410	50,365	50,365
First Insight, Inc. (15)(17)	Internet Consumer & Business Services	Senior Secured	November 2021	Interest rate PRIME + 6.25% or Floor rate of 11.25%	$ 6,000	5,887	5,887
Greenphire, Inc. (17)	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00% or Floor rate of 9.00%	$ 3,125	3,125	3,129
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75% or Floor rate of 7.00%	$ 1,500	1,500	1,500
Total Greenphire, Inc.					$ 4,625	4,625	4,629
Intent Media, Inc. (12)(17)	Internet Consumer & Business Services	Senior Secured	September 2021	Interest rate PRIME + 5.13% or Floor rate of 10.125%, 2.00% Exit Fee	$ 9,200	9,210	9,286
Interactions Corporation (19)	Internet Consumer & Business Services	Senior Secured	March 2021	Interest rate 3-month LIBOR + 8.60% or Floor rate of 9.85%, 1.75% Exit Fee	$ 25,000	25,073	25,205
LogicSource	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25% or Floor rate of 9.75%, 5.00% Exit Fee	$ 3,972	4,331	4,334
Postmates, Inc. (17)(19)	Internet Consumer & Business Services	Senior Secured	September 2022	Interest rate PRIME + 3.85% or Floor rate of 8.85%, 8.05% Exit Fee	$ 20,000	19,516	19,516
RumbleON, Inc.	Internet Consumer & Business Services	Senior Secured	May 2021	Interest rate PRIME + 5.75% or Floor rate of 10.25%, 4.55% Exit Fee	$ 5,000	4,984	4,984
Snagajob.com, Inc. (13)(14)	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.15% or Floor rate of 9.15%, PIK Interest 1.95%, 2.55% Exit Fee	$ 41,635	41,773	41,890
	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.65% or Floor rate of 10.65%, PIK Interest 1.95%, 2.55% Exit Fee	$ 5,008	4,778	4,778
Total Snagajob.com, Inc.					$ 46,643	46,551	46,668
Tectura Corporation (7)(8)(9)(14)	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	$ 20,766	20,766	19,672
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	$ 10,680	240	—
Total Tectura Corporation					$ 31,446	21,006	19,672
The Faction Group LLC	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25% or Floor rate of 10.25%	$ 7,467	7,467	7,482
Wheels Up Partners LLC	Internet Consumer & Business Services	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.55% or Floor rate of 9.55%	$ 20,980	20,799	20,805
Xometry, Inc. (17)(19)	Internet Consumer & Business Services	Senior Secured	November 2021	Interest rate PRIME + 3.95% or Floor rate of 8.45%, 7.45% Exit Fee	$ 7,000	6,996	6,996
Subtotal: 1-5 Years Maturity						267,637	266,657
Subtotal: Internet Consumer & Business Services (26.75%)*						269,637	268,657

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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)
Media/Content/Info							
1-5 Years Maturity							
Bustle (14)(15)	Media/Content/Info	Senior Secured	June 2021	Interest rate PRIME + 4.10% or Floor rate of 8.35%, PIK Interest 1.95%, 1.95% Exit Fee	$ 15,240	$ 15,234	$ 15,364
Subtotal: 1-5 Years Maturity						15,234	15,364
Subtotal: Media/Content/Info (1.53%)*						15,234	15,364
Medical Devices & Equipment							
Under 1 Year Maturity							
Aspire Bariatrics, Inc. (15)	Medical Devices & Equipment	Senior Secured	December 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%, 6.85% Exit Fee	$ 1,793	2,273	808
Micell Technologies, Inc. (12)	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%, 5.00% Exit Fee	$ 3,146	3,524	3,524
Subtotal: Under 1 Year Maturity						5,797	4,332
1-5 Years Maturity							
Flowonix Medical, Inc.	Medical Devices & Equipment	Senior Secured	October 2021	Interest rate PRIME + 4.00% or Floor rate of 9.00%, 7.95% Exit Fee	$ 15,000	14,480	14,480
Intuity Medical, Inc. (15)	Medical Devices & Equipment	Senior Secured	June 2021	Interest rate PRIME + 5.00% or Floor rate of 9.25%, 4.95% Exit Fee	$ 17,500	17,375	17,402
Quanta Fluid Solutions (5)(10)(11)	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05% or Floor rate of 11.55%, 5.00% Exit Fee	$ 6,853	7,327	7,266
Quanterix Corporation (11)	Medical Devices & Equipment	Senior Secured	March 2020	Interest rate PRIME + 2.75% or Floor rate of 8.00%, 0.58% Exit Fee	$ 7,688	7,635	7,635
Rapid Micro Biosystems, Inc. (13)(15)	Medical Devices & Equipment	Senior Secured	April 2022	Interest rate PRIME + 5.15% or Floor rate of 9.65%, 7.25% Exit Fee	$ 18,000	18,034	18,034
Sebacia, Inc. (15)	Medical Devices & Equipment	Senior Secured	January 2021	Interest rate PRIME + 4.35% or Floor rate of 8.85%, 6.05% Exit Fee	$ 11,000	11,061	11,003
Transenterix, Inc. (10)(13)	Medical Devices & Equipment	Senior Secured	June 2022	Interest rate PRIME + 4.55% or Floor rate of 9.55%, 6.95% Exit Fee	$ 20,000	19,930	19,930
Subtotal: 1-5 Years Maturity						95,842	95,750
Subtotal: Medical Devices & Equipment (9.97%)*						101,639	100,082
Software							
Under 1 Year Maturity							
Pollen, Inc. (15)	Software	Senior Secured	April 2019	Interest rate PRIME + 4.25% or Floor rate of 8.50%, 4.00% Exit Fee	$ 7,000	7,148	7,148
Subtotal: Under 1 Year Maturity						7,148	7,148

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
1-5 Years Maturity							
Banker's Toolbox, Inc. (13)(18)	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.88% or Floor rate of 7.88%	$ 39,900	$ 39,129	$39,227
Businessolver.com, Inc. (16)(17)	Software	Senior Secured	May 2023	Interest rate 3-month LIBOR + 7.50%	$ 52,275	51,290	51,292
Clarabridge, Inc. (12)(14)	Software	Senior Secured	April 2021	Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25%	$ 41,916	41,898	42,356
Couchbase, Inc. (15)(17)(19)	Software	Senior Secured	September 2021	Interest rate PRIME + 5.25% or Floor rate of 10.75%	$ 15,000	14,915	14,915
Credible Behavioral Health, Inc. (14)(17)	Software	Senior Secured	September 2021	Interest rate PRIME + 3.20% or Floor rate of 7.95%, PIK Interest 3.30%	$ 7,510	7,421	7,421
Dashlane, Inc. (14)(19)	Software	Senior Secured	April 2022	Interest rate PRIME + 4.05% or Floor rate of 8.55%, PIK Interest 1.10%, 9.25% Exit Fee	$ 10,039	10,018	10,018
Emma, Inc. (17)(18)	Software	Senior Secured	September 2022	Interest rate 3-month LIBOR + 8.39%	$ 37,037	35,793	36,062
Evernote Corporation (14)(17)(19)	Software	Senior Secured	October 2020	Interest rate PRIME + 5.45% or Floor rate of 8.95%	$ 6,000	5,984	6,067
	Software	Senior Secured	July 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	$ 4,061	4,043	4,062
	Software	Senior Secured	July 2022	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 1.25%	$ 2,507	2,491	2,491
Total Evernote Corporation					$ 12,568	12,518	12,620
Fuze, Inc. (13)(14)(15)(16)(19)	Software	Senior Secured	July 2021	Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.55%, 3.55% Exit Fee	$ 50,929	51,423	51,714
Impact Radius Holdings, Inc. (12)(14)	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55%, 1.75% Exit Fee	$ 10,152	10,214	10,171
	Software	Senior Secured	December 2020	Interest rate PRIME + 4.25% or Floor rate of 8.75%, PIK Interest 1.55%	$ 2,006	2,006	1,996
Total Impact Radius Holdings, Inc.					$ 12,158	12,220	12,167
Insurance Technologies Corporation (17)	Software	Senior Secured	March 2023	Interest rate 3-month LIBOR + 7.75% or Floor rate of 8.75%	$ 12,500	12,271	12,383
Lightbend, Inc. (14)(15)	Software	Senior Secured	August 2021	Interest rate PRIME + 4.25% or Floor rate of 8.50%, PIK Interest 2.00%	$ 11,122	10,963	10,965
Lithium Technologies, Inc. (17)	Software	Senior Secured	October 2022	Interest rate 3-month LIBOR + 8.00% or Floor rate of 9.00%	$ 12,000	11,774	11,774
Microsystems Holding Company, LLC (13)(19)	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.25% or Floor rate of 9.25%	$ 12,000	11,846	11,931
OneLogin, Inc. (14)(15)	Software	Senior Secured	July 2021	Interest rate PRIME + 5.95% or Floor rate of 10.70%, PIK Interest 2.00%	$ 26,272	25,961	26,239
Quid, Inc. (14)(15)	Software	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25%, 3.00% Exit Fee	$ 8,446	8,609	8,627

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
RapidMiner, Inc. (12)(14)	Software	Senior Secured	December 2020	Interest rate PRIME + 5.50% or Floor rate of 9.75%, PIK Interest 1.65%	$ 7,089	$ 7,070	$ 7,038
Regent Education (14)	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35% Exit Fee	$ 3,162	3,185	1,987
Salsa Labs, Inc. (17)	Software	Senior Secured	April 2023	Interest rate 3-month LIBOR + 8.15% or Floor rate of 9.15%	$ 6,000	5,889	5,889
Signpost, Inc. (14)	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%, 3.75% Exit Fee	$ 15,718	16,111	16,110
ThreatConnect, Inc. (14)(15)(19)	Software	Senior Secured	October 2022	Interest rate PRIME + 4.95% or Floor rate of 9.95%, PIK Interest 1.05%, 2.20% Exit Fee	$ 7,500	7,405	7,405
Vela Trading Technologies (18)	Software	Senior Secured	July 2022	Interest rate 3-month LIBOR + 10.50% or Floor rate of 10.50%	$ 19,875	19,443	19,642
Wrike, Inc. (13)(14)(19)	Software	Senior Secured	February 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 2.00%, 3.00% Exit Fee	$ 10,320	10,161	10,437
YouEarnedIt (18)	Software	Senior Secured	July 2023	Interest rate 1-month LIBOR + 8.66%	$ 9,000	8,746	8,746
ZocDoc (19)	Software	Senior Secured	August 2021	Interest rate 3-month PRIME + 6.20% or Floor rate of 10.95%, 2.00% Exit Fee	$ 30,000	29,953	30,093
Subtotal: 1-5 Years Maturity						466,012	467,058
Subtotal: Software (47.22%)*						473,160	474,206
Surgical Devices							
Under 1 Year Maturity							
Gynesonics, Inc. (9)(14)(15)	Surgical Devices	Unsecured Convertible Debt	May 2019	PIK Interest 8.00%	$ 144	144	181
Subtotal: Under 1 Year Maturity						144	181
Subtotal: Surgical Devices (0.02%)*						144	181
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6)(14)(19)	Sustainable and Renewable Technology	Senior Secured	August 2019	Interest rate PRIME + 8.70% or Floor rate of 12.95%, 5.00% Exit Fee	$ 10,000	9,999	9,999
	Sustainable and Renewable Technology	Senior Secured	November 2018	PIK Interest 10.00%	$ 634	634	634
	Sustainable and Renewable Technology	Senior Secured	November 2018	Interest rate PRIME + 10.70% or Floor rate of 15.70%, PIK Interest 2.00%	$ 600	593	593
Total Solar Spectrum LLC					$ 11,234	11,226	11,226
Subtotal: Under 1 Year Maturity						11,226	11,226
1-5 Years Maturity							
FuelCell Energy, Inc. (12)	Sustainable and Renewable Technology	Senior Secured	April 2020	Interest rate PRIME + 5.40% or Floor rate of 9.90%, 6.68% Exit Fee	$ 13,091	13,176	13,213
	Sustainable and Renewable Technology	Senior Secured	April 2020	Interest rate PRIME + 5.40% or Floor rate of 9.90%, 8.50% Exit Fee	$ 11,909	13,607	13,615
Total FuelCell Energy, Inc.					$ 25,000	26,783	26,828
Impossible Foods, Inc. (17)	Sustainable and Renewable Technology	Senior Secured	July 2021	Interest rate PRIME + 3.95% or Floor rate of 8.95%, 10.00% Exit Fee	$ 30,000	29,692	29,692
Metalysis Limited (5)(10)	Sustainable and Renewable Technology	Senior Secured	March 2021	Interest rate PRIME + 5.00% or Floor rate of 9.25%, 6.95% Exit Fee	$ 7,500	7,569	7,592
Proterra, Inc. (11)(14)	Sustainable and Renewable Technology	Senior Secured	November 2020	Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.75%, 5.95% Exit Fee	$ 25,372	26,581	26,723
	Sustainable and Renewable Technology	Senior Secured	November 2020	Interest rate PRIME + 3.70% or Floor rate of 7.95%, PIK Interest 1.75%, 7.00% Exit Fee	$ 5,074	5,329	5,343
Total Proterra, Inc.					$ 30,446	31,910	32,066
Subtotal: 1-5 Years Maturity						95,954	96,178
Subtotal: Sustainable and Renewable Technology (10.70%)*						107,180	107,404
Total: Debt Investments (159.66%)*						**$ 1,608,014**	**$ 1,603,275**

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Equity Investments						
Communications & Networking						
GlowPoint, Inc. (4)	Communications & Networking	Equity	Common Stock	114,192	$ 102	$ 19
Peerless Network Holdings, Inc.	Communications & Networking	Equity	Preferred Series A	1,135,000	1,229	6,395
Subtotal: Communications & Networking (0.64%)*					1,331	6,414
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	488
Subtotal: Diagnostic (0.05%)*					750	488
Diversified Financial Services						
Gibraltar Business Capital, LLC (7)	Diversified Financial Services	Equity	Common Stock	830,000	1,884	1,874
	Diversified Financial Services	Equity	Preferred Series A	10,602,752	26,122	25,976
Total Gibraltar Business Capital, LLC				11,432,752	28,006	27,850
Subtotal: Diversified Financial Services (2.77%)*					28,006	27,850
Drug Delivery						
AcelRx Pharmaceuticals, Inc. (4)(10)	Drug Delivery	Equity	Common Stock	54,240	108	209
BioQ Pharma Incorporated (15)	Drug Delivery	Equity	Preferred Series D	165,000	500	688
Edge Therapeutics, Inc. (4)	Drug Delivery	Equity	Common Stock	49,965	309	41
Neos Therapeutics, Inc. (4)(15)	Drug Delivery	Equity	Common Stock	125,000	1,500	606
Subtotal: Drug Delivery (0.15%)*					2,417	1,544
Drug Discovery & Development						
Aveo Pharmaceuticals, Inc. (4)(10)(15)	Drug Discovery & Development	Equity	Common Stock	1,901,791	1,715	6,774
Axovant Sciences Ltd. (4)(5)(10)(16)	Drug Discovery & Development	Equity	Common Stock	129,827	1,269	314
Cerecor, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	556
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) (4)	Drug Discovery & Development	Equity	Common Stock	13,550	1,000	13
Dicerna Pharmaceuticals, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	2,180
Dynavax Technologies (4)(10)	Drug Discovery & Development	Equity	Common Stock	20,000	550	248
Eidos Therapeutics, Inc. (4)(10)	Drug Discovery & Development	Equity	Common Stock	15,000	255	150
Genocea Biosciences, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	174
Insmed, Incorporated (4)	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	1,284
Melinta Therapeutics (4)	Drug Discovery & Development	Equity	Common Stock	51,821	2,000	204
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (4)(10)(16)	Drug Discovery & Development	Equity	Common Stock	76,362	2,744	741
Rocket Pharmaceuticals, Ltd (p.k.a. Inotek Pharmaceuticals Corporation) (4)	Drug Discovery & Development	Equity	Common Stock	944	1,500	23
Tricida, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	105,260	2,000	3,217
Subtotal: Drug Discovery & Development (1.58%)*					18,033	15,878
Electronics & Computer Hardware						
Identiv, Inc. (4)	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	40
Subtotal: Electronics & Computer Hardware (0.00%)*					34	40
Information Services						
DocuSign, Inc. (4)	Information Services	Equity	Common Stock	385,000	6,081	20,239
Subtotal: Information Services (2.02%)*					6,081	20,239

