

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Hercules Capital, Inc.  
Form 10-Q  
May 03, 2018  
p

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 March 31, 2018

OR

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

Commission File Number: 814-00702

HERCULES CAPITAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland  
(State or Jurisdiction of

Incorporation or Organization)

400 Hamilton Ave., Suite 310

Palo Alto, California

743113410  
(IRS Employer

Identification No.)  
94301

(Zip Code)

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

(Address of Principal Executive Offices)

(650) 289-3060

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

On April 30, 2018, there were 85,899,098 shares outstanding of the Registrant's common stock, \$0.001 par value.

HERCULES CAPITAL, INC.

FORM 10-Q TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	3
Item 1. <u>Consolidated Financial Statements</u>	3
<u>Consolidated Statement of Assets and Liabilities as of March 31, 2018 and December 31, 2017 (unaudited)</u>	3
<u>Consolidated Statement of Operations for the three months ended March 31, 2018 and 2017 (unaudited)</u>	5
<u>Consolidated Statement of Changes in Net Assets for the three months ended March 31, 2018 and 2017 (unaudited)</u>	6
<u>Consolidated Statement of Cash Flows for the three months ended March 31, 2018 and 2017 (unaudited)</u>	7
<u>Consolidated Schedule of Investments as of March 31, 2018 (unaudited)</u>	9
<u>Consolidated Schedule of Investments as of December 31, 2017 (unaudited)</u>	24
<u>Notes to Consolidated Financial Statements (unaudited)</u>	39
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	71
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	89
Item 4. <u>Controls and Procedures</u>	90
<u>PART II. OTHER INFORMATION</u>	91
Item 1. <u>Legal Proceedings</u>	91
	3

Item 1A. <u>Risk Factors</u>	91
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	92
Item 3. <u>Defaults Upon Senior Securities</u>	92
Item 4. <u>Mine Safety Disclosures</u>	92
Item 5. <u>Other Information</u>	92
Item 6. <u>Exhibits and Financial Statement Schedules</u>	94
<u>SIGNATURES</u>	97

## 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)

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

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Total net assets	\$828,731	\$840,967
Total liabilities and net assets	\$1,619,712	\$1,654,715
Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized)	85,239	84,424
Net asset value per share	\$9.72	\$9.96

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

(2) Amounts include \$2.3 million and \$2.1 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, and estimated taxes payable as of March 31, 2018 and December 31, 2017, respectively.

See notes to consolidated financial statements.

3

---

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

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

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

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Investment income:		
Interest income		
Non-control/Non-affiliate investments	\$41,834	\$42,345
Control investments	586	514
Affiliate investments	561	2
Total interest income	42,981	42,861
Fee income		
Commitment, facility and loan fee income:		
Non-control/Non-affiliate investments	2,440	2,934
Control investments	—	5
Affiliate investments	108	—
Total commitment, facility and loan fee income	2,548	2,939
One-time fee income:		
Non-control/Non-affiliate investments	3,171	565
Total one-time fee income	3,171	565
Total fee income	5,719	3,504
Total investment income	48,700	46,365
Operating expenses:		
Interest	9,386	9,607
Loan fees	1,175	2,838
General and administrative	4,009	4,064
Employee compensation:		
Compensation and benefits	5,758	5,345
Stock-based compensation	2,309	1,833
Total employee compensation	8,067	7,178
Total operating expenses	22,637	23,687
Net investment income	26,063	22,678
Net realized gain (loss) on investments		
Non-control/Non-affiliate investments	(3,512 )	3,288
Control investments	(1,408 )	(51 )
Total net realized gain (loss) on investments	(4,920 )	3,237
Net change in unrealized appreciation (depreciation) on investments		
Non-control/Non-affiliate investments	(14,340)	(32,155)
Control investments	(620 )	213
Affiliate investments	(237 )	439
Total net unrealized appreciation (depreciation) on investments	(15,197)	(31,503)



Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Total net realized and unrealized gain (loss)	(20,117)	(28,266)
Net increase (decrease) in net assets resulting from operations	\$5,946	\$(5,588 )
Net investment income before investment gains and losses per common share:		
Basic	\$0.31	\$0.28
Change in net assets resulting from operations per common share:		
Basic	\$0.07	\$(0.07 )
Diluted	\$0.07	\$(0.07 )
Weighted average shares outstanding		
Basic	84,596	81,420
Diluted	84,666	81,420
Distributions declared per common share:		
Basic	\$0.31	\$0.31

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Shares	Stock Par Value	Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Undistributed Realized Gains (Losses) on Investments	Undistributed Net Investment Income	Net Assets
Balance at December 31, 2016	79,555	\$ 80	\$ 839,657	\$ (89,025 )	\$ 14,314	\$ 22,918	\$ 787,944
Net increase (decrease) in net assets resulting from operations	—	—	—	(31,503 )	3,237	22,678	(5,588 )
Public offering, net of offering expenses	3,309	3	46,945	—	—	—	46,948
Issuance of common stock due to stock option exercises	24	—	181	—	—	—	181
Retired shares from net issuance	(16 )	—	(140 )	—	—	—	(140 )
Issuance of common stock under restricted stock plan	4	—	—	—	—	—	—
Retired shares for restricted stock vesting	(101 )	—	(1,433 )	—	—	—	(1,433 )
Distributions reinvested in common stock	26	—	388	—	—	—	388
Issuance of Convertible Notes	—	—	3,413	—	—	—	3,413
Distributions	—	—	—	—	—	(25,667 )	(25,667 )
Stock-based compensation <sup>(1)</sup>	—	—	1,850	—	—	—	1,850
Balance at March 31, 2017	82,801	\$ 83	\$ 890,861	\$ (120,528 )	\$ 17,551	\$ 19,929	\$ 807,896
Balance at December 31, 2017	84,424	\$ 85	\$ 908,501	\$ (79,760 )	\$ (20,374 )	\$ 32,515	\$ 840,967
Net increase (decrease) in net assets resulting from operations	—	—	—	(15,197 )	(4,920 )	26,063	5,946
Public offering, net of offering expenses	478	—	5,952	—	—	—	5,952
Issuance of common stock due to stock option exercises	38	—	432	—	—	—	432
Retired shares from net issuance	(36 )	—	(446 )	—	—	—	(446 )
Issuance of common stock under restricted stock plan	336	—	—	—	—	—	—
	(36 )	—	(446 )	—	—	—	(446 )

Retired shares for restricted  
stock vesting

Distributions reinvested in common stock	35	—	426	—	—	—	426
Distributions	—	—	—	—	—	(26,419 )	(26,419 )
Stock-based compensation <sup>(1)</sup>	—	—	2,319	—	—	—	2,319
Balance at March 31, 2018	85,239	\$ 85	\$ 916,738	\$ (94,957 )	\$ (25,294 )	\$ 32,159	\$ 828,731

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

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(dollars in thousands)

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

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Repayments of 2019 Notes	—	(110,365)
Repayments of 2021 Asset-Backed Notes	(15,577 )	(7,794 )
Borrowings of credit facilities	—	8,497
Repayments of credit facilities	—	(13,513 )
Cash paid for debt issuance costs	—	(4,456 )
Fees paid for credit facilities and debentures	—	(252 )
Net cash provided by (used in) financing activities	(36,078 )	128,031
Net increase (decrease) in cash, cash equivalents and restricted cash	26,865	139,698
Cash, cash equivalents and restricted cash at beginning of period	94,995	21,366
Cash, cash equivalents and restricted cash at end of period	\$ 121,860	\$ 161,064
Supplemental non-cash investing and financing activities:		
Distributions reinvested	426	388

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

See notes to consolidated financial statements.

7

---

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

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

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

See notes to consolidated financial statements.

## HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor <sup>(2)</sup>	Principal Amount	Cost <sup>(3)</sup>	Value <sup>(4)</sup>	
<b>Debt Investments</b>								
<b>Biotechnology Tools</b>								
<b>1-5 Years Maturity</b>								
Excicure, Inc. <sup>(12)</sup>	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45%				
				or Floor rate of 9.95%, 3.85%				
				Exit Fee	\$4,999	\$5,135	\$5,151	
Subtotal: 1-5 Years Maturity						5,135	5,151	
Subtotal: Biotechnology Tools (0.62%)*						5,135	5,151	
<b>Communications &amp; Networking</b>								
<b>Under 1 Year Maturity</b>								
OpenPeak, Inc. <sup>(8)</sup>	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	—	
<b>Consumer &amp; Business Products</b>								
<b>Under 1 Year Maturity</b>								
Gadget Guard (p.k.a. Antenna79) <sup>(15)</sup>	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	
<b>1-5 Years Maturity</b>						\$18,043	18,245	18,133

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Gadget Guard (p.k.a. Antenna79) <sup>(15)</sup>	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 7.45%					
				or Floor rate of 10.95%, 2.95%					
				Exit Fee					
Subtotal: 1-5 Years Maturity							18,245	18,133	
Subtotal: Consumer & Business Products (2.31%)*							19,245	19,133	
Diversified Financial Services									
1-5 Years Maturity									
Gibraltar Business Capital, LLC <sup>(7)</sup>	Diversified Financial Services	Unsecured	March 2023	Interest rate FIXED 14.50%	\$ 10,000	9,802	9,802		
Subtotal: 1-5 Years Maturity							9,802	9,802	
Subtotal: Diversified Financial Services (1.18%)*							9,802	9,802	
Drug Delivery									
Under 1 Year Maturity									
Agile Therapeutics, Inc. <sup>(11)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75%					
				or Floor rate of 9.00%, 3.70%					
				Exit Fee	\$ 9,272	9,746	9,747		
Pulmatrix Inc. <sup>(9)(11)</sup>	Drug Delivery	Senior Secured	July 2018	Interest rate PRIME + 6.25%					
				or Floor rate of 9.50%, 3.50%					
				Exit Fee	\$ 2,540	2,764	2,764		
ZP Opco, Inc (p.k.a. Zosano Pharma) <sup>(11)</sup>	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70%					
				or Floor rate of 7.95%, 2.87%					
				Exit Fee	\$ 4,789	5,108	5,108		
Subtotal: Under 1 Year Maturity							17,618	17,619	
1-5 Years Maturity									
AcelRx Pharmaceuticals, Inc. <sup>(10)(11)(15)</sup>	Drug Delivery	Senior Secured	March 2020	Interest rate PRIME + 6.05%					
				or Floor rate of 9.55%, 11.69%					
				Exit Fee	\$ 16,791	17,275	17,199		
	Drug Delivery		July 2022		\$ 25,000	25,079	24,970		



Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Antares Pharma Inc. (10)(15)		Senior Secured		Interest rate PRIME + 4.50%			
				or Floor rate of 9.25%, 4.25%			
				Exit Fee			
Edge Therapeutics, Inc. (12)	Drug Delivery	Senior Secured	August 2020	Interest rate PRIME + 4.65%			
				or Floor rate of 9.15%, 4.95%			
				Exit Fee	\$ 20,000	20,401	20,167
Subtotal: 1-5 Years Maturity						62,755	62,336
Subtotal: Drug Delivery (9.65%)*						80,373	79,955

