

Hercules Capital, Inc.  
Form 10-Q  
August 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended June 30, 2016

OR

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

Commission File Number: 814-00702

HERCULES CAPITAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland  
(State or Jurisdiction of

Incorporation or Organization)

400 Hamilton Ave., Suite 310

Palo Alto, California

743113410  
(IRS Employer

Identification No.)  
94301

(Zip Code)

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(Address of Principal Executive Offices)

(650) 289-3060

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

On August 1, 2016, there were 74,844,969 shares outstanding of the Registrant's common stock, \$0.001 par value.

HERCULES CAPITAL, INC.

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## PART I: FINANCIAL INFORMATION

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	June 30, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,334,302 and \$1,238,539, respectively)	\$ 1,292,934	\$ 1,192,652
Control investments (cost of \$21,294 and \$0, respectively)	4,000	—
Affiliate investments (cost of \$13,799 and \$13,742, respectively)	5,844	7,986
Total investments, at value (cost of \$1,369,395 and \$1,252,281, respectively)	1,302,778	1,200,638
Cash and cash equivalents	59,715	95,196
Restricted cash	3,605	9,191
Interest receivable	9,453	9,239
Other assets	19,620	9,720
<b>Total assets</b>	<b>\$ 1,395,171</b>	<b>\$ 1,323,984</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 16,681	\$ 17,241
Long-Term Liabilities (Convertible Senior Notes), net (principal of \$0 and \$17,604) <sup>(1)</sup>	—	17,478
Wells Facility	—	50,000
2021 Asset-Backed Notes, net (principal of \$129,300 and \$129,300, respectively) <sup>(1)</sup>	127,461	126,995
2019 Notes, net (principal of \$110,364 and \$110,364, respectively) <sup>(1)</sup>	108,499	108,179
2024 Notes, net (principal of \$244,945 and \$103,000, respectively) <sup>(1)</sup>	237,570	100,128
Long-Term SBA Debentures, net (principal of \$190,200 and \$190,200, respectively) <sup>(1)</sup>	187,165	186,829
<b>Total liabilities</b>	<b>\$ 677,376</b>	<b>\$ 606,850</b>
<b>Net assets consist of:</b>		
Common stock, par value	75	73
Capital in excess of par value	774,339	752,244
Unrealized depreciation on investments <sup>(2)</sup>	(68,046 )	(52,808 )
Accumulated realized gains on investments	23,550	27,993

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Distributions in excess of net investment income	(12,123 )	(10,368 )
Total net assets	\$717,795	\$717,134
Total liabilities and net assets	\$1,395,171	\$1,323,984
Shares of common stock outstanding (\$0.001 par value, 200,000,000 and 100,000,000 authorized, respectively)	74,320	72,118
Net asset value per share	\$9.66	\$9.94

- (1) The Company's SBA Debentures, 2019 Notes, 2024 Notes, 2021 Asset-Backed Notes, and Convertible Senior Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument. See "Note 2 – Summary of Significant Accounting Policies" and "Note 4 – Borrowings".
- (2) Amounts include \$1.4 million and \$1.2 million, respectively, in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, estimated taxes payable and Citigroup warrant participation agreement liabilities.

See notes to consolidated financial statements.

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

(Dollars in thousands)	June 30, 2016	December 31, 2015
<b>Assets</b>		
Restricted Cash	\$3,605	\$9,191
Total investments, at value (cost of \$271,886 and \$258,748, respectively)	269,452	257,657
Total assets	\$273,057	\$266,848
<b>Liabilities</b>		
2021 Asset-Backed Notes, net (principal of \$129,300 and \$129,300, respectively) <sup>(1)</sup>	\$127,461	\$126,995
Total liabilities	\$127,461	\$126,995

(1) The Company’s 2021 Asset-Backed Notes are presented net of the associated debt issuance costs for each instrument. See “Note 2 – Summary of Significant Accounting Policies” and “Note 4 – Borrowings”. See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Investment income:				
Interest income				
Non-control/Non-affiliate investments	\$39,571	\$35,144	\$75,980	\$65,605
Affiliate investments	50	96	115	195
Total interest income	39,621	35,240	76,095	65,800
Fees				
Non-control/Non-affiliate investments	3,917	2,886	6,382	4,819
Affiliate investments	—	—	—	1
Total fees	3,917	2,886	6,382	4,820
Total investment income	43,538	38,126	82,477	70,620
Operating expenses:				
Interest	7,572	7,571	14,589	15,425
Loan fees	1,278	1,580	2,267	3,093
General and administrative	4,401	4,069	7,980	7,687
Employee compensation:				
Compensation and benefits	5,331	5,857	10,016	9,653
Stock-based compensation	1,602	2,267	4,174	4,987
Total employee compensation	6,933	8,124	14,190	14,640
Total operating expenses	20,184	21,344	39,026	40,845
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)	—	(1 )	—	(1 )
Net investment income	23,354	16,781	43,451	29,774
Net realized gain (loss) on investments				
Non-control/Non-affiliate investments	25	(1,254 )	(4,443 )	2,058
Total net realized gain (loss) on investments	25	(1,254 )	(4,443 )	2,058
Net change in unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	(8,159 )	(12,854)	(9,618 )	(9,554 )
Control investments	(3,421 )	—	(3,421 )	—
Affiliate investments	(2,324 )	79	(2,199 )	2,392
Total net unrealized depreciation on investments	(13,904)	(12,775)	(15,238)	(7,162 )
Total net realized and unrealized loss	(13,879)	(14,029)	(19,681)	(5,104 )
Net increase in net assets resulting from operations	\$9,475	\$2,752	\$23,770	\$24,670
Net investment income before investment gains and losses per common share:				
Basic	\$0.32	\$0.23	\$0.59	\$0.43

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Change in net assets resulting from operations per common share:				
Basic	\$0.13	\$0.03	\$0.32	\$0.35
Diluted	\$0.13	\$0.03	\$0.32	\$0.35
Weighted average shares outstanding				
Basic	72,746	71,368	71,959	67,596
Diluted	72,762	71,593	71,965	67,901
Dividend distributions declared per common share:				
Basic	\$0.31	\$0.31	\$0.62	\$0.62