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HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Internet Consumer & Business Services						
Blurb, Inc.	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	$ 175	$ 71
Brigade Group, Inc. (p.k.a. Philotic, Inc.)	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	—
Lightspeed POS, Inc. (5)(10)	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	354
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	318
Total Lightspeed POS, Inc.				428,707	500	672
Nextdoor.com, Inc.	Internet Consumer & Business Services	Equity	Common Stock	328,190	4,854	4,854
OfferUp, Inc.	Internet Consumer & Business Services	Equity	Preferred Series A	286,080	1,663	1,916
	Internet Consumer & Business Services	Equity	Preferred Series A-1	108,710	632	728
Total OfferUp, Inc.				394,790	2,295	2,644
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	294
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	243
Total Oportun (p.k.a. Progress Financial)				306,153	500	537
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	—
Tectura Corporation (7)	Internet Consumer & Business Services	Equity	Common Stock	414,994,863	900	—
	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000	—	—
Total Tectura Corporation				415,994,863	900	—
Subtotal: Internet Consumer & Business Services (0.87%)*					9,332	8,778
Media/Content/Info						
Pinterest, Inc.	Media/Content/Info	Equity	Preferred Series Seed	620,000	4,085	4,815
Subtotal: Media/Content/Info (0.48%)*					4,085	4,815
Medical Devices & Equipment						
AtriCure, Inc. (4)(15)	Medical Devices & Equipment	Equity	Common Stock	10,119	266	354
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series AA	221,893	1,500	27
Gelesis, Inc.	Medical Devices & Equipment	Equity	Common Stock	198,202	—	744
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	793
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	756
Total Gelesis, Inc.				581,038	925	2,293
Medrobotics Corporation (15)	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	31
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	29
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	90
Total Medrobotics Corporation				374,703	905	150
Optiscan Biomedical, Corp. (6)	Medical Devices & Equipment	Equity	Preferred Series B	61,855	3,000	474
	Medical Devices & Equipment	Equity	Preferred Series C	19,273	655	137
	Medical Devices & Equipment	Equity	Preferred Series D	551,038	5,257	4,203
	Medical Devices & Equipment	Equity	Preferred Series E	311,989	2,609	3,061
Total Optiscan Biomedical, Corp.				944,155	11,521	7,875
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	608
Quanterix Corporation (4)	Medical Devices & Equipment	Equity	Common Stock	84,778	1,000	1,817
Subtotal: Medical Devices & Equipment (1.31%)*					16,644	13,124
Software						
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	91
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,573
	Software	Equity	Preferred Series 3	93,620	300	367
Total Druva, Inc.				552,461	1,300	1,940
HighRoads, Inc.	Software	Equity	Common Stock	190	307	—
NewVoiceMedia Limited (5)(10)	Software	Equity	Preferred Series E	669,173	963	1,459
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	4,714
	Software	Equity	Preferred Series G	326,797	2,211	2,117
Total Palantir Technologies				1,054,493	7,642	6,831
Sprinklr, Inc.	Software	Equity	Common Stock	700,000	3,749	4,023
WildTangent, Inc.	Software	Equity	Preferred Series 3	100,000	402	181
Subtotal: Software (1.45%)*					14,414	14,525

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Surgical Devices						
Gynesonics, Inc. (15)	Surgical Devices	Equity	Preferred Series B	219,298	$ 250	$ 79
	Surgical Devices	Equity	Preferred Series C	656,538	282	123
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	912
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	684
Total Gynesonics, Inc.				5,653,360	1,673	1,798
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	407
	Surgical Devices	Equity	Preferred Series C	119,999	300	548
	Surgical Devices	Equity	Preferred Series D	260,000	650	1,189
	Surgical Devices	Equity	Preferred Series F	100,200	500	458
Total Transmedics, Inc.				569,160	2,550	2,602
Subtotal: Surgical Devices (0.44%)*					4,223	4,400
Sustainable and Renewable Technology						
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Equity	Common Stock	192	761	—
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	105
Proterra, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 5	99,280	500	494
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6)	Sustainable and Renewable Technology	Equity	Common Stock	288	61,502	8,704
Subtotal: Sustainable and Renewable Technology (0.93%)*					63,263	9,303
Total: Equity Investments (12.69%)*					**$ 168,613**	**$ 127,398**

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Warrant Investments						
Biotechnology Tools						
Labcyte, Inc.	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	$ 323	$ 558
Subtotal: Biotechnology Tools (0.06%)*					323	558
Communications & Networking						
Peerless Network Holdings, Inc.	Communications & Networking	Warrant	Common Stock	3,328	—	15
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Common Stock	2,834,375	418	—
Subtotal: Communications & Networking (0.00%)*					418	15
Consumer & Business Products						
Gadget Guard (p.k.a Antenna79) (15)	Consumer & Business Products	Warrant	Common Stock	1,662,441	228	—
Intelligent Beauty, Inc.	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	224
The Neat Company	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	—
WHOOP, INC.	Consumer & Business Products	Warrant	Preferred Series C	68,627	18	16
Subtotal: Consumer & Business Products (0.02%)*					841	240
Drug Delivery						
AcelRx Pharmaceuticals, Inc. (4)	Drug Delivery	Warrant	Common Stock	176,730	786	222
Agile Therapeutics, Inc. (4)	Drug Delivery	Warrant	Common Stock	180,274	730	2
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	798
Celsion Corporation (4)	Drug Delivery	Warrant	Common Stock	13,927	428	—
Dance Biopharm, Inc. (15)	Drug Delivery	Warrant	Common Stock	110,882	74	—
Edge Therapeutics, Inc. (4)	Drug Delivery	Warrant	Common Stock	78,595	390	14
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	1,794
Neos Therapeutics, Inc. (4)(15)	Drug Delivery	Warrant	Common Stock	70,833	285	9
Pulmatrix Inc. (4)	Drug Delivery	Warrant	Common Stock	25,150	116	—
ZP Opco, Inc. (p.k.a. Zosano Pharma) (4)	Drug Delivery	Warrant	Common Stock	3,618	266	—
Subtotal: Drug Delivery (0.28%)*					3,670	2,839

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Drug Discovery & Development						
Acacia Pharma Inc. (4)(10)	Drug Discovery & Development	Warrant	Common Stock	201,330	$ 304	$ 379
ADMA Biologics, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	89,750	295	72
Auris Medical Holding, AG (4)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	15,672	249	—
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	83
Cerecor, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	22,328	70	28
Chroma Therapeutics, Ltd. (5)(10)	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	—
Concert Pharmaceuticals, Inc. (4)(10)(15)	Drug Discovery & Development	Warrant	Common Stock	132,069	545	442
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) (4)	Drug Discovery & Development	Warrant	Common Stock	29,239	165	—
CytRx Corporation (4)(15)	Drug Discovery & Development	Warrant	Common Stock	105,694	160	6
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) (4)	Drug Discovery & Development	Warrant	Common Stock	17,190	369	—
Dicerna Pharmaceuticals, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	200	28	—
Evofem Biosciences, Inc. (p.k.a Neothetics, Inc.) (4)(15)	Drug Discovery & Development	Warrant	Common Stock	7,806	266	13
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) (4)	Drug Discovery & Development	Warrant	Common Stock	73,009	142	1
Genocea Biosciences, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	403,136	431	143
Immune Pharmaceuticals (4)	Drug Discovery & Development	Warrant	Common Stock	10,742	164	—
Melinta Therapeutics (4)	Drug Discovery & Development	Warrant	Common Stock	40,545	626	—
Motif BioSciences Inc. (4)(5)(10)(15)	Drug Discovery & Development	Warrant	Common Stock	73,452	282	190
Myovant Sciences, Ltd. (4)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	73,710	460	1,085
Neuralstem, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	5,783	77	—
Ology Bioservices, Inc. (p.k.a. Nanotherapeutics, Inc.) (15)	Drug Discovery & Development	Warrant	Common Stock	171,389	838	—
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (4)(10)(15)(16)	Drug Discovery & Development	Warrant	Common Stock	94,841	204	79
Savara Inc. (p.k.a. Mast Therapeutics, Inc.) (4)(15)	Drug Discovery & Development	Warrant	Common Stock	32,467	203	121
Sorrento Therapeutics, Inc. (4)(10)	Drug Discovery & Development	Warrant	Common Stock	306,748	889	530
Stealth Bio Therapeutics Corp. (5)(10)	Drug Discovery & Development	Warrant	Preferred Series A	650,000	158	177
Tricida, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	53,458	222	937
uniQure B.V. (4)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	37,174	218	665
XOMA Corporation (4)(10)(15)	Drug Discovery & Development	Warrant	Common Stock	9,063	279	6
Subtotal: Drug Discovery & Development (0.49%)*					8,253	4,957
Electronics & Computer Hardware						
908 DEVICES INC. (15)	Electronics & Computer Hardware	Warrant	Preferred Series D	79,856	100	75
Subtotal: Electronics & Computer Hardware (0.01%)*					100	75
Healthcare Services, Other						
Chromadex Corporation (4)	Healthcare Services, Other	Warrant	Common Stock	139,673	157	174
Subtotal: Healthcare Services, Other (0.02%)*					157	174
Information Services						
INMOBI Inc. (5)(10)	Information Services	Warrant	Common Stock	65,587	82	—
MDX Medical, Inc. (15)	Information Services	Warrant	Common Stock	2,812,500	283	275
Netbase Solutions, Inc.	Information Services	Warrant	Preferred Series 1	60,000	356	407
RichRelevance, Inc.	Information Services	Warrant	Preferred Series E	112,612	98	—
Subtotal: Information Services (0.07%)*					819	682

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Internet Consumer & Business Services						
Aria Systems, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series G	231,535	$ 73	$ —
Art.com, Inc. (15)	Internet Consumer & Business Services	Warrant	Preferred Series B	311,005	66	14
Blurb, Inc. (15)	Internet Consumer & Business Services	Warrant	Preferred Series C	234,280	636	26
ClearObject, Inc. (p.k.a. CloudOne, Inc.)	Internet Consumer & Business Services	Warrant	Preferred Series E	968,992	19	183
Cloudpay, Inc. (5)(10)	Internet Consumer & Business Services	Warrant	Preferred Series B	4,960	45	37
Contentful, Inc. (5)(10)	Internet Consumer & Business Services	Warrant	Preferred Series C	82,185	1	1
First Insight, Inc. (15)	Internet Consumer & Business Services	Warrant	Preferred Series B	45,551	56	53
Intent Media, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	140,077	168	246
Interactions Corporation	Internet Consumer & Business Services	Warrant	Preferred Series G-3	68,187	204	420
Just Fabulous, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	206,184	1,101	3,070
Lightspeed POS, Inc. (5)(10)	Internet Consumer & Business Services	Warrant	Preferred Series C	245,610	20	166
LogicSource	Internet Consumer & Business Services	Warrant	Preferred Series C	79,625	30	40
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Warrant	Preferred Series G	174,562	78	61
Postmates, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	189,865	317	381
RumbleON, Inc. (4)	Internet Consumer & Business Services	Warrant	Common Stock	81,818	72	350
ShareThis, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series C	493,502	547	—
Snagajob.com, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series A	1,800,000	782	69
	Internet Consumer & Business Services	Warrant	Preferred Series B	173,076	8	4
TotalSnagajob.com, Inc.				1,973,076	790	73
Tapjoy, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series D	748,670	316	35
The Faction Group LLC	Internet Consumer & Business Services	Warrant	Preferred Series A	8,703	234	431
Thumbtack, Inc.	Internet Consumer & Business Services	Warrant	Common Stock	102,821	124	133
Xometry, Inc.	Internet Consumer & Business Services	Warrant	Preferred Series B	87,784	47	141
Subtotal: Internet Consumer & Business Services (0.58%)*					4,944	5,861
Media/Content/Info						
Machine Zone, Inc.	Media/Content/Info	Warrant	Common Stock	1,552,710	1,960	2,402
Napster (p.k.a. Rhapsody International, Inc.)	Media/Content/Info	Warrant	Common Stock	715,755	383	87
WP Technology, Inc. (Wattpad, Inc.) (5)(10)	Media/Content/Info	Warrant	Common Stock	255,818	4	12
Zoom Media Group, Inc.	Media/Content/Info	Warrant	Preferred Series A	1,204	348	29
Subtotal: Media/Content/Info (0.25%)*					2,695	2,530
Medical Devices & Equipment						
Amedica Corporation (4)(15)	Medical Devices & Equipment	Warrant	Common Stock	8,603	459	—
Aspire Bariatrics, Inc. (15)	Medical Devices & Equipment	Warrant	Preferred Series B-1	112,858	455	—
Avedro, Inc. (15)	Medical Devices & Equipment	Warrant	Preferred Series AA	300,000	401	449
Flowonix Medical Incorporated	Medical Devices & Equipment	Warrant	Preferred Series AA	155,325	362	1
	Medical Devices & Equipment	Warrant	Preferred Series BB	725,806	351	352
Total Flowonix Medical Incorporated				881,131	713	353
Gelesis, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A-1	74,784	78	182
InspireMD, Inc. (4)(5)(10)	Medical Devices & Equipment	Warrant	Common Stock	1,124	242	—
Intuity Medical, Inc. (15)	Medical Devices & Equipment	Warrant	Preferred Series 4	1,819,078	294	613
Medrobotics Corporation (15)	Medical Devices & Equipment	Warrant	Preferred Series E	455,539	370	38
Micell Technologies, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D-2	84,955	262	205
NetBio, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A	7,841	408	—
NinePoint Medical, Inc.	Medical Devices & Equipment	Warrant	Preferred Series A-1	587,840	170	155
Optiscan Biomedical, Corp. (6)	Medical Devices & Equipment	Warrant	Preferred Series E	74,424	573	290
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Warrant	Preferred Series A	500,000	402	535
Quanterix Corporation (4)	Medical Devices & Equipment	Warrant	Common Stock	66,039	204	539
Sebacia, Inc.	Medical Devices & Equipment	Warrant	Preferred Series D	778,301	133	192
SonaCare Medical, LLC (p.k.a. US HIFU, LLC)	Medical Devices & Equipment	Warrant	Preferred Series A	6,464	188	—
Tela Bio, Inc.	Medical Devices & Equipment	Warrant	Preferred Series B	387,930	61	215
ViewRay, Inc. (4)(15)	Medical Devices & Equipment	Warrant	Common Stock	128,231	333	419
Subtotal: Medical Devices & Equipment (0.42%)*					5,746	4,185
Semiconductors						
Achronix Semiconductor Corporation	Semiconductors	Warrant	Preferred Series C	360,000	160	515
	Semiconductors	Warrant	Preferred Series D-2	750,000	99	771
Total Achronix Semiconductor Corporation				1,110,000	259	1,286
Aquantia Corp. (4)	Semiconductors	Warrant	Common Stock	19,683	4	17
Subtotal: Semiconductors (0.13%)*					263	1,303

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	$ 249	$ 113
	Software	Warrant	Preferred Series F	31,673	343	114
Total Actifio, Inc.				105,257	592	227
CareCloud Corporation (15)	Software	Warrant	Preferred Series B	413,433	258	23
Clickfox, Inc. (15)	Software	Warrant	Preferred Series B	539,818	167	19
	Software	Warrant	Preferred Series C	592,019	730	30
	Software	Warrant	Preferred Series C-A	2,218,214	231	314
Total Clickfox, Inc.				3,350,051	1,128	363
DNAnexus, Inc.	Software	Warrant	Preferred Series C	909,091	97	84
Evernote Corporation	Software	Warrant	Common Stock	62,500	106	200
Fuze, Inc. (15)(16)	Software	Warrant	Preferred Series F	256,158	89	—
Lightbend, Inc. (15)	Software	Warrant	Preferred Series C-1	391,778	79	71
Message Systems, Inc. (15)	Software	Warrant	Preferred Series C	503,718	334	502
Neos, Inc.	Software	Warrant	Common Stock	221,150	22	—
NewVoiceMedia Limited (5)(10)	Software	Warrant	Preferred Series E	225,586	33	225
OneLogin, Inc. (15)	Software	Warrant	Common Stock	381,620	305	386
Poplicus, Inc.	Software	Warrant	Common Stock	132,168	—	—
Quid, Inc. (15)	Software	Warrant	Preferred Series D	71,576	1	5
RapidMiner, Inc.	Software	Warrant	Preferred Series C-1	4,982	24	27
RedSeal Inc. (15)	Software	Warrant	Preferred Series C-Prime	640,603	66	39
Signpost, Inc.	Software	Warrant	Preferred Series C	324,005	314	157
ThreatConnect, Inc. (15)	Software	Warrant	Preferred Series B	134,086	26	30
Wrike, Inc.	Software	Warrant	Common Stock	698,760	461	2,162
Subtotal: Software (0.45%)*					3,935	4,501
Specialty Pharmaceuticals						
Alimera Sciences, Inc. (4)	Specialty Pharmaceuticals	Warrant	Common Stock	1,717,709	861	103
Subtotal: Specialty Pharmaceuticals (0.01%)*					861	103
Surgical Devices						
Gynesonics, Inc. (15)	Surgical Devices	Warrant	Preferred Series C	180,480	74	30
	Surgical Devices	Warrant	Preferred Series D	1,575,965	321	411
Total Gynesonics, Inc.				1,756,445	395	441
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series D	175,000	100	363
	Surgical Devices	Warrant	Preferred Series F	50,544	38	—
Total Transmedics, Inc.				225,544	138	363
Subtotal: Surgical Devices (0.08%)*					533	804

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2018
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Series	Shares	Cost(3)	Value(4)
Sustainable and Renewable Technology						
Agrivida, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	$ 120	$ —
American Superconductor Corporation (4)	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	66
Calera, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	512	—
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	—
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Warrant	Common Stock	5,310	181	—
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	63	50	—
Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)				5,373	231	—
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	274	434
GreatPoint Energy, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	—
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series A	325,000	155	97
	Sustainable and Renewable Technology	Warrant	Preferred Series B	131,883	63	29
Total Kinestral Technologies, Inc.				456,883	218	126
Polyera Corporation (15)	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	—
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	477,517	41	378
Rive Technology, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	13	12
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6)	Sustainable and Renewable Technology	Warrant	Class A Units	0.69	—	—
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	—
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	—
Subtotal: Sustainable and Renewable Technology (0.10%)*					2,924	1,016
Total: Warrant Investments (2.97%)*					**36,482**	**29,843**
Total Investments in Securities (175.32%)*					**$ 1,813,109**	**$ 1,760,516**

* Value as a percent of net assets
(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
(2) Interest rate PRIME represents 5.25% at September 30, 2018. Daily LIBOR, 1-month LIBOR, 3-month LIBOR and 12-month LIBOR represent 2.17%, 2.26%, 2.40% and 2.92%, respectively, at September 30, 2018.
(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $42.0 million, $102.4 million and $60.4 million respectively. The tax cost of investments is $1.8 billion.
(4) Except for warrants in 39 publicly traded companies and common stock in 21 publicly traded companies, all investments are restricted at September 30, 2018 and were valued at fair value using Level 3 significant unobservable inputs as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(5) Non-U.S. company or the company's principal place of business is outside the United States.
(6) Affiliate investment as defined under the Investment Company Act of 1940, as amended, (the "1940 Act") in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
(7) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
(8) Debt is on non-accrual status at September 30, 2018, and is therefore considered non-income producing. Note that at September 30, 2018, only the $10.7 million PIK, or payment-in-kind, loan is on non-accrual for the Company's debt investment in Tectura Corporation.
(9) Denotes that all or a portion of the debt investment is convertible debt.
(10) Indicates assets that the Company deems not "qualifying assets" under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
(11) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
(12) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
(13) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
(14) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
(15) Denotes that all or a portion of the investment in this portfolio company is held by Hercules Technology III, L.P., or HT III, the Company's wholly owned small business investment company, or SBIC, subsidiary. On July 13, 2018, the Company completed repayment of the remaining outstanding Hercules Technology II, L.P., or HT II, debentures and subsequently surrendered the SBA license with respect to HT II.
(16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at September 30, 2018.
(17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at September 30, 2018. Refer to Note 10.
(18) Denotes unitranche debt with first lien "last-out" senior secured position and security interest in all assets of the portfolio company whereby the "last-out" portion will be subordinated to the "first-out" portion in a liquidation, sale or other disposition.
(19) Denotes second lien senior secured debt.

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Debt Investments							
Biotechnology Tools							
1-5 Years Maturity							
Exicure, Inc. (12)	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, 3.85% Exit Fee	$ 4,999	$ 5,115	$ 5,146
Subtotal: 1-5 Years Maturity						5,115	5,146
Subtotal: Biotechnology Tools (0.61%)*						5,115	5,146
Communications & Networking							
Under 1 Year Maturity							
OpenPeak, Inc. (8)	Communications & Networking	Senior Secured	April 2018	Interest rate PRIME + 8.75% or Floor rate of 12.00%	$ 11,464	8,228	—
Subtotal: Under 1 Year Maturity						8,228	—
Subtotal: Communications & Networking (0.00%)*						8,228	—
Consumer & Business Products							
Under 1 Year Maturity							
Antenna79 (p.k.a. Pong Research Corporation) (15)	Consumer & Business Products	Senior Secured	December 2018	Interest rate PRIME + 6.00% or Floor rate of 9.50%	$ 1,000	1,000	1,000
Subtotal: Under 1 Year Maturity						1,000	1,000
1-5 Years Maturity							
Antenna79 (p.k.a. Pong Research Corporation) (15)	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 7.45% or Floor rate of 10.95%, 2.95% Exit Fee	$ 18,440	18,580	18,571
Second Time Around (Simplify Holdings, LLC) (7)(8)(15)	Consumer & Business Products	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.75%, 4.75% Exit Fee	$ 1,746	1,781	—
Subtotal: 1-5 Years Maturity						20,361	18,571
Subtotal: Consumer & Business Products (2.33%)*						21,361	19,571
Drug Delivery							
Under 1 Year Maturity							
Agile Therapeutics, Inc. (11)	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75% or Floor rate of 9.00%, 3.70% Exit Fee	$ 10,888	11,292	11,292
Pulmatrix Inc. (9)(11)	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25% or Floor rate of 9.50%, 3.50% Exit Fee	$ 3,259	3,455	3,455
ZP Opco, Inc. (p.k.a. Zosano Pharma) (11)	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70% or Floor rate of 7.95%, 2.87% Exit Fee	$ 6,316	6,609	6,609
Subtotal: Under 1 Year Maturity						21,356	21,356
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc. (10)(11)(15)	Drug Delivery	Senior Secured	March 2020	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 11.69% Exit Fee	$ 18,653	18,925	18,875
Antares Pharma Inc. (10)(15)	Drug Delivery	Senior Secured	July 2022	Interest rate PRIME + 4.50% or Floor rate of 9.00%, 4.25% Exit Fee	$ 25,000	25,006	24,958
Edge Therapeutics, Inc. (12)	Drug Delivery	Senior Secured	February 2020	Interest rate PRIME + 4.65% or Floor rate of 9.15%, 4.95% Exit Fee	$ 20,000	20,377	20,331
Subtotal: 1-5 Years Maturity						64,308	64,164
Subtotal: Drug Delivery (10.17%)*						85,664	85,520

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Drug Discovery & Development							
Under 1 Year Maturity							
CytRx Corporation (11)(15)	Drug Discovery & Development	Senior Secured	August 2018	Interest rate PRIME + 6.00% or Floor rate of 9.50%, 7.09% Exit Fee	$ 9,986	$ 11,172	$ 11,172
Epirus Biopharmaceuticals, Inc. (8)	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee	$ 3,027	3,310	340
Subtotal: Under 1 Year Maturity						14,482	11,512
1-5 Years Maturity							
Auris Medical Holding, AG (5)(10)	Drug Discovery & Development	Senior Secured	January 2020	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee	$ 10,341	10,610	10,563
Aveo Pharmaceuticals, Inc. (10)(13)	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 5.40% Exit Fee	$ 10,000	10,345	10,344
	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 3.00% Exit Fee	$ 10,000	9,918	9,915
Total Aveo Pharmaceuticals, Inc.					$ 20,000	20,263	20,259
Axovant Sciences Ltd. (5)(10)	Drug Discovery & Development	Senior Secured	March 2021	Interest rate PRIME + 6.80% or Floor rate of 10.55%	$ 55,000	53,631	53,448
Brickell Biotech, Inc. (12)	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%, 6.75% Exit Fee	$ 6,090	6,380	6,361
Chemocentryx, Inc. (10)(15)(17)	Drug Discovery & Development	Senior Secured	December 2021	Interest rate PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee	$ 5,000	4,947	4,947
Genocea Biosciences, Inc. (11)	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 2.25% or Floor rate of 7.25%, 4.95% Exit Fee	$ 13,851	14,482	14,385
Insmed, Incorporated (11)	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 4.75% or Floor rate of 9.25%, 4.86% Exit Fee	$ 55,000	55,425	54,963
Metuchen Pharmaceuticals LLC (12)(14)	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%, 2.25% Exit Fee	$ 25,561	25,721	25,643
Motif BioSciences Inc. (15)	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 5.50% or Floor rate of 10.00%, 2.15% Exit Fee	$ 15,000	14,651	14,651
Myovant Sciences, Ltd. (5)(10)(13)(17)	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 6.55% Exit Fee	$ 25,000	24,704	24,704
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (15)	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 40,000	40,144	39,829
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 10,000	10,040	9,958
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 2.25% Exit Fee	$ 10,000	9,964	9,895
Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					$ 60,000	60,148	59,682
PhaseRx, Inc. (15)	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 5.75% or Floor rate of 9.25%, 5.85% Exit Fee	$ 4,694	4,842	1,917
Stealth Bio Therapeutics Corp. (5)(10)(12)	Drug Discovery & Development	Senior Secured	January 2021	Interest rate PRIME + 5.50% or Floor rate of 9.50%, 5.00% Exit Fee	$ 15,000	14,898	14,847
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

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Electronics & Computer Hardware							
1-5 Years Maturity							
908 DEVICES INC. (15)	Electronics & Computer Hardware	Senior Secured	September 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee	$ 10,000	$ 10,014	$ 9,887
Subtotal: 1-5 Years Maturity						10,014	9,887
Subtotal: Electronics & Computer Hardware (1.18%)*						10,014	9,887
Healthcare Services, Other							
1-5 Years Maturity							
Medsphere Systems Corporation (14)(15)	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	$ 17,607	17,437	17,437
	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
Information Services							
1-5 Years Maturity							
MDX Medical, Inc. (14)(15)(17)	Information Services	Senior Secured	December 2020	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 1.70%	$ 7,568	7,369	7,327
Netbase Solutions, Inc. (13)(14)	Information Services	Senior Secured	August 2020	Interest rate PRIME + 6.00% or Floor rate of 10.00%, PIK Interest 2.00%, 3.00% Exit Fee	$ 9,051	8,730	8,730
Subtotal: 1-5 Years Maturity						16,099	16,057
Subtotal: Information Services (1.91%)*						16,099	16,057

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Internet Consumer & Business Services							
1-5 Years Maturity							
AppDirect, Inc.	Internet Consumer & Business Services	Senior Secured	January 2022	Interest rate PRIME + 5.70% or Floor rate of 9.95%, 3.45% Exit Fee	$ 10,000	$ 9,885	$ 9,885
Aria Systems, Inc. (11)(14)	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%, 1.50% Exit Fee	$ 2,103	2,104	1,803
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%, 1.50% Exit Fee	$ 18,832	18,839	16,144
Total Aria Systems, Inc.					$ 20,935	20,943	17,947
Greenphire Inc.	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
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
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
Subtotal: 1-5 Years Maturity						35,697	35,630
Subtotal: Media/Content/Info (16.92%)*						142,338	142,271

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Medical Devices & Equipment							
Under 1 Year Maturity							
Amedica Corporation (9)(15)	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%, 8.25% Exit Fee	$ 605	$ 2,255	$ 2,255
Aspire Bariatrics, Inc. (15)	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%, 5.42% Exit Fee	$ 2,527	2,848	2,848
Subtotal: Under 1 Year Maturity						5,103	5,103
1-5 Years Maturity							
IntegenX, Inc. (15)	Medical Devices & Equipment	Senior Secured	June 2019	Interest rate PRIME + 6.05% or Floor rate of 10.05%, 6.75% Exit Fee	$ 12,500	13,042	12,991
	Medical Devices & Equipment	Senior Secured	June 2019	Interest rate PRIME + 6.05% 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							
1-5 Years Maturity							
Achronix Semiconductor Corporation (15)(17)	Semiconductors	Senior Secured	August 2020	Interest rate PRIME + 7.00% or Floor rate of 11.00%, 12.50% Exit Fee	$ 5,000	5,084	5,100
	Semiconductors	Senior Secured	February 2019	Interest rate PRIME + 6.00% or Floor rate of 10.00%	$ 4,274	4,274	4,273
Total Achronix Semiconductor Corporation					$ 9,274	9,358	9,373
Subtotal: 1-5 Years Maturity						9,358	9,373
Subtotal: Semiconductors (1.11%)*						9,358	9,373

See notes to consolidated financial statements.