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Shares	Stock Par Value	Capital in excess of par value	Unrealized Appreciation (Depreciation on Investments)	Accumulated Realized Gains (Losses) on Investments	Undistributed Net Investment Income/ (Distributions in Excess of Investment Income)	Provision for Income Taxes on Investment Gains	Net Assets
Balance at December 31, 2014	64,715	\$ 65	\$ 657,233	\$ (17,076 )	\$ 14,079	\$ 4,905	\$ (342 )	\$ 658,864
Net increase (decrease) in net assets resulting from operations	—	—	—	(7,162 )	2,058	29,774	—	24,670
Public offering, net of offering expenses	7,591	8	100,084	—	—	—	—	100,092
Issuance of common stock due to stock option exercises	36	—	428	—	—	—	—	428
Retired shares from net issuance	(28 )	—	(423 )	—	—	—	—	(423 )
Issuance of common stock under restricted stock plan	603	1	(1 )	—	—	—	—	—
Retired shares for restricted stock vesting	(514 )	(1 )	(3,399 )	—	—	—	—	(3,400 )
Issuance of common stock as stock dividend	90	—	1,199	—	—	—	—	1,199
Dividend distributions	—	—	—	—	—	(42,766 )	—	(42,766 )
Stock-based compensation <sup>(1)</sup>	—	—	5,027	—	—	—	—	5,027
Balance at June 30, 2015	72,493	\$ 73	\$ 760,148	\$ (24,238 )	\$ 16,137	\$ (8,087 )	\$ (342 )	\$ 743,691
Balance at December 31, 2015	72,118	\$ 73	\$ 752,244	\$ (52,808 )	\$ 27,993	\$ (10,026 )	\$ (342 )	\$ 717,134
Net increase (decrease) in net assets resulting from operations	—	—	—	(15,238 )	(4,443 )	43,451	—	23,770
	2,201	2	23,668	—	—	—	—	23,670

Public offering, net of offering expenses									
Acquisition of common stock under repurchase plan	(450 )	(1 )	(4,789 )	—	—	—	—	—	(4,790 )
Issuance of common stock due to stock option exercises	11	—	118	—	—	—	—	—	118
Retired shares from net issuance	—	—	—	—	—	—	—	—	—
Issuance of common stock under restricted stock plan	547	1	(1 )	—	—	—	—	—	—
Retired shares for restricted stock vesting	(192 )	—	(2,122 )	—	—	—	—	—	(2,122 )
Issuance of common stock as stock dividend	85	—	997	—	—	—	—	—	997
Dividend distributions	—	—	—	—	—	—	(45,206 )	—	(45,206 )
Stock-based compensation <sup>(1)</sup>	—	—	4,224	—	—	—	—	—	4,224
Balance at June 30, 2016	74,320	\$ 75	\$ 774,339	\$ (68,046 )	\$ 23,550	\$ (11,781 )	\$ (342 )	\$ 717,795	

(1) Stock-based compensation includes \$50,000 of restricted stock and option expense related to director compensation.

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(dollars in thousands)

	For the Six Months Ended June 30,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$23,770	\$24,670
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(330,750)	(373,422)
Principal and fee payments received on investments	221,331	154,208
Proceeds from the sale of investments	6,041	7,494
Net unrealized depreciation on investments	15,238	7,162
Net realized loss (gain) on investments	4,443	(2,058)
Accretion of paid-in-kind principal	(3,243)	(1,584)
Accretion of loan discounts	(3,776)	(3,412)
Accretion of loan discount on Convertible Senior Notes	82	123
Loss on debt extinguishment (Long-Term Liabilities - Convertible Senior Notes)	—	1
Payment of loan discount on Convertible Senior Notes	—	(5)
Accretion of loan exit fees	(10,968)	(6,624)
Change in deferred loan origination revenue	(44)	1,758
Unearned fees related to unfunded commitments	(113)	1,074
Amortization of debt fees and issuance costs	1,839	2,669
Depreciation	104	111
Stock-based compensation and amortization of restricted stock grants	4,224	5,027
Change in operating assets and liabilities:		
Interest and fees receivable	(214)	227
Prepaid expenses and other assets	(9,041)	2,744
Accounts payable	56	(732)
Accrued liabilities	(879)	200
Net cash used in operating activities	(81,900)	(180,369)
<b>Cash flows from investing activities:</b>		
Purchases of capital equipment	(146)	(80)
Reduction of restricted cash	5,586	850
Net cash provided by investing activities	5,440	770
<b>Cash flows from financing activities:</b>		
Issuance of common stock, net	23,670	100,092
Repurchase of common stock, net	(4,790)	—

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Retirement of employee shares	(2,004 )	(3,395 )
Dividend distributions paid	(44,209 )	(41,567 )
Issuance of 2024 Notes Payable	141,945	—
Repayments of 2019 Notes Payable	—	(20,000 )
Repayments of 2017 Asset-Backed Notes	—	(16,049 )
Borrowings of credit facilities	170,985	50,000
Repayments of credit facilities	(220,985)	(378 )
Cash paid for debt issuance costs	(4,722 )	—
Cash paid for redemption of Convertible Senior Notes	(17,604 )	(65 )
Fees paid for credit facilities and debentures	(1,307 )	(168 )
Net cash provided by financing activities	40,979	68,470
Net decrease in cash and cash equivalents	(35,481 )	(111,129)
Cash and cash equivalents at beginning of period	95,196	227,116
Cash and cash equivalents at end of period	\$59,715	\$115,987
Supplemental non-cash investing and financing activities:		
Dividend distributions reinvested	\$997	\$1,199

(1) Stock-based compensation includes \$50,000 of restricted stock and option expense related to director compensation.

See notes to consolidated financial statements.

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value
<b>Technology Tools</b>							
<b>Under 1 Year Maturity</b>							
Core, Inc. <sup>(11)</sup>	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%	\$6,000	\$5,898	\$5,898
<b>Total: 1-5 Years Maturity</b>							
<b>Total: Biotechnology Tools (0.82%)*</b>						5,898	5,898
<b>Communications &amp; Networking</b>							
<b>Under 1 Year Maturity</b>							
Peak, Inc. <sup>(7)</sup>	Communications & Networking	Senior Secured	April 2017	Interest rate PRIME + 8.75%			
				or Floor rate of 12.00%	\$12,370	9,134	—
<b>Total: Under 1 Year Maturity</b>						9,134	—
<b>1-5 Years Maturity</b>							
Anti Communications Corp. <sup>(4)(9)</sup>	Communications & Networking	Senior Secured	October 2019	Interest rate FIXED 10.00%	\$7,500	6,740	5,625
Cross, Inc. <sup>(13)(14B)(15)</sup>	Communications & Networking	Senior Secured	January 2018	Interest rate PRIME + 7.70%			
				or Floor rate of 10.95%,			
				PIK Interest 5.00%	\$16,758	16,900	—
ing Mobile Solutions, <sup>(14B)</sup>	Communications & Networking	Senior Secured	January 2019	Interest rate PRIME + 6.70%			
				or Floor rate of 9.95%	\$3,000	2,984	2,984
<b>Total: 1-5 Years Maturity</b>							
<b>Total: Communications &amp; Networking</b>						26,624	8,609
<b>Total: (0.0%)*</b>						35,758	8,609
<b>Consumer &amp; Business Products</b>							
<b>Under 1 Year Maturity</b>							

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Antenna79 (p.k.a. Pong Research Corporation) <sup>(13)(14B)(14D)(15)</sup>	Consumer & Business Products	Senior Secured	November 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%, PIK Interest 2.50%	\$4,274	4,373	3,600	
Antenna79 (p.k.a. Pong Research Corporation)	Consumer & Business Products	Senior Secured	November 2016	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$156	156	156	
Antenna79 (p.k.a. Pong Research Corporation)					\$4,430	4,529	3,800	
Fluc, Inc. (p.k.a. Fluc, Inc.) <sup>(8)</sup>	Consumer & Business Products	Convertible Debt	March 2017	Interest rate FIXED 4.00%	\$100	100	—	
Total: Under 1 Year Maturity							4,629	3,800
Gal <sup>(14B)(15)</sup>	Consumer & Business Products	Senior Secured	May 2019	Interest rate PRIME + 5.45% or Floor rate of 8.95%	\$15,000	15,119	15,000	
Time Around Amplify Holdings, Inc. <sup>(14A)(15)</sup>	Consumer & Business Products	Senior Secured	February 2019	Interest rate PRIME + 7.25% or Floor rate of 10.75%	\$2,500	2,490	2,400	
Total: 1-5 Years Maturity							17,609	17,400
Total: Consumer & Business Products							22,238	21,400

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Drug Delivery</b>							
<b>Under 1 Year Maturity</b>							
Celsion Corporation <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	June 2017	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$4,355	\$4,616	\$4,616
<b>Subtotal: Under 1 Year Maturity</b>						4,616	4,616
<b>1-5 Years Maturity</b>							
AccelRx Pharmaceuticals, Inc. <sup>(9)(10)(14A)(15)</sup>	Drug Delivery	Senior Secured	October 2017	Interest rate PRIME + 3.85%			
				or Floor rate of 9.10%	\$20,466	21,059	21,002
Agile Therapeutics, Inc. <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%			
				or Floor rate of 9.00%	\$16,500	16,465	16,382
Apprecia Pharmaceuticals Company <sup>(14A)</sup>	Drug Delivery	Senior Secured	January 2020	Interest rate PRIME + 5.75%			
				or Floor rate of 9.25%	\$20,000	19,415	19,415
BLIND Therapeutics, Inc. <sup>(14B)(15)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 5.10%			
				or Floor rate of 8.35%	\$8,345	8,820	8,820
BioQ Pharma Incorporated <sup>(10)(14A)(14B)</sup>	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 8.00%			
				or Floor rate of 11.25%	\$10,000	10,296	10,166
	Drug Delivery	Senior Secured	May 2018	Interest rate PRIME + 7.00%			
				or Floor rate of 10.25%	\$3,000	3,006	2,990
<b>Total BioQ Pharma Incorporated</b>					\$13,000	13,302	13,156
Celator Pharmaceuticals, Inc. <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	June 2018	Interest rate PRIME + 6.50%			
				or Floor rate of 9.75%	\$12,839	12,975	12,975
Dance Biopharm, Inc. <sup>(7)(14A)(15)</sup>	Drug Delivery	Senior Secured	November 2017	Interest rate PRIME + 7.40%			
				or Floor rate of 10.65%	\$2,165	2,275	1,000
Edge Therapeutics, Inc. <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	March 2018	Interest rate PRIME + 5.45%	\$4,359	4,376	4,389

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Regalet Corporation <sup>(11)(14A)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.15% or Floor rate of 9.95%			
Pulmatrix Inc. <sup>(8)(10)(14A)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25% or Floor rate of 9.40%	\$ 15,000	15,155	15,206
EP Opco, Inc (p.k.a. Cosano Pharma) <sup>(10)(14A)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70% or Floor rate of 9.50%	\$ 7,000	6,973	6,964
				or Floor rate of 7.95%	\$ 15,000	15,068	14,900
Subtotal: 1-5 Years Maturity						135,883	134,209
Subtotal: Drug Delivery (19.34%)*						140,499	138,825

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Drug Discovery & Development							
Under 1 Year Maturity							
Neuralstem, Inc. <sup>(14A)(15)</sup>	Drug Discovery & Development	Senior Secured	April 2017	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$6,109	\$6,278	\$6,278
Subtotal: Under 1 Year Maturity						6,278	6,278
1-5 Years Maturity							
Aveo Pharmaceuticals, Inc. <sup>(9)(14A)(14B)</sup>	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 6.65% or Floor rate of 11.90%	\$10,000	10,202	10,101
	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 6.90% or Floor rate of 11.90%	\$5,000	4,871	4,871
Total Aveo Pharmaceuticals, Inc.						\$15,000	15,073
Bellicum Pharmaceuticals, Inc. <sup>(14B)(15)(17)</sup>	Drug Discovery & Development	Senior Secured	March 2020	Interest rate PRIME + 5.85% or Floor rate of 9.35%	\$15,000	14,995	14,995
Brickell Biotech, Inc. <sup>(11)(14A)</sup>	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%	\$7,500	7,385	7,347
Cerecor, Inc. <sup>(11)(14A)</sup>	Drug Discovery & Development	Senior Secured	August 2017	Interest rate PRIME + 4.70% or Floor rate of 7.95%	\$4,065	4,134	4,182
Cerulean Pharma, Inc. <sup>(12)(14B)</sup>	Drug Discovery & Development	Senior Secured	July 2018	Interest rate PRIME + 1.55% or Floor rate of 7.30%	\$17,112	17,660	17,558
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(10)(14A)</sup>	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 7.70% or Floor rate of 10.95%	\$23,236	23,940	24,063
CytRx Corporation <sup>(10)(14B)(15)</sup>	Drug Discovery & Development	Senior Secured	February 2020	Interest rate PRIME + 6.00% or Floor rate of 9.50%	\$25,000	24,643	24,643
			April 2018	Interest rate PRIME + 4.70%	\$5,296	5,579	1,750