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Software							
Under 1 Year Maturity							
Clickfox, Inc. (13)	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.50%, 12.01% Exit Fee	$ 6,378	$ 7,671	$ 7,671
Digital Train Limited (p.k.a. Jumpstart Games, Inc.) (15)	Software	Senior Secured	July 2018	Interest rate 12-month LIBOR + 2.50%	$ 5,671	5,671	4,073
Subtotal: Under 1 Year Maturity						13,342	11,744
1-5 Years Maturity							
Clarabridge, Inc. (12)(14)	Software	Senior Secured	April 2021	Interest rate PRIME + 4.80% or Floor rate of 8.55%, PIK Interest 3.25%	$ 40,893	40,870	41,063
Emma, Inc.	Software	Senior Secured	September 2022	Interest rate daily LIBOR + 7.75% or Floor rate of 8.75%	$ 50,000	48,565	48,565
Evernote Corporation (14)(15)(17)	Software	Senior Secured	October 2020	Interest rate PRIME + 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
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%, 2.50% Exit Fee	$ 16,000	16,023	16,023
	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.00% or Floor rate of 10.00%, 2.50% Exit Fee	$ 4,000	4,005	4,005
Total PerfectServe, Inc.					$ 20,000	20,028	20,028
Pollen, Inc. (15)	Software	Senior Secured	April 2019	Interest rate PRIME + 4.25% or Floor rate of 8.50%, 4.00% Exit Fee	$ 7,000	6,964	6,964
Poplicus, Inc. (8)(14)	Software	Senior Secured	May 2022	Interest rate FIXED 6.00%, PIK Interest 3.00%	$ 1,250	1,250	—
Quid, Inc. (14)(15)	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%, PIK Interest 2.25%, 3.00% Exit Fee	$ 8,303	8,397	8,430
RapidMiner, Inc. (14)	Software	Senior Secured	December 2020	Interest rate PRIME + 5.50% or Floor rate of 9.75%, PIK Interest 1.65%	$ 7,001	6,971	6,971
Regent Education (14)	Software	Senior Secured	January 2021	Interest rate FIXED 10.00%, PIK Interest 2.00%, 6.35% Exit Fee	$ 3,285	3,291	3,291
Signpost, Inc. (14)	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15% or Floor rate of 8.15%, PIK Interest 1.75%, 3.75% Exit Fee	$ 15,510	15,603	15,685
Vela Trading Technologies	Software	Senior Secured	July 2022	Interest rate daily LIBOR + 9.50% or Floor rate of 10.50%	$ 20,000	19,495	19,557
Wrike, Inc. (14)(17)	Software	Senior Secured	February 2021	Interest rate PRIME + 6.00% or Floor rate of 9.50%, PIK Interest 2.00%, 3.00% Exit Fee	$ 10,165	9,971	10,007
ZocDoc	Software	Senior Secured	April 2021	Interest rate 3-month LIBOR + 9.50% or Floor rate of 10.50%, 1.00% Exit Fee	$ 20,000	20,011	20,011
	Software	Senior Secured	November 2021	Interest rate 3-month LIBOR + 9.50% or Floor rate of 10.50%, 1.00% Exit Fee	$ 10,000	10,005	10,005
Total ZocDoc					$ 30,000	30,016	30,016
Subtotal: 1-5 Years Maturity						318,782	318,219
Subtotal: Software (39.24%)*						332,124	329,963

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4)
Specialty Pharmaceuticals							
Under 1 Year Maturity							
Jaguar Animal Health, Inc. (11)	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65% or Floor rate of 9.90%, 7.00% Exit Fee	$ 1,089	$ 1,496	$ 1,496
Subtotal: Under 1 Year Maturity						1,496	1,496
1-5 Years Maturity							
Alimera Sciences, Inc. (11)(14)	Specialty Pharmaceuticals	Senior Secured	November 2020	Interest rate PRIME + 7.50% or Floor rate of 11.00%, PIK Interest 1.00%, 4.00% Exit Fee	$ 35,398	35,517	35,517
Subtotal: 1-5 Years Maturity						35,517	35,517
Subtotal: Specialty Pharmaceuticals (4.40%)*						37,013	37,013
Surgical Devices							
1-5 Years Maturity							
Transmedics, Inc. (13)	Surgical Devices	Senior Secured	February 2020	Interest rate PRIME + 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.	Sustainable and Renewable Technology	Senior Secured	October 2018	Interest rate 3-month LIBOR + 7.75% or Floor rate of 8.75%, 3.23% Exit Fee	$ 3,867	3,882	3,882
Subtotal: Under 1 Year Maturity						22,072	22,072
1-5 Years Maturity							
ChargePoint Inc.	Sustainable and Renewable Technology	Senior Secured	August 2020	Interest rate 3-month LIBOR + 8.75% or Floor rate of 9.75%, 2.00% Exit Fee	$ 19,394	19,416	19,416
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6)	Sustainable and Renewable Technology	Senior Secured	August 2019	Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee	$ 14,000	13,604	13,604
Proterra, Inc. (11)(14)(17)	Sustainable and Renewable Technology	Senior Secured	November 2020	Interest rate PRIME + 3.70% 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**

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Equity Investments						
Biotechnology Tools						
NuGEN Technologies, Inc. (15)	Biotechnology Tools	Equity	Common Stock	55,780	$ 500	$ —
Subtotal: Biotechnology Tools (0.00%)*					500	—
Communications & Networking						
Achilles Technology Management Co II, Inc. (7)(15)	Communications & Networking	Equity	Common Stock	100	3,100	242
GlowPoint, Inc. (4)	Communications & Networking	Equity	Common Stock	114,192	102	41
Peerless Network Holdings, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	5,865
Subtotal: Communications & Networking (0.73%)*					4,202	6,148
Diagnostic						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	720
Subtotal: Diagnostic (0.09%)*					750	720
Drug Delivery						
AcelRx Pharmaceuticals, Inc. (4)(10)	Drug Delivery	Equity	Common Stock	54,240	108	109
BioQ Pharma Incorporated (15)	Drug Delivery	Equity	Preferred Series D	165,000	500	826
Edge Therapeutics, Inc. (4)	Drug Delivery	Equity	Common Stock	49,965	309	468
Neos Therapeutics, Inc. (4)(15)	Drug Delivery	Equity	Common Stock	125,000	1,500	1,275
Subtotal: Drug Delivery (0.32%)*					2,417	2,678
Drug Discovery & Development						
Aveo Pharmaceuticals, Inc. (4)(10)(15)	Drug Discovery & Development	Equity	Common Stock	1,901,791	1,715	5,315
Axovant Sciences Ltd. (4)(5)(10)	Drug Discovery & Development	Equity	Common Stock	129,827	1,270	707
Cerecor, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	381
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) (4)	Drug Discovery & Development	Equity	Common Stock	13,550	1,000	29
Dicerna Pharmaceuticals, Inc. (4)(15)	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	1,290
Dynavax Technologies (4)(10)	Drug Discovery & Development	Equity	Common Stock	20,000	550	374
Epirus Biopharmaceuticals, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	—
Genocea Biosciences, Inc. (4)	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	259
Inotek Pharmaceuticals Corporation (4)	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	10
Insmed, Incorporated (4)	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	2,154
Melinta Therapeutics (4)	Drug Discovery & Development	Equity	Common Stock	43,840	2,000	693
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (4)	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,367
Subtotal: Drug Discovery & Development (1.50%)*					16,778	12,579
Electronics & Computer Hardware						
Identiv, Inc. (4)	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	22
Subtotal: Electronics & Computer Hardware (0.00%)*					34	22
Information Services						
DocuSign, Inc.	Information Services	Equity	Common Stock	385,000	6,081	8,011
Subtotal: Information Services (0.95%)*					6,081	8,011

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Internet Consumer & Business Services						
Blurb, Inc. (15)	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	$ 175	$ 46
Brigade Group, Inc. (p.k.a. Philotic, Inc.)	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	—
Lightspeed POS, Inc. (5)(10)	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	233
	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	213
Total Lightspeed POS, Inc.				428,707	500	446
OfferUp, Inc.	Internet Consumer & Business Services	Equity	Preferred Series A	286,080	1,663	2,236
	Internet Consumer & Business Services	Equity	Preferred Series A-1	108,710	632	850
Total OfferUp, Inc.				394,790	2,295	3,086
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	451
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	255
Total Oportun (p.k.a. Progress Financial)				306,153	500	706
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	49
Tectura Corporation (7)	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000	—	—
Subtotal: Internet Consumer & Business Services (0.52%)*					3,578	4,333
Media/Content/Info						
Pinterest, Inc.	Media/Content/Info	Equity	Preferred Series Seed	620,000	4,085	5,055
Subtotal: Media/Content/Info (0.60%)*					4,085	5,055
Medical Devices & Equipment						
AtriCure, Inc. (4)(15)	Medical Devices & Equipment	Equity	Common Stock	7,536	266	138
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series AA	221,893	1,500	—
Gelesis, Inc. (15)	Medical Devices & Equipment	Equity	Common Stock	198,202	—	879
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	939
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	894
Total Gelesis, Inc.				581,038	925	2,712
Medrobotics Corporation (15)	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	302
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	225
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	532
Total Medrobotics Corporation				374,703	905	1,059
Optiscan Biomedical, Corp. (6)(15)	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	402
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	114
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	4,232
	Medical Devices & Equipment	Equity	Preferred Series E	15,638,888	1,307	1,457
Total Optiscan Biomedical, Corp.				78,855,687	10,219	6,205
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	596
Quanterix Corporation (4)	Medical Devices & Equipment	Equity	Common Stock	84,778	1,000	1,820
Subtotal: Medical Devices & Equipment (1.49%)*					15,342	12,530
Software						
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	90
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,044
	Software	Equity	Preferred Series 3	93,620	300	312
Total Druva, Inc.				552,461	1,300	1,356
ForeScout Technologies, Inc. (4)	Software	Equity	Common Stock	199,844	529	6,373
HighRoads, Inc.	Software	Equity	Common Stock	190	307	—
NewVoiceMedia Limited (5)(10)	Software	Equity	Preferred Series E	669,173	963	1,544
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	4,923
	Software	Equity	Preferred Series G	326,797	2,211	2,211
Total Palantir Technologies				1,054,493	7,642	7,134
Sprinklr, Inc.	Software	Equity	Common Stock	700,000	3,749	4,600
WildTangent, Inc. (15)	Software	Equity	Preferred Series 3	100,000	402	179
Subtotal: Software (2.53%)*					14,943	21,276

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Surgical Devices						
Gynesonics, Inc. (15)	Surgical Devices	Equity	Preferred Series B	219,298	$ 250	$ 44
	Surgical Devices	Equity	Preferred Series C	656,538	282	60
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	795
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	521
Total Gynesonics, Inc.				5,653,360	1,673	1,420
Transmedics, Inc.	Surgical Devices	Equity	Preferred Series B	88,961	1,100	376
	Surgical Devices	Equity	Preferred Series C	119,999	300	309
	Surgical Devices	Equity	Preferred Series D	260,000	650	957
	Surgical Devices	Equity	Preferred Series F	100,200	500	531
Total Transmedics, Inc.				569,160	2,550	2,173
Subtotal: Surgical Devices (0.43%)*					4,223	3,593
Sustainable and Renewable Technology						
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Equity	Common Stock	19,250	761	—
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	477
Proterra, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series 5	99,280	500	539
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6)	Sustainable and Renewable Technology	Equity	Common Stock	288	61,502	11,400
Subtotal: Sustainable and Renewable Technology (1.48%)*					63,263	12,416
Total: Equity Investments (10.63%)*					**136,196**	**89,361**

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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)
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

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Drug Discovery & Development						
ADMA Biologics, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	89,750	$ 295	$ 12
Anthera Pharmaceuticals, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	5,022	984	—
Audentes Therapeutics, Inc. (4)(10)(15)	Drug Discovery & Development	Warrant	Common Stock	9,914	62	147
Auris Medical Holding, AG (4)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	156,726	249	19
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	93
Cerecor, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	22,328	70	15
Chroma Therapeutics, Ltd. (5)(10)	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	—
Cleveland BioLabs, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	7,813	105	3
Concert Pharmaceuticals, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	132,069	545	1,344
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) (4)	Drug Discovery & Development	Warrant	Common Stock	29,239	165	2
CytRx Corporation (4)(15)	Drug Discovery & Development	Warrant	Common Stock	105,694	160	58
Dare Biosciences, Inc. (p.k.a. Cerulean Pharma, Inc.) (4)	Drug Discovery & Development	Warrant	Common Stock	17,190	369	—
Dicerna Pharmaceuticals, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	200	28	—
Epirus Biopharmaceuticals, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	64,194	276	—
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) (4)	Drug Discovery & Development	Warrant	Common Stock	73,009	142	29
Genocea Biosciences, Inc. (4)	Drug Discovery & Development	Warrant	Common Stock	73,725	266	4
Immune Pharmaceuticals (4)	Drug Discovery & Development	Warrant	Common Stock	10,742	164	—
Melinta Therapeutics (4)	Drug Discovery & Development	Warrant	Common Stock	31,655	626	12
Motif BioSciences Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	73,452	282	414
Myovant Sciences, Ltd. (4)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	49,800	283	128
Neothetics, Inc. (p.k.a. Lithera, Inc.) (4)(15)	Drug Discovery & Development	Warrant	Common Stock	46,838	266	53
Neuralstem, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	5,783	77	—
Ology Bioservices, Inc. (p.k.a. Nanotherapeutics, Inc.) (15)	Drug Discovery & Development	Warrant	Common Stock	171,389	838	—
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) (4)(15)	Drug Discovery & Development	Warrant	Common Stock	75,214	178	212
PhaseRx, Inc. (4)(15)	Drug Discovery & Development	Warrant	Common Stock	63,000	125	—
Savara Inc. (p.k.a. Mast Therapeutics, Inc.) (4)(15)	Drug Discovery & Development	Warrant	Common Stock	32,467	203	8
Sorrento Therapeutics, Inc. (4)(10)	Drug Discovery & Development	Warrant	Common Stock	306,748	889	453
Stealth Bio Therapeutics Corp. (5)(10)	Drug Discovery & Development	Warrant	Preferred Series A	487,500	116	107
uniQure B.V. (4)(5)(10)	Drug Discovery & Development	Warrant	Common Stock	37,174	218	240
XOMA Corporation (4)(10)(15)	Drug Discovery & Development	Warrant	Common Stock	9,063	279	50
Subtotal: Drug Discovery & Development (0.40%)*					8,869	3,403
Electronics & Computer Hardware						
908 DEVICES INC. (15)	Electronics & Computer Hardware	Warrant	Preferred Series D	79,856	100	73
Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	—
Subtotal: Electronics & Computer Hardware (0.01%)*					112	73
Healthcare Services, Other						
Chromadex Corporation (4)(15)	Healthcare Services, Other	Warrant	Common Stock	139,673	157	329
Subtotal: Healthcare Services, Other (0.04%)*					157	329

See notes to consolidated financial statements.

(dollars in thousands)

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

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Semiconductors						
Achronix Semiconductor Corporation (15)	Semiconductors	Warrant	Preferred Series C	360,000	$ 160	$ 308
	Semiconductors	Warrant	Preferred Series D-2	750,000	99	519
Total Achronix Semiconductor Corporation				1,110,000	259	827
Aquantia Corp. (4)	Semiconductors	Warrant	Common Stock	19,683	4	11
Avnera Corporation	Semiconductors	Warrant	Preferred Series E	141,567	46	195
Subtotal: Semiconductors (0.12%)*					309	1,033
Software						
Actifio, Inc.	Software	Warrant	Common Stock	73,584	249	84
	Software	Warrant	Preferred Series F	31,673	343	79
Total Actifio, Inc.				105,257	592	163
Braxton Technologies, LLC	Software	Warrant	Preferred Series A	168,750	188	—
CareCloud Corporation (15)	Software	Warrant	Preferred Series B	413,433	258	113
Clickfox, Inc. (15)	Software	Warrant	Preferred Series B	1,038,563	330	129
	Software	Warrant	Preferred Series C	592,019	730	179
	Software	Warrant	Preferred Series C-A	2,218,214	230	4,458
Total Clickfox, Inc.				3,848,796	1,290	4,766
DNAnexus, Inc.	Software	Warrant	Preferred Series C	909,091	97	97
Evernote Corporation (15)	Software	Warrant	Common Stock	62,500	106	175
Fuze, Inc. (15)	Software	Warrant	Preferred Series F	256,158	89	53
Mattersight Corporation (4)	Software	Warrant	Common Stock	357,143	538	168
Message Systems, Inc. (15)	Software	Warrant	Preferred Series C	503,718	334	639
Mobile Posse, Inc. (15)	Software	Warrant	Preferred Series C	396,430	130	353
Neos, Inc. (15)	Software	Warrant	Common Stock	221,150	22	—
NewVoiceMedia Limited (5)(10)	Software	Warrant	Preferred Series E	225,586	33	190
OneLogin, Inc. (15)	Software	Warrant	Common Stock	228,972	150	227
PerfectServe, Inc.	Software	Warrant	Preferred Series C	129,073	720	720
Poplicus, Inc.	Software	Warrant	Common Stock	132,168	—	—
Quid, Inc. (15)	Software	Warrant	Preferred Series D	71,576	1	7
RapidMiner, Inc.	Software	Warrant	Preferred Series C-1	4,982	23	23
RedSeal Inc. (15)	Software	Warrant	Preferred Series C-Prime	640,603	66	44
Signpost, Inc.	Software	Warrant	Preferred Series C	324,005	314	106
Wrike, Inc.	Software	Warrant	Common Stock	698,760	462	1,040
Subtotal: Software (1.06%)*					5,413	8,884
Specialty Pharmaceuticals						
Alimera Sciences, Inc. (4)	Specialty Pharmaceuticals	Warrant	Common Stock	1,717,709	861	488
Subtotal: Specialty Pharmaceuticals (0.06%)*					861	488
Surgical Devices						
Gynesonics, Inc. (15)	Surgical Devices	Warrant	Preferred Series C	180,480	75	15
	Surgical Devices	Warrant	Preferred Series D	1,575,965	320	291
Total Gynesonics, Inc.				1,756,445	395	306
Transmedics, Inc.	Surgical Devices	Warrant	Preferred Series B	40,436	225	16
	Surgical Devices	Warrant	Preferred Series D	175,000	100	429
	Surgical Devices	Warrant	Preferred Series F	50,544	38	60
Total Transmedics, Inc.				265,980	363	505
Subtotal: Surgical Devices (0.10%)*					758	811