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Epirus Biopharmaceuticals, Inc. <sup>(7)(12)(14A)</sup>	Drug Discovery & Development	Senior Secured		or Floor rate of 7.95%				
Genocea Biosciences, Inc. <sup>(10)(14A)(17)</sup>	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 2.25%				
				or Floor rate of 7.25%	\$17,000	17,156	17,152	
Immune Pharmaceuticals <sup>(10)(14B)</sup>	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 4.75%				
				or Floor rate of 10.00%	\$4,101	4,084	2,584	
Insmed, Incorporated <sup>(10)(14A)</sup>	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 4.75%				
				or Floor rate of 9.25%	\$25,000	24,815	24,758	
Mast Therapeutics, Inc. <sup>(14A)(15)</sup>	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 5.70%				
				or Floor rate of 8.95%	\$15,000	15,013	14,992	
Melinta Therapeutics <sup>(12)(14A)</sup>	Drug Discovery & Development	Senior Secured	June 2018	Interest rate PRIME + 3.75%				
				or Floor rate of 8.25%	\$30,000	30,181	30,110	
Merrimack Pharmaceuticals, Inc. <sup>(9)</sup>	Drug Discovery & Development	Senior Secured	December 2022	Interest rate FIXED 11.50%				
					\$25,000	25,000	25,149	
Neothetics, Inc. (p.k.a. Lithera, Inc) <sup>(14A)(15)</sup>	Drug Discovery & Development	Senior Secured	January 2018	Interest rate PRIME + 5.75%				
				or Floor rate of 9.00%	\$4,000	4,160	4,153	
Paratek Pharmaceuticals, Inc. <sup>(14A)(15)(17)</sup>	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75%				
				or Floor rate of 8.50%	\$20,000	19,959	19,975	
PhaseRx, Inc. <sup>(14B)(15)</sup>	Drug Discovery & Development	Senior Secured	December 2019	Interest rate PRIME + 5.75%				
				or Floor rate of 9.25%	\$6,000	5,814	5,814	
uniQure B.V. <sup>(4)(9)(10)(14B)</sup>	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00%				
				or Floor rate of 8.25%	\$20,000	19,918	19,736	
XOMA Corporation <sup>(9)(14B)(15)</sup>	Drug Discovery & Development	Senior Secured	September 2018	Interest rate PRIME + 2.15%				
				or Floor rate of 9.40%	\$20,000	20,290	20,175	
Subtotal: 1-5 Years Maturity						299,799	294,108	
Subtotal: Drug Discovery & Development (41.85%)*						306,077	300,386	
Electronics & Computer Hardware								
1-5 Years Maturity								
Persimmon Technologies <sup>(11)(14B)</sup>	Electronics & Computer Hardware	Senior Secured	June 2019	Interest rate PRIME + 7.50%				
				or Floor rate of 11.00%	\$7,000	6,986	6,925	
Subtotal: 1-5 Years Maturity						6,986	6,925	
Subtotal: Electronics & Computer Hardware (0.96%)*						6,986	6,925	

Healthcare Services, Other							
1-5 Years Maturity							
InstaMed Communications, LLC <sup>(14B)(15)</sup>	Healthcare Services, Other	Senior Secured	February 2019	Interest rate PRIME + 6.75%  or Floor rate of 10.00%	\$ 10,000	10,210	10,208
Subtotal: 1-5 Years Maturity						10,210	10,208
Subtotal: Healthcare Services, Other (1.42%)*						10,210	10,208

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Internet Consumer & Business Services							
Under 1 Year Maturity							
NetPlenish <sup>(7)(8)(15)(18)</sup>	Internet Consumer & Business Services	Convertible Debt	September 2016	Interest rate FIXED 10.00%	\$381	\$373	\$—
	Internet Consumer & Business Services	Senior Secured	April 2016	Interest rate FIXED 10.00%	\$44	44	—
Total NetPlenish					\$425	417	—
Subtotal: Under 1 Year Maturity						417	—
5 Years Maturity							
Aria Systems, Inc. <sup>(10)(13)</sup>	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 3.20% or Floor rate of 6.95%, PIK Interest 1.95%	\$2,041	2,020	1,977
	Internet Consumer & Business Services	Senior Secured	June 2019	Interest rate PRIME + 5.20% or Floor rate of 8.95%, PIK Interest 1.95%	\$18,282	18,076	17,719
Total Aria Systems, Inc.					\$20,323	20,096	19,696
CloudOne, Inc. <sup>(10)(14B)</sup>	Internet Consumer & Business Services	Senior Secured	April 2019	Interest rate PRIME + 6.35% or Floor rate of 9.85%	\$5,000	4,979	4,979
LogicSource <sup>(14B)(15)</sup>	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25% or Floor rate of 9.75%	\$8,500	8,423	8,423
Planet Ops Inc. (k.a. Reply! Inc.)	Internet Consumer & Business Services	Senior Secured	March 2019	Interest rate PRIME + 4.25% or Floor rate of 7.50%	\$5,464	5,102	5,102
ReachLocal <sup>(12)(14B)</sup>	Internet Consumer & Business Services	Senior Secured	April 2018	Interest rate PRIME + 8.50%	\$25,000	25,407	25,407

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agajob.com, c.(13)(14A)	Services Internet Consumer & Business Services	Senior Secured	July 2020	or Floor rate of 11.75% Interest rate PRIME + 5.15%				
				or Floor rate of 9.15%, PIK Interest 1.95%	\$35,000	33,977	33,977	
ectura orporation(7)(8)(13)	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	\$19,401	19,401	19,401	
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	\$11,015	240	—	
otal Tectura orporation					\$30,416	19,641	19,401	
bttotal: 1-5 Years Maturity						117,625	116,98	
bttotal: Internet Consumer & Business ervices (16.30%)*						118,042	116,98	
edia/Content/Info 5 Years Maturity								
achine Zone, c.(13)(16)	Media/Content/Info	Senior Secured	May 2018	Interest rate PRIME + 2.50% or Floor rate of 6.75%, PIK Interest 3.00%	\$102,216	100,402	99,938	
P Technology, Inc. /attpad, c.)(4)(9)(11)(14B)	Media/Content/Info	Senior Secured	April 2020	Interest rate PRIME + 4.75% or Floor rate of 8.25%	\$5,000	4,971	4,971	
bttotal: 1-5 Years Maturity						105,373	104,90	
bttotal: Media/Content/Info (14.62%)*						105,373	104,90	