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(unaudited)
(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Sustainable and Renewable Technology						
Agrivida, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series D	471,327	$ 120	$ 88
Alphabet Energy, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series 1B	13,667	82	—
American Superconductor Corporation (4)	Sustainable and Renewable Technology	Warrant	Common Stock	58,823	39	7
Brightsource Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 1	116,666	104	—
Calera, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series C	44,529	513	—
EcoMotors, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series B	437,500	308	—
Fluidic, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series D	61,804	102	—
Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)	Sustainable and Renewable Technology	Warrant	Common Stock	530,811	181	—
	Sustainable and Renewable Technology	Warrant	Preferred Series 2-A	6,229	50	—
Total Flywheel Building Intelligence, Inc. (p.k.a. SCIEnergy, Inc.)				537,040	231	—
Fulcrum Bioenergy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series C-1	280,897	275	357
GreatPoint Energy, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series D-1	393,212	548	—
Kinestral Technologies, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series A	325,000	155	155
	Sustainable and Renewable Technology	Warrant	Preferred Series B	131,883	63	63
Total Kinestral Technologies, Inc.				456,883	218	218
Polyera Corporation (15)	Sustainable and Renewable Technology	Warrant	Preferred Series C	311,609	338	—
Proterra, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series 4	477,517	41	599
Rive Technology, Inc. (15)	Sustainable and Renewable Technology	Warrant	Preferred Series E	234,477	12	8
Stion Corporation (6)	Sustainable and Renewable Technology	Warrant	Preferred Series Seed	2,154	1,378	—
TAS Energy, Inc.	Sustainable and Renewable Technology	Warrant	Preferred Series AA	428,571	299	—
Tendril Networks	Sustainable and Renewable Technology	Warrant	Preferred Series 3-A	1,019,793	189	—
Subtotal: Sustainable and Renewable Technology (0.15%)*					4,797	1,277
Total: Warrant Investments (4.38%)*					**43,578**	**36,869**
Total Investments in Securities (183.39%)*					**$ 1,619,829**	**$ 1,542,214**

* Value as a percent of net assets
(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
(2) Interest rate PRIME represents 4.50% at December 31, 2017. Daily LIBOR, 1-month LIBOR, 3-month LIBOR and 12-month LIBOR represent 1.44%, 1.57%, 1.69% and 2.11%, respectively, at December 31, 2017.
(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $32.5 million, $119.7 million and $87.2 million respectively. The tax cost of investments is $1.6 billion.
(4) Except for warrants in 43 publicly traded companies and common stock in 20 publicly traded companies, all investments are restricted at December 31, 2017 and were valued at fair value using Level 3 significant unobservable inputs as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(5) Non-U.S. company or the company's principal place of business is outside the United States.
(6) Affiliate investment as defined under the 1940 Act in which Hercules owns at least 5% but generally less than 25% of the company's voting securities.
(7) Control investment as defined under the 1940 Act in which Hercules owns at least 25% of the company's voting securities or has greater than 50% representation on its board.
(8) Debt is on non-accrual status at December 31, 2017 and is therefore considered non-income producing. Note that at December 31, 2017, only the $11.0 million PIK loan is on non-accrual for the Company's debt investment in Tectura Corporation.
(9) Denotes that all or a portion of the debt investment is convertible debt.
(10) Indicates assets that the Company deems not "qualifying assets" under section 55(a) of 1940 Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets.
(11) Denotes that all or a portion of the debt investment secures the notes offered in the Debt Securitization (as defined in Note 4).
(12) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in Note 4).
(13) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in Note 4).
(14) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.
(15) Denotes that all or a portion of the investment in this portfolio company is held by HT II or HT III, the Company's wholly owned SBIC subsidiaries.
(16) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total assets at December 31, 2017.
(17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company at December 31, 2017. Refer to Note 10.

See notes to consolidated financial statements.

1. Description of Business and Basis of Presentation

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

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

Hercules Technology II, L.P. ("HT II"), Hercules Technology III, L.P. ("HT III"), and Hercules Technology IV, L.P. ("HT IV"), are Delaware limited partnerships that were formed in January 2005, September 2009 and December 2010, respectively. HT II and HT III were licensed to operate as small business investment companies ("SBICs") under the authority of the Small Business Administration ("SBA") on September 27, 2006 and May 26, 2010, respectively. On July 13, 2018, the Company completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II.

As an SBIC, HT III is subject to a variety of regulations concerning, among other things, the size and nature of the companies in which it may invest and the structure of those investments. HT IV was formed in anticipation of receiving an additional SBIC license; however, the Company has not received such license, and HT IV currently has no material assets or liabilities. The Company also formed Hercules Technology SBIC Management, LLC ("HTM"), a limited liability company, in November 2003. HTM is a wholly owned subsidiary of the Company and serves as the limited partner and general partner of HT II and HT III (see Note 4 to the Company's consolidated financial statements).

HT III holds approximately $300.6 million in assets which accounts for approximately 13.6% of the Company's total assets prior to consolidation at September 30, 2018.

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

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

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

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

Revision of Previously Issued Financial Statements

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

Valuation of Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(in thousands)	Balance January 1, 2018	Net Realized Gains (Losses) (1)	Net Change in Unrealized Appreciation (Depreciation) (2)	Purchases (5)	Sales	Repayments (6)	Gross Transfers into Level 3 (3)	Gross Transfers out of Level 3 (3)	Balance September 30, 2018
Senior Debt	$ 1,415,984	$ (13,295)	$ 19,147	$ 662,149	$ —	$ (495,757)	$ —	$ —	$ 1,588,228
Unsecured Debt	—	—	185	20,533	—	(5,671)	—	—	15,047
Preferred Stock	40,683	2,059	(469)	27,483	(2,247)	—	—	—	67,509
Common Stock	25,853	(3,299)	(802)	7,615	(301)	—	—	(8,379)	20,687
Warrants	31,205	(765)	(2,411)	1,594	(6,177)	—	—	(216)	23,230
Escrow Receivable	752	78	(143)	892	(484)	—	—	—	1,095
Total	$ 1,514,477	$ (15,222)	$ 15,507	$ 720,266	$ (9,209)	$ (501,428)	$ —	$ (8,595)	$ 1,715,796

(in thousands)	Balance January 1, 2017	Net Realized Gains (Losses) (1)	Net Change in Unrealized Appreciation (Depreciation) (2)	Purchases (5)	Sales	Repayments (6)	Gross Transfers into Level 3 (4)	Gross Transfers out of Level 3 (4)	Balance December 31, 2017
Senior Debt	$ 1,323,978	$ (24,684)	$ 29,610	$ 776,648	$ —	$ (626,897)	$ —	$ (62,671)	$ 1,415,984
Preferred Stock	39,418	(7,531)	11,955	2,683	(468)	—	—	(5,374)	40,683
Common Stock	10,965	(487)	(49,462)	3,748	(1,582)	—	62,671	—	25,853
Warrants	24,246	727	8,450	5,449	(7,303)	—	—	(364)	31,205
Escrow Receivable	1,382	261	—	3,127	(4,018)	—	—	—	752
Total	$ 1,399,989	$ (31,714)	$ 553	$ 791,655	$ (13,371)	$ (626,897)	$ 62,671	$ (68,409)	$ 1,514,477

(1) Included in net realized gains or losses in the accompanying Consolidated Statement of Operations.
(2) Included in net change in unrealized appreciation (depreciation) in the accompanying Consolidated Statement of Operations.
(3) Transfers out of Level 3 during the nine months ended September 30, 2018 relate to the initial public offerings of DocuSign, Inc., and Tricida, Inc.
(4) Transfers out of Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. Initial public offerings of ForeScout Technologies, Inc., Aquantia Corporation, and Quanterix Corporation, and merger of our former portfolio company Cempra, Inc. and current portfolio company Melinta Therapeutics, Inc. into NASDAQ-listed company Melinta Therapeutics, Inc. Transfers into Level 3 during the year ended December 31, 2017 relate to the conversion of the Company's debt investment in Sungevity, Inc. and a portion of the Company's debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.
(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.
(6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures.

For the nine months ended September 30, 2018, approximately $0.5 million in net unrealized depreciation and $4.2 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately $0.1 million in net unrealized depreciation and $0.5 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

For the year ended December 31, 2017, approximately $4.2 million in net unrealized appreciation and $49.2 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. The depreciation on common stock during the period reflects the conversion of the Company's debt investment in Sungevity, Inc. to common stock at cost through a bankruptcy transaction and subsequent depreciation to fair value. For the same period, approximately $10.5 million in net unrealized depreciation and $9.0 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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

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

Investment Type - Level Three Debt Investments	Fair Value at September 30, 2018 (in thousands)	Valuation Techniques/Methodologies	Unobservable Input (1)	Range	Weighted Average (2)
Pharmaceuticals	$ 44,665	Originated Within 4-6 Months	Origination Yield	12.35% - 12.62%	12.41%
	409,285	Market Comparable Companies	Hypothetical Market Yield	10.49% - 16.06%	13.35%
			Premium/(Discount)	(0.50%) - 0.50%	
	65	Liquidation (3)	Probability weighting of alternative outcomes	100.00%	
Technology	147,638	Originated Within 4-6 Months	Origination Yield	10.92% - 19.94%	12.05%
	496,084	Market Comparable Companies	Hypothetical Market Yield	10.19% - 15.72%	12.85%
			Premium/(Discount)	0% - 0.50%	
	1,987	Liquidation (3)	Probability weighting of alternative outcomes	50.00%	
Sustainable and Renewable Technology	6,996	Originated Within 4-6 Months	Origination Yield	12.50%	12.50%
	78,701	Market Comparable Companies	Hypothetical Market Yield	11.29% - 16.68%	13.36%
Medical Devices	37,964	Originated Within 4-6 Months	Origination Yield	12.31% - 12.88%	12.58%
	68,611	Market Comparable Companies	Hypothetical Market Yield	10.23% - 21.95%	13.42%
			Premium/(Discount)	0% - 1.00%	
	808	Liquidation (3)	Probability weighting of alternative outcomes	5.00% - 75.00%	
Lower Middle Market	34,675	Originated Within 4-6 Months	Origination Yield	13.67% - 14.42%	13.78%
	114,775	Market Comparable Companies	Hypothetical Market Yield	9.25% - 15.9%	13.77%
			Premium/(Discount)	0.00% - 0.75%	
	19,672	Liquidation (3)	Probability weighting of alternative outcomes	10.00% - 60.00%	
		Debt Investments Where Fair Value Approximates Cost			
	97,369	Debt Investments originated within 3 months			
	43,980	Debt Investments Maturing in Less than One Year			
	$ 1,603,275	**Total Level Three Debt Investments**			

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

- Pharmaceuticals, above, is comprised of debt investments in the Healthcare Services - Other, Drug Discovery & Development, Drug Delivery and Biotechnology Tools industries in the Consolidated Schedule of Investments.
- Technology, above, is comprised of debt investments in the Software, Electronics & Computer Hardware, Media/Content/Info, Internet Consumer & Business Services, Consumer & Business Products, and Information Services industries in the Consolidated Schedule of Investments.
- Sustainable and Renewable Technology, above, is comprised of debt investments in the Sustainable and Renewable Technology, Internet Consumer & Business Services, and Electronics & Computer Hardware industries in the Consolidated Schedule of Investments.
- Medical Devices, above, is comprised of debt investments in the Drug Delivery, Surgical Devices and Medical Devices & Equipment industries in the Consolidated Schedule of Investments.
- Lower Middle Market, above, is comprised of debt investments in the Healthcare Services - Other, Internet Consumer & Business Services, Diversified Financial Services, Sustainable and Renewable Technology, and Software industries in the Consolidated Schedule of Investments.

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

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

Investment Type - Level Three Debt Investments	Fair Value at December 31, 2017 (in thousands)	Valuation Techniques/Methodologies	Unobservable Input (1)	Range	Weighted Average (2)
Pharmaceuticals	$ 44,301	Originated Within 6 Months	Origination Yield	10.71% - 12.61%	11.89%
	379,841	Market Comparable Companies	Hypothetical Market Yield	10.14% - 16.14%	12.94%
			Premium/(Discount)	(0.25%) - 0.75%	
	2,257	Liquidation (3)	Probability weighting of alternative outcomes	100.00%	
Technology	158,916	Originated Within 6 Months	Origination Yield	9.4% - 25.11%	11.68%
	290,561	Market Comparable Companies	Hypothetical Market Yield	9.47% - 19.21%	13.55%
			Premium/(Discount)	(0.25%) - 1.00%	
	22,020	Liquidation (3)	Probability weighting of alternative outcomes	5.00% - 100.00%	
Sustainable and Renewable	33,020	Originated Within 6 Months	Origination Yield	11.97% - 20.06%	15.31%
Technology	49,647	Market Comparable Companies	Hypothetical Market Yield	11.15% - 14.16%	12.13%
			Premium/(Discount)	0.00% - 0.25%	
Medical Devices	17,013	Originated Within 6 Months	Origination Yield	13.49%	13.49%
	89,869	Market Comparable Companies	Hypothetical Market Yield	9.66% - 17.57%	12.28%
			Premium/(Discount)	0.00% - 0.50%	
Lower Middle Market	97,291	Originated Within 6 Months	Origination Yield	8.29% - 12.68%	12.01%
	19,219	Liquidation (3)	Probability weighting of alternative outcomes	10.00% - 100.00%	
		Debt Investments Where Fair Value Approximates Cost			
	35,517	Imminent Payoffs (4)			
	176,512	Debt Investments Maturing in Less than One Year			
	$ 1,415,984	**Total Level Three Debt Investments**			

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

- Pharmaceuticals, above, is comprised of debt investments in the Specialty Pharmaceuticals, Drug Discovery and Development, Drug Delivery and Biotechnology Tools industries in the Consolidated Schedule of Investments.
- Technology, above, is comprised of debt investments in the Software, Semiconductors, Internet Consumer and Business Services, Consumer and Business Products, Information Services, and Communications and Networking industries in the Consolidated Schedule of Investments.
- Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.
- Medical Devices, above, is comprised of debt investments in the Surgical Devices and Medical Devices and Equipment industries in the Consolidated Schedule of Investments.
- Lower Middle Market, above, is comprised of debt investments in the Communications and Networking, Electronics and Computer Hardware, Healthcare Services - Other, Information Services, Internet Consumer and Business Services, Media/Content/Info, and Specialty Pharmaceuticals industries in the Consolidated Schedule of Investments.

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

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

(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 Equity and Warrant Investments	Fair Value at September 30, 2018 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input (1)	Range	Weighted Average (6)
Equity Investments	$ 37,796	Market Comparable Companies	EBITDA Multiple (2)	7.9x - 28.3x	9.1x
			Revenue Multiple (2)	0.6x - 12.2x	4.1x
			Discount for Lack of Marketability (3)	10.82% - 24.85%	18.43%
			Average Industry Volatility (4)	35.88% - 98.87%	63.72%
			Risk-Free Interest Rate	2.53% - 2.67%	2.63%
			Estimated Time to Exit (in months)	11 - 17	15
	17,070	Market Adjusted OPM Backsolve	Market Equity Adjustment (5)	(85.76%) - 72.83%	21.14%
			Average Industry Volatility (4)	36.12% - 98.52%	79.65%
			Risk-Free Interest Rate	0.96% - 2.74%	2.05%
			Estimated Time to Exit (in months)	11 - 47	14
	8,704	Liquidation	EBITDA Multiple (2)	11.4x	11.4x
			Revenue Multiple (2)	1.6x - 1.8x	1.7x
	24,626	Other(7)			
Warrant Investments	16,777	Market Comparable Companies	EBITDA Multiple (2)	7.7x - 24.3x	13.2x
			Revenue Multiple (2)	0.3x - 8.9x	5.1x
			Discount for Lack of Marketability (3)	10.82% - 27.01%	18.14%
			Average Industry Volatility (4)	35.88% - 98.87%	62.23%
			Risk-Free Interest Rate	2.53% - 2.91%	2.64%
			Estimated Time to Exit (in months)	11 - 47	17
	6,227	Market Adjusted OPM Backsolve	Market Equity Adjustment (5)	(82.94%) - 231.78%	21.28%
			Average Industry Volatility (4)	36.12% - 107.96%	78.12%
			Risk-Free Interest Rate	0.97% - 2.74%	2.18%
			Estimated Time to Exit (in months)	8 - 47	19
	226	Other(7)			
Total Level Three Warrant and Equity Investments	$ 111,426				

(1) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples, market equity adjustment factors, and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model ("OPM") include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date. The significant unobservable input used in the fair value measurement of impaired equity securities is the probability weighting of alternative outcomes.