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>	
<b>Medical Devices &amp; Equipment</b>								
<b>Under 1 Year Maturity</b>								
InspireMD, Inc. <sup>(4)(9)(14B)</sup>	Medical Devices & Equipment	Senior Secured	June 2017	Interest rate PRIME + 5.00% or Floor rate of 10.50%	\$3,648	\$4,107	\$4,107	
<b>Subtotal: Under 1 Year Maturity</b>						<b>4,107</b>	<b>4,107</b>	
<b>1-5 Years Maturity</b>								
Amedica Corporation <sup>(8)(14B)(15)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 9.20% or Floor rate of 12.45%	\$10,628	11,756	11,492	
Aspire Bariatrics, Inc. <sup>(14B)(15)</sup>	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%	\$6,584	6,531	6,504	
Avedro, Inc. <sup>(14A)(15)</sup>	Medical Devices & Equipment	Senior Secured	June 2018	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$11,761	11,782	11,731	
Flowonix Medical Incorporated <sup>(12)(14B)(17)</sup>	Medical Devices & Equipment	Senior Secured	May 2018	Interest rate PRIME + 4.75% or Floor rate of 10.00%	\$13,671	13,929	13,855	
	Medical Devices & Equipment	Senior Secured	March 2019	Interest rate PRIME + 6.50% or Floor rate of 10.00%	\$5,000	4,826	4,826	
<b>Total Flowonix Medical Incorporated</b>						<b>\$18,671</b>	<b>18,755</b>	<b>18,681</b>
Gamma Medica, Inc. <sup>(10)(14B)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 6.50% or Floor rate of 9.75%	\$2,500	2,593	2,575	
IntegenX, Inc. <sup>(14B)(15)</sup>	Medical Devices & Equipment	Senior Secured	June 2019	Interest rate PRIME + 6.05% or Floor rate of 10.05%	\$12,500	12,344	12,344	
Micell Technologies, Inc. <sup>(11)(14B)</sup>	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%	\$8,500	8,325	8,325	
Quanta Fluid Solutions <sup>(4)(9)(10)(14B)</sup>	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05%	\$12,500	12,413	12,413	

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	Equipment			or Floor rate of 11.55%			
Quanterix Corporation <sup>(10)(14A)(17)</sup>	Medical Devices & Equipment	Senior Secured	February 2018	Interest rate PRIME + 2.75%			
				or Floor rate of 8.00%	\$12,661	12,822	12,839
SynergEyes, Inc. <sup>(14B)(15)</sup>	Medical Devices & Equipment	Senior Secured	January 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$3,332	3,677	3,609
Subtotal: 1-5 Years Maturity						100,998	100,513
Subtotal: Medical Devices & Equipment (14.58%)*						105,105	104,620

Semiconductors

1-5 Years Maturity

Achronix Semiconductor Corporation <sup>(14B)(15)(17)</sup>	Semiconductors	Senior Secured	July 2018	Interest rate PRIME + 8.25%			
				or Floor rate of 11.50%	\$4,268	4,391	4,348
Avnera Corporation <sup>(10)(14A)</sup>	Semiconductors	Senior Secured	April 2018	Interest rate PRIME + 5.25%			
				or Floor rate of 8.50%	\$7,500	7,556	7,641
Subtotal: 1-5 Years Maturity						11,947	11,989
Subtotal: Semiconductors (1.67%)*						11,947	11,989

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

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(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Software							
Under 1 Year Maturity							
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) <sup>(13)(14C)(15)</sup>	Software	Senior Secured	October 2016	Interest rate FIXED 5.75%, PIK Interest 10.75%	\$1,524	\$1,574	\$936
RedSeal Inc. <sup>(15)</sup>	Software	Senior Secured	June 2017	Interest rate PRIME + 3.25% or Floor rate of 6.50%	\$1,343	1,343	1,343
Touchcommerce, Inc. <sup>(15)</sup>	Software	Senior Secured	August 2016	Interest rate PRIME + 2.25% or Floor rate of 6.50%	\$6,000	6,000	6,000
Subtotal: Under 1 Year Maturity						8,917	8,279
1-5 Years Maturity							
Actifio, Inc. <sup>(13)(14A)</sup>	Software	Senior Secured	January 2019	Interest rate PRIME + 4.25% or Floor rate of 8.25%, PIK Interest 2.25%	\$30,609	30,420	30,196
	Software	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.75%, PIK Interest 2.50%	\$10,043	9,648	9,648
Total Actifio, Inc.					\$40,652	40,068	39,844
Clickfox, Inc. <sup>(14B)</sup>	Software	Senior Secured	May 2018	Interest rate PRIME + 8.00% or Floor rate of 11.50%	\$12,000	11,721	11,720
Druva, Inc. <sup>(10)(12)(14B)(17)</sup>	Software	Senior Secured	March 2018	Interest rate PRIME + 4.60%	\$12,000	12,269	12,224

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	Software	Senior Secured	May 2018	or Floor rate of 7.85% Interest rate PRIME + 4.60%			
				or Floor rate of 7.85%	\$5,000	4,967	4,967
Total Druva, Inc.					\$17,000	17,236	17,191
JumpStart Games, Inc. (p.k.a. Knowledge Adventure, Inc.) <sup>(13)(14A)(15)</sup>	Software	Senior Secured	March 2018	Interest rate FIXED 5.75%, PIK Interest 10.75%			
					\$12,649	12,192	7,250
Message Systems, Inc. <sup>(14A)(15)</sup>	Software	Senior Secured	February 2019	Interest rate PRIME + 7.25%			
				or Floor rate of 10.50%	\$17,500	17,018	16,941
OneLogin, Inc. <sup>(13)(15)</sup>	Software	Senior Secured	August 2019	Interest rate PRIME + 6.45%			
				or Floor rate of 9.95%, PIK Interest 3.25%	\$13,141	12,999	12,999
Quid, Inc. <sup>(13)(14A)(15)</sup>	Software	Senior Secured	October 2019	Interest rate PRIME + 4.75%			
				or Floor rate of 8.25%, PIK Interest 2.25%	\$8,024	7,959	7,959
RedSeal Inc. <sup>(14A)(15)</sup>	Software	Senior Secured	June 2018	Interest rate PRIME + 7.75%			
				or Floor rate of 11.00%	\$5,000	5,068	5,019
Signpost, Inc. <sup>(13)(14A)(15)</sup>	Software	Senior Secured	February 2020	Interest rate PRIME + 4.15%			
				or Floor rate of 8.15%, PIK Interest 1.75%	\$15,102	14,743	14,743
Touchcommerce, Inc. <sup>(14A)(15)</sup>	Software	Senior Secured	February 2018	Interest rate PRIME + 6.00%			
				or Floor rate of 10.25%	\$12,000	12,061	12,061
Subtotal: 1-5 Years Maturity						151,065	145,727
Subtotal: Software (21.46%)*						159,982	154,006

Specialty  
Pharmaceuticals  
1-5 Years  
Maturity

Alimera Sciences, Inc. <sup>(10)(14A)</sup>	Specialty Pharmaceuticals	Senior Secured	May 2018	Interest rate PRIME + 7.65%			
				or Floor rate of 10.90%	\$35,000	34,396	34,262
Jaguar Animal Health,	Specialty Pharmaceuticals	Senior Secured	August 2018	Interest rate PRIME + 5.65%	\$4,144	4,354	4,255