(2) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.

(3) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.

(4) Represents the range of industry volatility used by market participants when pricing the investment.

(5) Represents the range of changes in industry valuations since the portfolio company's last external valuation event.

(6) Weighted averages are calculated based on the fair market value of each investment.

(7) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

Investment Type - Level Three Equity and Warrant Investments	Fair Value at December 31, 2017 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input (1)	Range	Weighted Average (6)
Equity Investments	$ 7,684	Market Comparable Companies	EBITDA Multiple (2)	5.1x - 40.2x	13.2x
			Revenue Multiple (2)	0.5x - 6.2x	2.9x
			Discount for Lack of Marketability (3)	7.49% - 12.97%	8.77%
			Average Industry Volatility (4)	27.8% - 77.3%	53.35%
			Risk-Free Interest Rate	1.40% - 1.90%	1.47%
			Estimated Time to Exit (in months)	3 - 10	5
	19,323	Market Adjusted OPM Backsolve	Market Equity Adjustment (5)	(16.43%) - 29.4%	11.79%
			Average Industry Volatility (4)	33.17% - 78.77%	68.99%
			Risk-Free Interest Rate	0.84% - 1.51%	1.42%
			Estimated Time to Exit (in months)	5 - 26	13
	39,529	Other (7)			
Warrant Investments	19,310	Market Comparable Companies	EBITDA Multiple (2)	5x - 40.2x	14.6x
			Revenue Multiple (2)	0.5x - 6.4x	2.6x
			Discount for Lack of Marketability (3)	5.16% - 27.41%	13.57%
			Average Industry Volatility (4)	27.8% - 102.77%	55.15%
			Risk-Free Interest Rate	1.31% - 2.09%	1.66%
			Estimated Time to Exit (in months)	2 - 48	13
	6,713	Market Adjusted OPM Backsolve	Market Equity Adjustment (5)	(68.52%) - 154.5%	11.76%
			Average Industry Volatility (4)	33.17% - 110.32%	66.97%
			Risk-Free Interest Rate	0.96% - 2.09%	1.59%
			Estimated Time to Exit (in months)	5 - 48	20
	5,182	Other (7)			
Total Level Three Warrant and Equity Investments	$ 97,741				

(1) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples, market equity adjustment factors, and discounts for lack of marketability. Additional inputs used in the Black Scholes OPM include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

(2) Represents amounts used when the Company has determined that market participants would use such multiples when pricing the investments.

(3) Represents amounts used when the Company has determined market participants would take into account these discounts when pricing the investments.

(4) Represents the range of industry volatility used by market participants when pricing the investment.

(5) Represents the range of changes in industry valuations since the portfolio company's last external valuation event.

(6) Weighted averages are calculated based on the fair market value of each investment.

(7) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

Debt Investments

The Company follows the guidance set forth in ASC Topic 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy, which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of the Company's investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. In addition, the Company may, from time to time, invest in public debt of companies that meet the Company's investment objectives. These investments are considered Level 2 assets.

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

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

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

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

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

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

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

Equity-Related Securities and Warrants

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

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

Escrow Receivables

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

Portfolio Composition

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

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

(in thousands)			For the Three Months Ended September 30, 2018				For the Nine Months Ended September 30, 2018			
Portfolio Company	**Type**	**Fair Value at September 30, 2018**	**Interest Income**	**Fee Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Realized Gain/(Loss)**	**Interest Income**	**Fee Income**	**Net Change in Unrealized (Depreciation)/ Appreciation**	**Realized Gain/(Loss)**
Control Investments										
Achilles Technology Management Co II, Inc.	Control	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,858	$ (2,900)
Gibraltar Business Capital, LLC	Control	42,715	445	1	(9)	—	945	1	(9)	—
Second Time Around (Simplify Holdings, LLC)	Control	—	—	—	—	—	—	—	1,781	(1,743)
Tectura Corporation	Control	19,672	476	—	387	—	1,403	—	(915)	335
Total Control Investments		$ 62,387	$ 921	$ 1	$ 378	$ —	$ 2,348	$ 1	$ 3,715	$ (4,308)
Affiliate Investments										
Optiscan BioMedical, Corp.	Affiliate	$ 8,165	$ —	$ —	$ 837	—	$ —	$ —	$ 1,252	$ (680)
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	19,930	509	71	(2,205)	—	1,570	263	(2,696)	—
Stion Corporation	Affiliate	—	—	—	—	—	—	—	1,378	(1,378)
Total Affiliate Investments		$ 28,095	$ 509	$ 71	$ (1,368)	$ —	$ 1,570	$ 263	$ (66)	$ (2,058)
Total Control & Affiliate Investments		$ 90,482	$ 1,430	$ 72	$ (990)	$ —	$ 3,918	$ 264	$ 3,649	$ (6,366)

(in thousands)			For the Three Months Ended September 30, 2017				For the Nine Months Ended September 30, 2017			
Portfolio Company	**Type**	**Fair Value at September 30, 2017**	**Interest Income**	**Fee Income**	**Net Change in Unrealized Appreciation/ (Depreciation)**	**Realized Gain/(Loss)**	**Interest Income**	**Fee Income**	**Net Change in Unrealized Appreciation/ (Depreciation)**	**Realized Gain/(Loss)**
Control Investments										
Achilles Technology Management Co II, Inc.	Control	$ 242	$ 2	$ 1	$ (46)	$ (485)	$ 144	$ 11	$ (2,254)	$ (486)
HercGamma, Inc.	Control	—	—	—	(523)	—	—	—	(523)	—
SkyCross, Inc.	Control	—	—	—	15,058	(15,058)	—	—	17,294	(15,452)
Tectura Corporation	Control	23,140	462	—	2,995	—	1,361	—	3,046	(51)
Second Time Around (Simplify Holdings, LLC)	Control	—	—	—	140	—	—	—	140	—
Total Control Investments		$ 23,382	$ 464	$ 1	$ 17,624	$ (15,543)	$ 1,505	$ 11	$ 17,703	$ (15,989)
Affiliate Investments										
Optiscan BioMedical, Corp.	Affiliate	$ 6,064	$ —	$ —	$ 72	$ —	$ —	$ —	$ 1,192	$ —
Stion Corporation	Affiliate	—	—	—	—	—	2	—	—	—
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	27,522	246	2	4,537	—	246	2	(48,678)	—
Total Affiliate Investments		$ 33,586	$ 246	$ 2	$ 4,609	$ —	$ 248	$ 2	$ (47,486)	$ —
Total Control & Affiliate Investments		$ 56,968	$ 710	$ 3	$ 22,233	$ (15,543)	$ 1,753	$ 13	$ (29,783)	$ (15,989)

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

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

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

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

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

In June 2016, the Company acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In August 2017, the Company's debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, the Company's equity investment in Achilles Technology Management II, Inc. was reduced by $900,000 in lieu of a success fee on the repayment of our debt investment. In May 2018, the Company received $375,000 as part of a legal settlement and the remaining equity investment in Achilles Technology Management II, Inc. was deemed wholly worthless and written off for realized loss.

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

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

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

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

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

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

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

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

Investment Collateral

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

Cash, Restricted Cash, and Cash Equivalents

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

Income Recognition

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

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

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

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

In addition, the Company may also be entitled to an exit fee that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At September 30, 2018, the Company had approximately $23.3 million in exit fees receivable, of which approximately $21.6 million was included as a component of the cost basis of the Company's current debt investments and approximately $1.7 million was a deferred receivable related to expired commitments. At December 31, 2017, the Company had approximately $27.5 million in exit fees receivable, of which approximately $23.9 million was included as an offset to the cost basis of the Company's current debt investments and approximately $3.6 million was deferred related to expired commitments.

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

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

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

3. Fair Value of Financial Instruments

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

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

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

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

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

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

4. Borrowings

Outstanding Borrowings

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

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

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

(2) At September 30, 2018, the total available borrowings under the SBA debentures were $149.0 million all of which were available in HT III. On July 13, 2018, the Company completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II. At December 31, 2017, the total available borrowings under the SBA debentures were $190.2 million, of which $41.2 million was available in HT II and $149.0 million was available in HT III.

(3) Availability subject to the Company meeting the borrowing base requirements. On July 31, 2018, the Wells Facility was reduced to $75.0 million as the Company fully repaid the pro-rata portion of outstanding balances of Alostar Bank of Commerce and Everbank Commercial Finance Inc.

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

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

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

Long-Term SBA Debentures

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

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

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

HT III is periodically examined and audited by the SBA's staff to determine its compliance with SBA regulations. If HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT III from making new investments. In addition, HT III may also be limited in its ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT III is the Company's wholly owned subsidiary. HT III was in compliance with the terms of the SBIC's leverage as of September 30, 2018 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of September 2010 for HT III, the initial maturity of the SBA debentures will occur in September 2020. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's outstanding SBA debentures range from 3.05% to 4.37% when including these annual fees.

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

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

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

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

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

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

(1) Interest rate includes annual charge

2019 Notes

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2018	2017	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 $147.4 million, including a public offering discount of $826,500. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discounts and commissions of approximately $975,000, were approximately $1.8 million.

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

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

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

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

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

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

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

2024 Notes

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

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

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

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

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

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

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

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

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

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

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

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18 (a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends and other distributions as well as the purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act of 1934, as amended (the "Exchange Act"). The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of September 30, 2018, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

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

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

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

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

2025 Notes

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

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

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

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

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

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

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

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

2033 Notes

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

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

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

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

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

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

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

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

2021 Asset-Backed Notes

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

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

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

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

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

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

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

Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately $2.4 million and $3.7 million of restricted cash as of September 30, 2018 and December 31, 2017, respectively, funded through interest collections.

Convertible Notes

2022 Convertible Notes

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

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

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

Prior to the close of business on the business day immediately preceding August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per $1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately $16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of September 30, 2018, the conversion rate was 60.9366 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately $16.41 per share of common stock).

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

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

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

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

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

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

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

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

Credit Facilities

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

Wells Facility

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

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

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of $75.0 million, Alostar Bank of Commerce made commitments of $20.0 million, and Everbank Commercial Finance Inc. made commitments of $25.0 million. On July 31, 2018, the Company entered into a further amendment to the Wells Facility to extend the maturity date and fully repay the pro-rata portion of outstanding balances of Alostar Bank of Commerce and Everbank Commercial Finance Inc., thereby resigning both as lenders and terminating their commitments thereunder.

The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of $300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2018, this non-use fee was $89,000 and $318,000, respectively. For the three and nine months ended September 30, 2017, this non-use fee was $153,000 and $450,000, respectively.

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

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

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

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

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

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

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

Union Bank Facility

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Income Taxes

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

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

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

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

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

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

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

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

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

6. Stockholder's Equity

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

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

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

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

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

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

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

7. Equity Incentive Plans

The Company and its stockholders authorized and adopted the 2004 Equity Incentive Plan (the "2004 Plan") for purposes of attracting and retaining the services of its executive officers and key employees.

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

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

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

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

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

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

The Company follows ASC Topic 718 ("Compensation – Stock Compensation") to account for the Retention PSUs and Cash Awards granted. Under ASC Topic 718, compensation cost associated with Retention PSUs is measured at the grant date based on the fair value of the award and is recognized over the Performance Period. As the Cash Awards are settled in cash, the award is expensed as a liability, and will be re-measured at each reporting period until the Performance Period is complete. The compensation expense for these awards is based on the per unit grant date valuation using a Monte-Carlo simulation multiplied by the target payout level. The payout level is calculated based the Company's TSR relative to specified BDCs during the performance period.

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

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

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

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

	Nine Months Ended September 30,			
	2018		2017	
	Common 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	94,000	$ 12.65	91,000	$ 14.41
Exercised	(63,769)	$ 11.05	(26,824)	$ 11.23
Forfeited	(51,437)	$ 13.22	(38,393)	$ 14.02
Expired	(34,650)	$ 14.34	(106,110)	$ 15.40
Outstanding at September 30,	534,669	$ 13.72	587,844	$ 13.63
Shares Expected to Vest at September 30,	163,654	$ 13.58	210,464	$ 13.63

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

(Dollars in thousands, except exercise price)	Options Outstanding				Options Exercisable			
Range of exercise prices	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 - $14.56	323,669	5.70	$ 244,910	$ 12.56	170,572	5.11	$ 169,743	$ 12.31
$14.86 - $16.34	211,000	3.30	—	$ 15.51	200,443	3.18	—	$ 15.54
$9.25 - $16.34	534,669	4.75	$ 244,910	$ 13.72	371,015	4.07	$ 169,743	$ 14.05

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

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

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

The Company follows ASC Topic 718 ("Compensation – Stock Compensation") to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for the nine months ended September 30, 2018 and 2017:

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

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

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

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

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

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

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Restricted 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	$ 14.21
Distribution Equivalent Unit Granted	75,184	$ 12.69	41,243	$ 13.30
Vested (1)	(318,240)	$ 14.10	—	$ —
Forfeited	(14,085)	$ 13.40	(21,252)	$ 13.65
Unvested at September 30,	748,870	$ 13.48	620,452	$ 13.28

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

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

8. Earnings Per Share

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

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

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

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

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

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

9. Financial Highlights

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

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

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

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

(3) The total return for the nine months ended September 30, 2018 and 2017 equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. As such, the total return is not annualized. The total return does not reflect any sales load that must be paid by investors.

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

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

(6) Includes distributions on unvested restricted stock awards.

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

10. Commitments and Contingencies

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

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

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

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

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

(in thousands)

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

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

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

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

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

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

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

11. Recent Accounting Pronouncements

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

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

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

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

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

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

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

12. Subsequent Events

Distribution Declaration

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

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

ATM Equity Program Issuances

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

2021 Asset-Backed Notes Repayment

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

2027 Asset-Backed Notes

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

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

Portfolio Company Developments

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

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

Forward-Looking Statements

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

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

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

Overview

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

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

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

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

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

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

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

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

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

Reduced Asset Coverage Requirements

The Small Business Credit Availability Act, or the SBCAA, which was signed into law in March 2018, decreased the minimum asset coverage ratio in Section 61(a) of the 1940 Act for business development companies from 200% to 150% (subject to either stockholder approval or approval of both a majority of the board of directors and a majority of directors who are not interested persons). On September 4, 2018, our Board of Directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act), approved the application to us of the 150% minimum asset coverage ratio set forth in Section 61(a)(2) of the 1940 Act. As a result, the minimum asset coverage ratio applicable to us will be reduced from 200% to 150%, effective as of September 4, 2019, unless approved earlier by a vote of our stockholders, in which case the 150% minimum asset coverage ratio will be effective on the day after such approval. Our Board of Directors also authorized the submission of a proposal for stockholders to accelerate the application of the 150% minimum asset coverage ratio to us at a special meeting of stockholders scheduled to be held on December 6, 2018 As a result of our Board of Director's approval, effective as of September 4, 2019 (or earlier if our stockholders approve the proposal to accelerate the application of the reduced asset coverage requirements to us), we will be able to incur additional indebtedness and, therefore, your risk of an investment in us may increase.