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Inc. <sup>(10)(14B)</sup>		or Floor rate of 9.90%					
Subtotal: 1-5							
Years Maturity						38,750	38,517
Subtotal: Specialty Pharmaceuticals							
(5.37%)*						38,750	38,517
Surgical Devices							
1-5 Years							
Maturity							
Transmedics,	Surgical Devices	Senior	March	Interest rate PRIME + 5.30%			
Inc. <sup>(12)(14A)</sup>		Secured	2019				
				or Floor rate of 9.55%	\$8,500	8,512	8,444
Subtotal: 1-5							
Years Maturity						8,512	8,444
Subtotal: Surgical Devices							
(1.18%)*						8,512	8,444

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Agrivida, Inc. <sup>(14B)(15)</sup>	Sustainable and Renewable Technology	Senior Secured	December 2016	Interest rate PRIME + 6.75% or Floor rate of 10.00%	\$3,197	\$3,467	\$3,467
American Superconductor Corporation <sup>(10)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	November 2016	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$1,667	2,155	2,155
	Sustainable and Renewable Technology	Senior Secured	June 2017	Interest rate PRIME + 7.25% or Floor rate of 11.00%	\$1,500	1,522	1,522
Total American Superconductor Corporation					\$3,167	3,677	3,677
Modumetal, Inc. <sup>(11)(14D)</sup>	Sustainable and Renewable Technology	Senior Secured	March 2017	Interest rate PRIME + 8.70% or Floor rate of 11.95%	\$1,089	1,524	1,524
Stion Corporation <sup>(5)(14A)</sup>	Sustainable and Renewable Technology	Senior Secured	February 2017	Interest rate PRIME + 8.75% or Floor rate of 12.00%	\$1,294	1,294	1,294
Subtotal: Under 1 Year Maturity						9,962	9,962
1-5 Years Maturity							
FuelCell Energy, Inc. <sup>(11)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2018	Interest rate PRIME + 5.50% or Floor rate of 9.50%	\$15,000	15,114	15,114
Modumetal, Inc. <sup>(11)(14C)</sup>	Sustainable and Renewable	Senior Secured	October 2017	Interest rate PRIME + 6.00% or Floor rate of 9.25%	\$5,259	5,698	5,630

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Plug Power, Inc. <sup>(9)(14B)</sup>	Technology Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate PRIME + 6.45% or Floor rate of 10.45%	\$25,000	24,649	24,649
Proterra, Inc. <sup>(10)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	December 2018	Interest rate PRIME + 6.95% or Floor rate of 10.20%	\$30,000	30,262	30,188
Rive Technology, Inc. <sup>(14A)(15)</sup>	Sustainable and Renewable Technology	Senior Secured	January 2019	Interest rate PRIME + 6.20% or Floor rate of 9.45%	\$7,500	7,493	7,493
Sungevity, Inc. <sup>(12)(14D)</sup>	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$35,000	37,315	37,183
	Sustainable and Renewable Technology	Senior Secured	October 2017	Interest rate PRIME + 3.70% or Floor rate of 6.95%	\$20,000	20,000	20,004
Total Sungevity, Inc.					\$55,000	57,315	57,187
Tendril Networks <sup>(11)(14B)</sup>	Sustainable and Renewable Technology	Senior Secured	June 2019	Interest rate FIXED 7.25%	\$15,000	15,082	14,843
Verdezyne, Inc. <sup>(14B)(15)</sup>	Sustainable and Renewable Technology	Senior Secured	April 2019	Interest rate PRIME + 8.25% or Floor rate of 11.75%	\$15,000	14,944	14,944
Subtotal: 1-5 Years Maturity						170,557	170,048
Subtotal: Sustainable and Renewable Technology (25.08%)*						180,519	180,010
Total Debt Investments (168.82%)*						1,255,896	1,211,782

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Equity Investments</b>						
<b>Biotechnology Tools</b>						
NuGEN Technologies, Inc. <sup>(15)</sup>	Biotechnology Tools	Equity	Preferred Series C	189,394	\$500	\$571
Subtotal: Biotechnology Tools (0.08%)*					500	571
<b>Communications &amp; Networking</b>						
GlowPoint, Inc. <sup>(3)</sup>	Communications & Networking	Equity	Common Stock	114,192	101	33
Peerless Network, Inc.	Communications & Networking	Equity	Preferred Series A	1,000,000	1,000	5,058
Achilles Technology Management Co II, Inc. <sup>(6)(15)</sup>	Communications & Networking	Equity	Common Stock	10,000	4,000	4,000
Subtotal: Communications & Networking (1.27%)*					5,101	9,091
<b>Consumer &amp; Business Products</b>						
Market Force Information, Inc.	Consumer & Business Products	Equity	Common Stock	480,261	—	353
	Consumer & Business Products	Equity	Preferred Series B-1	187,970	500	3
Total Market Force Information, Inc.				668,231	500	356
Subtotal: Consumer & Business Products (0.05%)*					500	356
<b>Diagnostic</b>						
Singulex, Inc.	Diagnostic	Equity	Common Stock	937,998	750	641
Subtotal: Diagnostic (0.09%)*					750	641
<b>Drug Delivery</b>						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Delivery	Equity	Common Stock	54,240	108	146

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BioQ Pharma Incorporated <sup>(15)</sup>	Drug Delivery	Equity	Preferred Series D	165,000	500	684
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	161,856	1,000	1,636
Merrion Pharmaceuticals, Plc <sup>(3)(4)(9)</sup>	Drug Delivery	Equity	Common Stock	20,000	9	—
Neos Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Equity	Common Stock	125,000	1,500	1,160
Revance Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Equity	Common Stock	22,765	557	310
Subtotal: Drug Delivery (0.55%)*					3,674	3,936

Drug Discovery & Development

Aveo Pharmaceuticals, Inc. <sup>(3)(9)(15)</sup>	Drug Discovery & Development	Equity	Common Stock	426,931	1,060	364
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	119,087	1,000	262
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	135,501	1,000	287
Dicerna Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Equity	Common Stock	142,858	1,000	429
Dynavax Technologies <sup>(3)(9)</sup>	Drug Discovery & Development	Equity	Common Stock	20,000	550	292
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	200,000	1,000	90
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	223,463	2,000	916
Inotek Pharmaceuticals Corporation <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	3,778	1,500	28
Insmed, Incorporated <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	70,771	1,000	698
Melinta Therapeutics	Drug Discovery & Development	Equity	Preferred Series 4	1,914,448	2,000	2,078
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Equity	Common Stock	76,362	2,743	1,063
Subtotal: Drug Discovery & Development (0.91%)*					14,853	6,507

Electronics & Computer Hardware

Identiv, Inc. <sup>(3)</sup>	Electronics & Computer Hardware	Equity	Common Stock	6,700	34	12
Subtotal: Electronics & Computer Hardware (0.00%)*					34	12

Internet Consumer & Business Services

Blurb, Inc. <sup>(15)</sup>	Internet Consumer & Business Services	Equity	Preferred Series B	220,653	175	200
Lightspeed POS, Inc. <sup>(4)(9)</sup>	Internet Consumer & Business Services	Equity	Preferred Series C	230,030	250	261

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	Internet Consumer & Business Services	Equity	Preferred Series D	198,677	250	249
Total Lightspeed POS, Inc.				428,707	500	510
Oportun (p.k.a. Progress Financial)	Internet Consumer & Business Services	Equity	Preferred Series G	218,351	250	330
	Internet Consumer & Business Services	Equity	Preferred Series H	87,802	250	238
Total Oportun (p.k.a. Progress Financial)				306,153	500	568
Philotic, Inc.	Internet Consumer & Business Services	Equity	Common Stock	9,023	93	—
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Equity	Preferred Series AA	34,783	15	32
Tectura Corporation	Internet Consumer & Business Services	Equity	Preferred Series BB	1,000,000	—	—
Subtotal: Internet Consumer & Business Services (0.18%)*					1,283	1,310

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Medical Devices &amp; Equipment</b>						
AtriCure, Inc. <sup>(3)(15)</sup>	Medical Devices & Equipment	Equity	Common Stock	7,536	\$266	\$98
Flowonix Medical Incorporated	Medical Devices & Equipment	Equity	Preferred Series E	221,893	1,500	1,893
Gelesis, Inc. <sup>(15)</sup>	Medical Devices & Equipment	Equity	Common Stock	198,202	—	679
	Medical Devices & Equipment	Equity	Preferred Series A-1	191,210	425	734
	Medical Devices & Equipment	Equity	Preferred Series A-2	191,626	500	695
<b>Total Gelesis, Inc.</b>				<b>581,038</b>	<b>925</b>	<b>2,108</b>
Medrobotics Corporation <sup>(15)</sup>	Medical Devices & Equipment	Equity	Preferred Series E	136,798	250	220
	Medical Devices & Equipment	Equity	Preferred Series F	73,971	155	184
	Medical Devices & Equipment	Equity	Preferred Series G	163,934	500	517
<b>Total Medrobotics Corporation</b>				<b>374,703</b>	<b>905</b>	<b>921</b>
Novasys Medical, Inc.	Medical Devices & Equipment	Equity	Preferred Series D-1	4,118,444	1,000	—
Optiscan Biomedical, Corp. <sup>(5)(15)</sup>	Medical Devices & Equipment	Equity	Preferred Series B	6,185,567	3,000	278
	Medical Devices & Equipment	Equity	Preferred Series C	1,927,309	655	82
	Medical Devices & Equipment	Equity	Preferred Series D	55,103,923	5,257	3,046
	Medical Devices & Equipment	Equity	Preferred Series E	11,508,204	963	987
<b>Total Optiscan Biomedical, Corp.</b>				<b>74,725,003</b>	<b>9,875</b>	<b>4,393</b>
Outset Medical, Inc. (p.k.a. Home Dialysis Plus, Inc.)	Medical Devices & Equipment	Equity	Preferred Series B	232,061	527	530

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Quanterix Corporation	Medical Devices & Equipment	Equity	Preferred Series D	272,479	1,000	1,093
Subtotal: Medical Devices & Equipment (1.54%)*					15,998	11,036
Software						
Box, Inc. <sup>(3)(15)</sup>	Software	Equity	Common Stock	1,287,347	5,654	12,794
CapLinked, Inc.	Software	Equity	Preferred Series A-3	53,614	51	83
Druva, Inc.	Software	Equity	Preferred Series 2	458,841	1,000	1,239
ForeScout Technologies, Inc.	Software	Equity	Preferred Series D	319,099	398	1,229
	Software	Equity	Preferred Series E	80,587	131	314
Total ForeScout Technologies, Inc.				399,686	529	1,543
HighRoads, Inc.	Software	Equity	Preferred Series B	190,170	307	—
NewVoiceMedia Limited <sup>(4)(9)</sup>	Software	Equity	Preferred Series E	669,173	963	806
Palantir Technologies	Software	Equity	Preferred Series E	727,696	5,431	5,431
WildTangent, Inc. <sup>(15)</sup>	Software	Equity	Preferred Series 3	100,000	402	163
Subtotal: Software (3.07%)*					14,337	22,059
Specialty Pharmaceuticals						
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Equity	Preferred Series E	241,829	750	—
	Specialty Pharmaceuticals	Equity	Preferred Series E-1	26,955	—	—
	Specialty Pharmaceuticals	Equity	Preferred Series G	4,667,636	—	—
Total QuatRx Pharmaceuticals Company				4,936,420	750	—
Subtotal: Specialty Pharmaceuticals (0.00%)*					750	—
Surgical Devices						
Gynesonics, Inc. <sup>(15)</sup>	Surgical Devices	Equity	Preferred Series B	219,298	250	29
	Surgical Devices	Equity	Preferred Series C	656,538	282	39
	Surgical Devices	Equity	Preferred Series D	1,991,157	712	640
	Surgical Devices	Equity	Preferred Series E	2,786,367	429	413
Total Gynesonics, Inc.				5,653,360	1,673	1,121
Transmedics, Inc.	Surgical Devices	Equity		88,961	1,100	336

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			Preferred Series B			
	Surgical Devices	Equity	Preferred Series C	119,999	300	258
	Surgical Devices	Equity	Preferred Series D	260,000	650	871
	Surgical Devices	Equity	Preferred Series F	100,200	500	516
Total Transmedics, Inc.				569,160	2,550	1,981
Subtotal: Surgical Devices (0.43%)*					4,223	3,102
Sustainable and Renewable Technology						
Glori Energy, Inc. <sup>(3)</sup>	Sustainable and Renewable Technology	Equity	Common Stock	18,208	165	4
Modumetal, Inc.	Sustainable and Renewable Technology	Equity	Preferred Series C	3,107,520	500	503
SCIEnergy, Inc.	Sustainable and Renewable Technology	Equity	Common Stock	19,250	761	—
Sungevity, Inc. <sup>(15)</sup>	Sustainable and Renewable Technology	Equity	Preferred Series D	68,807,339	6,750	6,777
Subtotal: Sustainable and Renewable Technology (1.01%)*					8,176	7,284
Total: Equity Investments (9.18%)*					70,179	65,905