Portfolio and Investment Activity

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

Portfolio Activity

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

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

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

(in millions)	September 30, 2018	December 31, 2017
Debt Commitments (1)		
New portfolio company	$ 823.7	$ 773.2
Existing portfolio company	103.0	98.8
Total	$ 926.7	$ 872.0
Funded and Restructured Debt Investments (2)		
New portfolio company	$ 559.7	$ 578.9
Existing portfolio company	108.8	175.9
Total	$ 668.5	$ 754.8
Funded Equity Investments		
New portfolio company	$ 32.9	7.1
Existing portfolio company	4.8	2.9
Total	$ 37.7	$ 10.0
Unfunded Contractual Commitments (3)		
Total	$ 172.0	$ 73.6
Non-Binding Term Sheets		
New portfolio company	$ 42.0	$ 122.0
Existing portfolio company	—	—
Total	$ 42.0	$ 122.0

(1) Includes restructured loans and renewals in addition to new commitments.
(2) Funded amounts include borrowings on revolving facilities.
(3) Amount represents unfunded commitments, including undrawn revolving facilities, which are available at the request of the portfolio company. Amount excludes unfunded commitments which are unavailable due to the borrower having not met certain milestones.

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

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

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

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

Changes in Portfolio

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

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

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

Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At September 30, 2018, we had approximately $23.3 million in exit fees receivable, of which approximately $21.6 million was included as a component of the cost basis of our current debt investments and approximately $1.7 million was a deferred receivable related to expired commitments. At December 31, 2017, we had approximately $27.5 million in exit fees receivable, of which approximately $23.9 million was included as a component of the cost basis of our current debt investments and approximately $3.6 million was a deferred receivable related to expired commitments.

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

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

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

Portfolio Composition

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

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

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

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

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

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

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

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

Portfolio Grading

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

(in thousands)	September 30, 2018			December 31, 2017		
Investment Grading	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio
1	7	$ 150,185	9.4%	12	$ 345,191	24.4%
2	51	987,494	61.6%	32	583,017	41.2%
3	24	420,240	26.2%	32	443,775	31.3%
4	5	44,483	2.7%	4	41,744	2.9%
5	2	873	0.1%	5	2,257	0.2%
	89	$ 1,603,275	100.0%	85	$ 1,415,984	100.0%

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

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

Results of Operations

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

Investment Income

Interest Income

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

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

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

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

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

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

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

Fee Income

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

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

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

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

Operating Expenses

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

Interest and Fees on our Borrowings

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

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

General and Administrative Expenses

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

Employee Compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income and Excise Taxes

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

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

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

Both the basic and fully diluted net change in net assets per common share were $0.37 per share for the three months ended September 30, 2018 and $1.04 per share for the nine months ended September 30, 2018. Both the basic and fully diluted net change in net assets per common share were $0.40 per share and $0.73 per share for the three and nine months ended September 30, 2017, respectively.

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

Financial Condition, Liquidity, and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At September 30, 2018, we had approximately $2.4 million of restricted cash, which consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized 2021 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations.

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

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

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

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

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

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

Outstanding Borrowings

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

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

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

(2) At September 30, 2018, the total available borrowings under the SBA debentures were $149.0 million which were available in HT III. On July 13, 2018, we completed repayment of the remaining outstanding HT II debentures and subsequently surrendered the SBA license with respect to HT II. At December 31, 2017, the total available borrowings under the SBA debentures were $190.2 million, of which $41.2 million was available in HT II and $149.0 million was available in HT III.

(3) Availability subject to us meeting the borrowing base requirements. On July 31, 2018, the Wells Facility was reduced to $75.0 million as we fully repaid the pro-rata portion of outstanding balances of Alostar Bank of Commerce and Everbank Commercial Finance Inc. See "Note 4 – Borrowings".

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

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

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

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

Commitments

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

At September 30, 2018, we had approximately $172.0 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

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

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

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

(in thousands)

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

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

Contractual Obligations

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

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

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

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

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

(4) Facility leases and licenses.

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

Indemnification Agreements

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

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

Distributions

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

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

* Supplemental Distribution

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

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

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

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

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

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

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

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

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

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

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

Critical Accounting Policies

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

Revision of Previously Issued Financial Statements

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

Valuation of Investments

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

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

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

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

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

Income Recognition

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

Stock Based Compensation

We have issued and may, from time to time, issue stock options and restricted stock to employees under the 2018 Equity Incentive Plan and the Director Plan. We follow the guidelines set forth under ASC Topic 718, ("Compensation – Stock Compensation") to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Recent Accounting Pronouncements

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

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

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

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

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

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

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

Subsequent Events

Distribution Declaration

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

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

ATM Equity Program Issuances

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

2021 Asset-Backed Notes Repayment

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

2027 Asset-Backed Notes

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

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

Portfolio Company Developments

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

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

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

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

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

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

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

- Paratek Pharmaceuticals, Inc. is a biopharmaceutical company focused on the development and commercialization of innovative therapies based upon its expertise in novel tetracycline chemistry
- Axovant Sciences Ltd. is a clinical-stage biopharmaceutical company focused on acquiring, developing and commercializing novel therapeutics for the treatment of dementia.
- Fuze, Inc. is a technology company that provides a cloud-based unified communications-as-a-service platform to server message block, mid-market, and small enterprise customers worldwide.
- Businessolver.com, Inc. is a technology company that provides a cloud-based SaaS platform for employee benefit administration designed to manage and monitor enrollment and payroll dashboards with real-time data.
- EverFi, Inc. is a technology company that offers a web-based media platform to teach and certify students in the core concepts of financial literacy, from student loan defaults and sub-prime mortgages to credit card debt and rising bankruptcy rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividend Reinvestment Plan

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

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

ITEM 6. EXHIBITS

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

* Filed herewith.

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

HERCULES CAPITAL, INC.
SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES
For the Nine Months Ended September 30, 2018
(in thousands)

Portfolio Company	Investment (1)	Amount of Interest Credited to Income (2)	Realized Gain (Loss)	As of December 31, 2017 Fair Value	Gross Additions (3)	Gross Reductions (4)	Net Change in Unrealized Appreciation/ (Depreciation)	As of September 30, 2018 Fair Value
Control Investments								
Majority Owned Control Investments								
Achilles Technology Management Co II, Inc.	Common Stock	$ —	$ (2,900)	$ 242	$ —	$ (3,100)	$ 2,858	$ —
Gibraltar Business Capital, LLC(8)	Senior Debt	945	—	—	14,718	—	147	14,865
	Preferred Stock	—	—	—	26,122	—	(146)	25,976
	Common Stock	—	—	—	1,884	—	(10)	1,874
Total Majority Owned Control Investments		$ 945	$ (2,900)	$ 242	$ 42,724	$ (3,100)	$ 2,849	$ 42,715
Other Control Investments								
Second Time Around (Simplify Holdings, LLC)(7)	Senior Debt	$ —	$ (1,743)	$ —	$ —	$ (1,781)	$ 1,781	$ —
Tectura Corporation(5)	Senior Debt	1,403	335	19,219	803	(335)	(15)	19,672
	Preferred Stock	—	—	—	—	—	—	—
	Common Stock	—	—	—	900	—	(900)	—
Total Other Control Investments		$ 1,403	$ (1,408)	$ 19,219	$ 1,703	$ (2,116)	$ 866	$ 19,672
Total Control Investments		$ 2,348	$ (4,308)	$ 19,461	$ 44,427	$ (5,216)	$ 3,715	$ 62,387
Affiliate Investments								
Optiscan BioMedical, Corp.	Preferred Warrants	$ —	$ (680)	$ 86	$ —	$ (680)	$ 883	$ 289
	Preferred Stock	—	—	6,205	1,301	—	369	7,875
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)(6)	Senior Debt	1,570	—	13,604	1,622	(4,000)	—	11,226
	Common Stock	—	—	11,400	—	—	(2,696)	8,704
	Common Warrants	—	—	—	—	—	—	—
Stion Corporation	Preferred Warrants	—	(1,378)	—	—	(1,378)	1,378	—
Total Affiliate Investments		$ 1,570	$ (2,058)	$ 31,295	$ 2,923	$ (6,058)	$ (66)	$ 28,094
Total Control and Affiliate Investments		$ 3,918	$ (6,366)	$ 50,756	$ 47,350	$ (11,274)	$ 3,649	$ 90,481

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

HERCULES CAPITAL, INC.
SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES
As of September 30, 2018
(in thousands)

Portfolio Company	Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor	Principal or Shares	Cost	Value (2)
Control Investments							
Majority Owned Control Investments							
Gibraltar Business Capital, LLC	Diversified Financial Services	Unsecured Debt	March 2023	Interest rate FIXED 14.50%	$ 15,000	$ 14,718	$ 14,865
	Diversified Financial Services	Preferred Series A			10,602,752	26,122	25,976
	Diversified Financial Services	Common Stock			830,000	1,884	1,874
Total Gibraltar Business Capital, LLC						$ 42,724	$ 42,715
Total Majority Owned Control Investments (4.25%)*						$ 42,724	$ 42,715
Other Control Investments							
Tectura Corporation	Internet Consumer & Business Services	Senior Secured Debt	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	$ 20,766	$ 20,766	$ 19,672
	Internet Consumer & Business Services	Senior Secured Debt	June 2021	PIK Interest 8.00%	$ 10,680	240	—
	Internet Consumer & Business Services	Preferred Series BB Equity			1,000,000	—	—
	Internet Consumer & Business Services	Common Stock			414,994,863	900	—
Total Tectura Corporation						$ 21,906	$ 19,672
Total Other Control Investments (1.96%)*						$ 21,906	$ 19,672
Total Control Investments (6.21%)*						**$ 64,630**	**$ 62,387**
Affiliate Investments							
Optiscan BioMedical, Corp.	Medical Devices & Equipment	Preferred Series B Equity			61,855	$ 3,000	$ 474
	Medical Devices & Equipment	Preferred Series C Equity			19,273	655	137
	Medical Devices & Equipment	Preferred Series D Equity			551,038	5,257	4,203
	Medical Devices & Equipment	Preferred Series E Equity			311,989	2,609	3,061
	Medical Devices & Equipment	Preferred Series E Warrants			74,424	573	290
Total Optiscan BioMedical, Corp.						$ 12,094	$ 8,165
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Sustainable and Renewable Technology	Senior Secured Debt	August 2019	Interest rate PRIME + 8.70% or Floor rate of 12.95%, 4.50% Exit Fee	$ 10,000	$ 9,999	$ 9,999
	Sustainable and Renewable Technology	Senior Secured Debt	November 2018	PIK Interest 10.00%	$ 634	634	634
	Sustainable and Renewable Technology	Senior Secured Debt	November 2018	Interest rate PRIME + 10.70% or Floor rate of 15.70%, PIK Interest 2.00%	$ 600	593	593
	Sustainable and Renewable Technology	Common Stock			288	61,502	8,704
	Sustainable and Renewable Technology	Class A Units			0.69	—	—
Total Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)						$ 72,728	$ 19,930
Total Affiliate Investments (2.80%)*						**$ 84,822**	**$ 28,095**
Total Control and Affiliate Investments (9.01%)*						**$ 149,452**	**$ 90,482**

* Value as a percent of net assets
(1) Stock and warrants are generally non-income producing and restricted.
(2) All of the Company's control and affiliate investments are Level 3 investments valued using significant unobservable inputs.

SIGNATURES

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

HERCULES CAPITAL, INC. (Registrant)

Dated: November 1, 2018

/S/ MANUEL A. HENRIQUEZ

Manuel A. Henriquez
Chairman, President, and Chief Executive Officer

Dated: November 1, 2018

/S/ DAVID LUND

David Lund
Interim Chief Financial Officer, and
Interim Chief Accounting Officer

Exhibit 10.1

FIFTH AMENDMENT
TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this " Fifth Amendment" or this "Amendment") is entered into as of July 31, 2018, by and among HERCULES FUNDING II LLC, a Delaware limited liability company ("Borrower"), the lenders identified on the signature page hereof (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), and WELLS FARGO CAPITAL FINANCE, LLC, formerly known as Wells Fargo Foothill, LLC, a Delaware limited liability company, as the arranger and administrative agent for the Lenders (in such capacity, "Agent"), with reference to the following facts, which shall be construed as part of this Fifth Amendment:

RECITALS

A. Borrower, Lenders and Agent have entered into that certain Amended and Restated Loan and Security Agreement dated as of June 29, 2015, as amended by that certain First Amendment to Amended and Restated Loan and Security Agreement dated as of December 16, 2015, that certain Second Amendment to Amended and Restated Loan and Security Agreement dated as of March 8, 2016, that certain Third Amendment to Amended and Restated Loan and Security Agreement dated as of April 7, 2016, and that certain Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of April 3, 2017 (as amended, supplemented, replaced, renewed or otherwise modified from time to time, the "Loan Agreement"), pursuant to which Lenders and Agent are providing financial accommodations to or for the benefit of Borrower upon the terms and conditions contained therein. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in the Loan Agreement (as amended by this Fifth Amendment) shall be applied herein as defined or established therein.

B. Each of State Bank and Trust Company, as successor by merger to AloStar Bank of Commerce ("SBTC") and TIAA, FSB as successor in interest to certain assets of EverBank Commercial Finance, Inc. ("TIAA"), has informed Borrower and Agent that it desires to (a) be repaid, in full, its pro-rata portion of the outstanding Advances and Swing Loans, (b) resign from the Loan Agreement as a Lender thereunder, and (c) terminate its Commitment thereunder;

C. Borrower, Lenders and Agent have agreed to enter into this Fifth Amendment to (i) extend the Revolving Credit Availability Period, (ii) evidence (A) the termination by each of SBTC and TIAA of their respective Commitments under the Loan Agreement, and (B) the resignation by each of SBTC and TIAA as Lenders thereunder, and (iii) amend certain other provisions of the Loan Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the continued performance by Borrower of its promises and obligations under the Loan Agreement and the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lenders and Agent hereby agree as follows:

1. Ratification of Existing Loan Documents. Each of the parties acknowledges, confirms, and ratifies the provisions of the Loan Agreement and the other Loan Documents, which shall be unmodified and shall continue to be in full force and effect in accordance with their terms except as expressly provided under this Fifth Amendment.

2. Amendments to the Loan Agreement. The Loan Agreement is hereby amended as follows:

2.1 Addition of New Definitions. **Section 1.1** of the Loan Agreement is hereby amended by adding in appropriate alphabetical order the following new definitions:

"'Fifth Amendment' means the Fifth Amendment to Amended and Restated Loan and Security Agreement, dated as of the Fifth Amendment Closing Date, by and among Lenders, Agent and Borrower.

"'Fifth Amendment Closing Date" means July 31, 2018."

2.2 Amendment to Existing Definition. **Section 1.1** of the Loan Agreement is hereby amended by deleting the definition of "Revolving Credit Availability Period" in its entirety and replacing it as follows:

"'Revolving Credit Availability Period' means the period commencing on the Original Closing Date and ending on the earlier of (a) November 1, 2018, and (b) termination pursuant to Section 9.1."

2.3 Amendment to Schedule C-1. **Schedule C-1** to the Loan Agreement is hereby deleted in its entirety and replaced with **Revised Schedule C-1** in the form attached hereto and incorporated herein.

3. Repayment of SBTC and TIAA; Resignation by SBTC and TIAA, as Lenders; Surviving Rights and Obligations of SBTC and TIAA; and Termination of Commitments of SBTC and TIAA.