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
<b>Warrant Investments</b>						
<b>Biotechnology Tools</b>						
Exicure, Inc.	Biotechnology Tools	Warrant	Preferred Series C	104,348	\$107	\$ 103
Labcyte, Inc. <sup>(15)</sup>	Biotechnology Tools	Warrant	Preferred Series C	1,127,624	323	215
Subtotal: Biotechnology Tools (0.04%)*					430	318
<b>Communications &amp; Networking</b>						
Intelepeer, Inc. <sup>(15)</sup>	Communications & Networking	Warrant	Common Stock	117,958	102	—
OpenPeak, Inc.	Communications & Networking	Warrant	Common Stock	108,982	149	—
PeerApp, Inc.	Communications & Networking	Warrant	Preferred Series B	298,779	61	15
Peerless Network, Inc.	Communications & Networking	Warrant	Preferred Series A	135,000	95	439
SkyCross, Inc. <sup>(6)(15)</sup>	Communications & Networking	Warrant	Preferred Series F	9,762,777	394	—
Spring Mobile Solutions, Inc.	Communications & Networking	Warrant	Preferred Series D	2,834,375	418	38
Subtotal: Communications & Networking (0.07%)*					1,219	492
<b>Consumer &amp; Business Products</b>						
Antenna79 (p.k.a. Pong Research Corporation) <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series A	1,662,441	228	—
Intelligent Beauty, Inc. <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series B	190,234	230	287
IronPlanet, Inc.	Consumer & Business Products	Warrant	Preferred Series D	1,155,821	1,077	766
Nasty Gal <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series C	845,194	23	7

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The Neat Company <sup>(15)</sup>	Consumer & Business Products	Warrant	Preferred Series C-1	540,540	365	—
Subtotal: Consumer & Business Products (0.15%)*					1,923	1,060
Diagnostic						
Navidea Biopharmaceuticals, Inc. (p.k.a. Neoprobe) <sup>(3)(15)</sup>	Diagnostic	Warrant	Common Stock	333,333	244	—
Subtotal: Diagnostic (0.00%)*					244	—
Drug Delivery						
AcelRx Pharmaceuticals, Inc. <sup>(3)(9)(15)</sup>	Drug Delivery	Warrant	Common Stock	176,730	785	107
Agile Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	180,274	730	523
Aprecia Pharmaceuticals Company	Drug Delivery	Warrant	Preferred Series A-1	735,981	366	362
BIND Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Warrant	Common Stock	152,586	488	—
BioQ Pharma Incorporated	Drug Delivery	Warrant	Common Stock	459,183	1	524
Celsion Corporation <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	194,986	428	4
Dance Biopharm, Inc. <sup>(15)</sup>	Drug Delivery	Warrant	Common Stock	110,882	74	—
Edge Therapeutics, Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	78,595	390	283
Kaleo, Inc. (p.k.a. Intelliject, Inc.)	Drug Delivery	Warrant	Preferred Series B	82,500	594	370
Neos Therapeutics, Inc. <sup>(3)(15)</sup>	Drug Delivery	Warrant	Common Stock	70,833	285	90
Pulmatrix Inc. <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	25,150	116	4
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(3)</sup>	Drug Delivery	Warrant	Common Stock	72,379	266	—
Subtotal: Drug Delivery (0.32%)*					4,523	2,267

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## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2016

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Series	Shares	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Drug Discovery & Development						
ADMA Biologics, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	89,750	\$295	\$49
Anthera Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	40,178	984	—
Aveo Pharmaceuticals, Inc. <sup>(3)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	2,069,880	396	505
Brickell Biotech, Inc.	Drug Discovery & Development	Warrant	Preferred Series C	26,086	119	118
Cerecor, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	22,328	70	3
Cerulean Pharma, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,901	369	75
Chroma Therapeutics, Ltd. <sup>(4)(9)</sup>	Drug Discovery & Development	Warrant	Preferred Series D	325,261	490	—
Cleveland BioLabs, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	7,813	105	2
Concert Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	70,796	367	90
CTI BioPharma Corp. (p.k.a. Cell Therapeutics, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	292,398	165	5
CytRx Corporation <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	634,146	416	599
Dicerna Pharmaceuticals, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	200	28	—
Epirus Biopharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	64,194	276	—
Fortress Biotech, Inc. (p.k.a. Coronado Biosciences, Inc.) <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,009	142	10
Genocea Biosciences, Inc. <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	73,725	266	86
Immune Pharmaceuticals <sup>(3)</sup>	Drug Discovery & Development	Warrant	Common Stock	214,853	164	—
Mast Therapeutics, Inc. <sup>(3)(15)</sup>		Warrant		2,272,724	203	455

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	Drug Discovery & Development		Common Stock			
Melinta Therapeutics	Drug Discovery & Development	Warrant	Preferred Series 3	1,382,323	626	155
Nanotherapeutics, Inc. <sup>(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	171,389	838	705
Neothetics, Inc. (p.k.a. Lithera, Inc.) <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	46,838	266	18
Neuralstem, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	75,187	77	2
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	16,346	42	16
PhaseRx, Inc. <sup>(3)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	63,000	125	92
uniQure B.V. <sup>(3)(4)(9)</sup>	Drug Discovery & Development	Warrant	Common Stock	37,174	218	28
XOMA Corporation <sup>(3)(9)(15)</sup>	Drug Discovery & Development	Warrant	Common Stock	181,268	279	30
Subtotal: Drug Discovery & Development (0.42%)*					7,326	3,043

Electronics & Computer Hardware

Clustrix, Inc.	Electronics & Computer Hardware	Warrant	Common Stock	50,000	12	—
Persimmon Technologies	Electronics & Computer Hardware	Warrant	Preferred Series C	43,076	40	37
Subtotal: Electronics & Computer Hardware (0.01%)*					52	37

Healthcare Services, Other

Chromadex Corporation <sup>(3)(15)</sup>	Healthcare Services, Other	Warrant	Common Stock	139,673	157	203
Subtotal: Healthcare Services, Other (0.03%)*					157	203

Information Services

Cha Cha Search, Inc. <sup>(15)</sup>	Information Services	Warrant	Preferred Series G	48,232	58	—
INMOBI Inc. <sup>(4)(9)</sup>	Information Services	Warrant	Common Stock	46,874	82	—
InXpo, Inc. <sup>(15)</sup>	Information Services	Warrant	Preferred Series C	648,400	98	1
	Information Services	Warrant	Preferred Series C-1	1,165,183	74	1
Total InXpo, Inc.				1,813,583	172	