3.1 On the Fifth Amendment Closing Date, and notwithstanding the terms and conditions of the Loan Agreement, Borrower shall, without penalty, prepay an amount (the "Paydown Amount") equal to $21,302.78 ($9,467.90[1] of which is the Pro Rata Share of the aggregate outstanding balance of the Advances, Swing Loans, interest, and fees and expenses owed to SBTC, and $11,834.88[2] of which is the Pro Rata Share of the aggregate outstanding balance of Advances, Swing Loans, interest, and fees and expenses owed to TIAA, in each case, pursuant to the Loan Documents), to Agent's Account, and Agent

[1] This amount is equal to $0 in principal, $1,134.55 in interest, and $8,333.35 in unused line fees.
[2] This amount is equal to $0 in principal, $1,418.19 in interest, and $10,416.69 in unused line fees.

shall, if such Paydown Amount is received by Agent prior to 2:00 p.m. (New York, New York time) on the Fifth Amendment Closing Date, remit the proceeds of such Paydown Amount to SBTC or TIAA (based on its Pro Rata Share), as applicable, on the Fifth Amendment Closing Date in accordance with wiring instructions provided to Agent by SBTC or TIAA, as applicable, in writing. If such Paydown Amount is received by Agent after 2:00 p.m. (New York, New York time) on the Fifth Amendment Closing Date, Agent shall remit the proceeds of such Paydown Amount to SBTC or TIAA (based on its Pro Rata Share), as applicable, on the immediately succeeding Business Day in accordance with wiring instructions provided to Agent by SBTC or TIAA, as applicable, in writing. Any payment made by Borrower to Agent on the Fifth Amendment Closing Date that is specified by Borrower to be for the payment of specific Obligations owed to SBTC or TIAA, as applicable, shall be paid to SBTC or TIAA (based on its Pro Rata Share), as applicable, as set forth in this Section 3.1.

3.2 Upon the Fifth Amendment Closing Date, but subject to the receipt by Agent, on behalf of each of SBTC and TIAA, of the Paydown Amount, (i) each of SBTC and TIAA shall have resigned as a Lender under the Loan Agreement, and shall have no further rights, duties, or obligations thereunder, except any rights or obligations, as applicable, under Sections 11.3, 16.7 (solely for Lender Group Expenses paid or incurred by Agent on or prior to the Fifth Amendment Closing Date, and Indemnified Liabilities arising out of or related to events occurring on or prior to the Fifth Amendment Closing Date), and 17.7 of the Loan Agreement and any contingent rights and obligations that expressly survive the payment in full of the Obligations and the termination of the Loan Agreement, (ii) each of SBTC's and TIAA's Commitments shall be terminated, and (iii) neither SBTC nor TIAA shall be entitled to receive any fees or other compensation due and payable to Agent or any of the Lenders under the Loan Agreement or the Fee Letter.

3.3 Upon the Fifth Amendment Closing Date, the Advances owing to the Continuing Lenders (as defined below) under the Loan Agreement shall automatically, and without any action on the part of any Person, continue as Advances under the Loan Agreement, as amended and supplemented by this Fifth Amendment; provided, that each Continuing Lender shall transmit to Agent such funds and the Agent shall transmit to each other Continuing Lender such funds, and the Continuing Lenders shall, through the Agent, make such adjustments among themselves as shall be necessary so that after giving effect to such transfers and adjustments, the Continuing Lenders shall hold the Advances hereunder ratably in accordance with their respective Commitments. Each Lender hereunder hereby agrees to give effect to the instructions of the Agent to give effect to the adjustments described herein. For purposes of this Fifth Amendment, "Continuing Lenders" shall mean, collectively, the Lenders as of the Fifth Amendment Closing Date (other than SBTC and TIAA).

4. Extension Fee. On the Fifth Amendment Closing Date, Agent, for its sole and separate account, shall have earned an extension fee (the "Extension Fee") equal to $46,875.00 for the amendments set forth herein, which Extension Fee shall be due and payable to Agent in full on the Fifth Amendment Closing Date. On such date, Agent hereby is expressly authorized

by the Borrower to (i) charge such Extension Fee to the Loan Account, and (ii) designate such Extension Fee as an Advance under the Loan Agreement.

5. Conditions Precedent. Notwithstanding any other provision of this Fifth Amendment, this Fifth Amendment shall be of no force or effect, and Lenders and Agent shall not have any obligations hereunder, unless and until each of the following conditions have been satisfied:

5.1 Receipt of Executed Fifth Amendment. Agent shall have received this Fifth Amendment, duly executed by Borrower, Lenders, and Agent;

5.2 Receipt of Omnibus Officer's Certificate. Agent shall have received a certificate from an Authorized Person of each of Borrower and HTGC (i) attesting to the resolutions adopted by the Board of Directors of such Person, authorizing its execution, delivery, and performance of this Amendment, and authorizing specific Authorized Persons to execute the same on its behalf, (ii) attesting to the incumbency and signatures of such specified Authorized Persons, and (iii) evidencing the formation, existence, and good standing of such Person from the Secretary of State of its jurisdiction of organization or formation, as applicable; and

5.3 No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing.

6. Representations and Warranties Regarding Loan Agreement. Borrower hereby represents and warrants that the representations and warranties contained in the Loan Agreement are true and correct in all material respects as of the Fifth Amendment Closing Date, except to the extent that (a) a particular representation or warranty by its terms expressly applies only to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date, or (b) Borrower has previously advised Agent in writing as contemplated under the Loan Agreement. Borrower hereby further represents and warrants that no event has occurred and is continuing, or would result from the transactions contemplated under this Fifth Amendment, that constitutes or would constitute a Default or an Event of Default.

7. Miscellaneous.

7.1 Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all Lender Group Expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Fifth Amendment, including but not limited to the attorneys' fees and expenses of attorneys for the Agent with respect thereto.

7.2 Headings. The various headings of this Fifth Amendment are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Fifth Amendment or any provisions hereof.

7.3 Counterparts. This Fifth Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Delivery of an executed counterpart of a signature page to this Fifth Amendment by either (i) facsimile transmission or (ii) electronic transmission in either Tagged Image Format Files (TIFF) or Portable Document Format (PDF), shall be effective as delivery of a manually executed counterpart thereof.

7.4 Interpretation. No provision of this Fifth Amendment shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party's having or being deemed to have structured, drafted or dictated such provision.

7.5 Complete Agreement. This Fifth Amendment constitutes the complete agreement between the parties with respect to the subject matter hereof, and supersedes any prior written or oral agreements, writings, communications or understandings of the parties with respect thereto.

7.6 **GOVERNING LAW. THIS FIFTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

7.7 Effect. Upon the effectiveness of this Fifth Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby and each reference in the other Loan Documents to the Loan Agreement, "thereunder," "thereof," or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

7.8 Conflict of Terms. In the event of any inconsistency between the provisions of this Fifth Amendment and any provision of the Loan Agreement, the terms and provisions of this Fifth Amendment shall govern and control.

7.9 No Novation or Waiver. Except as specifically set forth in this Fifth Amendment, the execution, delivery and effectiveness of this Fifth Amendment shall not (a) limit, impair, constitute a waiver by, or otherwise affect any right, power or remedy of, Agent or Lenders under the Loan Agreement or any other Loan Document, (b) constitute a waiver of any provision in the Loan Agreement or in any of the other Loan Documents or of any Default or Event of Default that may have occurred and be continuing, or (c) alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Loan Agreement or in any of the other Loan Documents, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

7.10 Release. **BORROWER HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL**

OR ANY PART OF BORROWER'S LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM CONTINUING LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECT IVE DIRECTORS, OFFICERS, AGENTS, EMPLOYEES OR ATTORNEYS. BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES CONTINUING LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS FIFTH AMENDMENT IS EXECUTED, WHICH BORROWER MAY NOW OR HEREAFTER HAVE AGAINST CONTINUING LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND , IN EACH CASE, ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS FIFTH AMENDMENT. BORROWER HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST CONTINUING LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO CONTINUING LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF THE BORROWER TO CONTINUING LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Fifth Amendment to Amended and Restated Loan and Security Agreement as of the day and year first above written.

HERCULES FUNDING II LLC,
a Delaware limited liability company, as Borrower

By:
Name:
Title:

WELLS FARGO CAPITAL FINANCE, LLC,
formerly known as Wells Fargo Foothill, LLC,
a Delaware limited liability company,
as Agent and a Lender

By:
Name:
Title:

STATE BANK AND TRUST COMPANY , as successor by merger to AloStar Bank of Commerce,
as a Lender

By:
Name:
Title:

TIAA, FSB as successor in interest to certain assets of EverBank Commercial Finance, Inc.,
as a Lender

By:
Name:
Title:

Revised Schedule C-1

Commitments

(as of the Fifth Amendment Closing Date)

Lender	Commitment
Wells Fargo Capital Finance, LLC	$75,000,000
Total for All Lenders	$75,000,000

Exhibit 10.2

SIXTH AMENDMENT
TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS SIXTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this " Sixth Amendment" or this "Amendment") is entered into as of October 26, 2018 (the "Sixth Amendment Closing Date"), by and among HERCULES FUNDING II LLC, a Delaware limited liability company ("Borrower"), the lenders identified on the signature page hereof (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), and WELLS FARGO CAPITAL FINANCE, LLC, formerly known as Wells Fargo Foothill, LLC, a Delaware limited liability company, as the arranger and administrative agent for the Lenders (in such capacity, "Agent"), with reference to the following facts, which shall be construed as part of this Sixth Amendment:

RECITALS

A. Borrower, Lenders and Agent have entered into that certain Amended and Restated Loan and Security Agreement dated as of June 29, 2015, as amended by that certain First Amendment to Amended and Restated Loan and Security Agreement dated as of December 16, 2015, that certain Second Amendment to Amended and Restated Loan and Security Agreement dated as of March 8, 2016, that certain Third Amendment to Amended and Restated Loan and Security Agreement dated as of April 7, 2016, that certain Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of April 3, 2017, and that certain Fifth Amendment to Amended and Restated Loan and Security Agreement dated as of July 31, 2018 (as amended, supplemented, replaced, renewed or otherwise modified from time to time, the "Loan Agreement"), pursuant to which Lenders and Agent are providing financial accommodations to or for the benefit of Borrower upon the terms and conditions contained therein. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in the Loan Agreement (as amended by this Sixth Amendment) shall be applied herein as defined or established therein.

B. Borrower, Lenders and Agent have agreed to enter into this Sixth Amendment to extend the Revolving Credit Availability Period.

AGREEMENT

NOW, THEREFORE, in consideration of the continued performance by Borrower of its promises and obligations under the Loan Agreement and the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lenders and Agent hereby agree as follows:

1. Ratification of Existing Loan Documents. Each of the parties acknowledges, confirms, and ratifies the provisions of the Loan Agreement and the other Loan Documents, which shall be unmodified and shall continue to be in full force and effect in accordance with their terms except as expressly provided under this Sixth Amendment.

2. Amendments to the Loan Agreement. The Loan Agreement is hereby amended as follows:

2.1 Amendment to Existing Definition. **Section 1.1** of the Loan Agreement is hereby amended by deleting the definition of "Revolving Credit Availability Period" in its entirety and replacing it as follows:

> "'Revolving Credit Availability Period' means the period commencing on the Original Closing Date and ending on the earlier of (a) January 28, 2019, and (b) termination pursuant to Section 9.1."

3. Extension Fee. On the Sixth Amendment Closing Date, Agent, for its sole and separate account, shall have earned an extension fee (the "Extension Fee") equal to $46,875.00 for the amendments set forth herein, which Extension Fee shall be due and payable to Agent in full on the Sixth Amendment Closing Date. On such date, Agent hereby is expressly authorized by the Borrower to (i) charge such Extension Fee to the Loan Account, and (ii) designate such Extension Fee as an Advance under the Loan Agreement.

4. Conditions Precedent. Notwithstanding any other provision of this Sixth Amendment, this Sixth Amendment shall be of no force or effect, and Lenders and Agent shall not have any obligations hereunder, unless and until each of the following conditions have been satisfied:

4.1 Receipt of Executed Sixth Amendment. Agent shall have received this Sixth Amendment, duly executed by Borrower, Lenders, and Agent;

4.2 Receipt of Omnibus Officer's Certificate. Agent shall have received a certificate from an Authorized Person of each of Borrower and HTGC (i) attesting to the resolutions adopted by the Board of Directors of such Person, authorizing its execution, delivery, and performance of this Amendment, and authorizing specific Authorized Persons to execute the same on its behalf, (ii) attesting to the incumbency and signatures of such specified Authorized Persons, and (iii) evidencing the formation, existence, and good standing of such Person from the Secretary of State of its jurisdiction of organization or formation, as applicable; and

4.3 No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing.

5. Representations and Warranties Regarding Loan Agreement. Borrower hereby represents and warrants that the representations and warranties contained in the Loan Agreement are true and correct in all material respects as of the Sixth Amendment Closing Date, except to the extent that (a) a particular representation or warranty by its terms expressly applies only to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date, or (b) Borrower has previously advised Agent in writing as contemplated under the Loan Agreement. Borrower hereby further represents and warrants that no event has occurred and is continuing, or would result from the transactions contemplated

under this Sixth Amendment, that constitutes or would constitute a Default or an Event of Default.

6. Miscellaneous.

6.1 Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all Lender Group Expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Sixth Amendment, including but not limited to the attorneys' fees and expenses of attorneys for the Agent with respect thereto.

6.2 Headings. The various headings of this Sixth Amendment are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Sixth Amendment or any provisions hereof.

6.3 Counterparts. This Sixth Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Delivery of an executed counterpart of a signature page to this Sixth Amendment by either (i) facsimile transmission or (ii) electronic transmission in either Tagged Image Format Files (TIFF) or Portable Document Format (PDF), shall be effective as delivery of a manually executed counterpart thereof.

6.4 Interpretation. No provision of this Sixth Amendment shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party's having or being deemed to have structured, drafted or dictated such provision.

6.5 Complete Agreement. This Sixth Amendment constitutes the complete agreement between the parties with respect to the subject matter hereof, and supersedes any prior written or oral agreements, writings, communications or understandings of the parties with respect thereto.

6.6 **GOVERNING LAW. THIS SIXTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

6.7 Effect. Upon the effectiveness of this Sixth Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby and each reference in the other Loan Documents to the Loan Agreement, "thereunder," "thereof," or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

6.8 Conflict of Terms. In the event of any inconsistency between the provisions of this Sixth Amendment and any provision of the Loan Agreement, the terms and provisions of this Sixth Amendment shall govern and control.

6.9 No Novation or Waiver. Except as specifically set forth in this Sixth Amendment, the execution, delivery and effectiveness of this Sixth Amendment shall not (a) limit, impair, constitute a waiver by, or otherwise affect any right, power or remedy of, Agent or Lenders under the Loan Agreement or any other Loan Document, (b) constitute a waiver of any provision in the Loan Agreement or in any of the other Loan Documents or of any Default or Event of Default that may have occurred and be continuing, or (c) alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Loan Agreement or in any of the other Loan Documents, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

6.10 Release. **BORROWER HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF BORROWER'S LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, EMPLOYEES OR ATTORNEYS. BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS SIXTH AMENDMENT IS EXECUTED, WHICH BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND, IN EACH CASE, ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS SIXTH AMENDMENT. BORROWER HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF**

OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF THE BORROWER TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Sixth Amendment to Amended and Restated Loan and Security Agreement as of the day and year first above written.

HERCULES FUNDING II LLC,
a Delaware limited liability company, as Borrower

By:
Name: Melanie Grace
Title: Secretary

WELLS FARGO CAPITAL FINANCE, LLC,
formerly known as Wells Fargo Foothill, LLC,
a Delaware limited liability company,
as Agent and as sole Lender

By:
Name:
Title:

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Manuel A. Henriquez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hercules Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2018

By: /S/ MANUEL A. HENRIQUEZ
Manuel A. Henriquez
Chairman, President, and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Lund, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hercules Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2018

By: /S/ DAVID LUND

David Lund
Interim Chief Financial Officer, and
Interim Chief Accounting Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (the "Report") of Hercules Capital, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Manuel A. Henriquez, the Chief Executive Officer of the Registrant, certify, to the best of my knowledge, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 1, 2018

By: /S/ MANUEL A. HENRIQUEZ

Manuel A. Henriquez
Chairman, President, and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (the "Report") of Hercules Capital, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, David Lund, the Interim Chief Financial Officer of the Registrant, certify, to the best of my knowledge, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 1, 2018

By: /S/ DAVID LUND

David Lund
Interim Chief Financial Officer, and
Interim Chief Accounting Officer