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment	Maturity Date <sup>(1)</sup>	Interest Rate and Floor <sup>(2)</sup>	Principal Amount	Cost <sup>(3)</sup>	Value <sup>(4)</sup>
<b>Drug Discovery &amp; Development</b>							
<b>Under 1 Year Maturity</b>							
CytRx Corporation <sup>(11)(15)</sup>	Drug Discovery & Development	Senior Secured	August 2018	Interest rate PRIME + 6.00% or Floor rate of 9.50%, 7.09% Exit Fee	\$8,946	\$10,393	\$10,393
Epirus Biopharmaceuticals, Inc. <sup>(8)</sup>	Drug Discovery & Development	Senior Secured	April 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee	\$2,277	2,561	—
Genocea Biosciences, Inc. <sup>(11)</sup>	Drug Discovery & Development	Senior Secured	January 2019	Interest rate PRIME + 2.25% or Floor rate of 7.25%, 4.95% Exit Fee	\$13,316	14,005	14,005
<b>Subtotal: Under 1 Year Maturity</b>						<b>26,959</b>	<b>24,398</b>
<b>1-5 Years Maturity</b>							
Auris Medical Holding, AG <sup>(5)(10)</sup>	Drug Discovery & Development	Senior Secured	January 2020	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee	\$8,836	9,199	9,204
Aveo Pharmaceuticals, Inc. <sup>(10)(13)</sup>	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 5.40% Exit	\$10,000	9,936	9,818

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

				Fee				
	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 3.00% Exit Fee		\$ 10,000	9,990	9,948
Total Aveo Pharmaceuticals, Inc.						\$ 20,000	19,926	19,766
Axovant Sciences Ltd. <sup>(5)(10)</sup>	Drug Discovery & Development	Senior Secured	March 2021	Interest rate PRIME + 6.80% or Floor rate of 10.55% Exit Fee		\$ 55,000	53,783	53,670
Brickell Biotech, Inc. <sup>(12)</sup>	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%, 7.49% Exit Fee		\$ 5,834	6,178	6,166
Chemocentryx, Inc. <sup>(10)(15)(17)</sup>	Drug Discovery & Development	Senior Secured	December 2021	Interest rate PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee		\$ 5,000	4,973	4,973
Mesoblast <sup>(5)(10)</sup>	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 4.95% or Floor rate of 9.45%, 6.95% Exit Fee		\$ 35,000	34,682	34,682
Metuchen Pharmaceuticals LLC <sup>(12)(14)</sup>	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%, 2.25% Exit Fee		\$ 25,648	25,923	25,793
Motif BioSciences Inc. <sup>(15)</sup>	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 5.50% or Floor rate of 10.00%, 2.15% Exit Fee		\$ 15,000	14,711	14,711
Myovant Sciences, Ltd. <sup>(5)(10)(13)</sup>	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 6.55% Exit Fee		\$ 40,000	39,445	39,444

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.) <sup>(15)</sup>	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	\$40,000	40,347	39,931
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	\$10,000	10,094	9,984
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 2.25% Exit Fee	\$10,000	9,996	9,904
Total Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					\$60,000	60,437	59,819
Stealth Bio Therapeutics Corp. <sup>(5)(10)(12)</sup>	Drug Discovery & Development	Senior Secured	January 2021	Interest rate PRIME + 5.50% or Floor rate of 9.50%, 5.00% Exit Fee	\$20,000	19,910	19,672
Tricida, Inc. <sup>(15)</sup>	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 3.35% or Floor rate of 8.35%, 11.14% Exit Fee	\$25,000	24,607	24,607
uniQure B.V. <sup>(5)(10)(11)</sup>	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee	\$20,000	20,668	20,579
Verastem, Inc. <sup>(12)</sup>	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$5,000	4,980	4,942
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	\$5,000	5,016	4,978
					\$5,000	4,978	4,939

Edgar Filing: Hercules Capital, Inc. - Form 10-Q

Drug Senior December Interest rate PRIME  
 Discovery Secured 2020 + 6.00%  
 &  
 Development or Floor rate of  
 10.50%, 4.50% Exit  
 Fee

Total Verastem, Inc.	\$ 15,000	14,974	14,859
Subtotal: 1-5 Years Maturity		349,416	347,945
Subtotal: Drug Discovery & Development (44.93%)*		376,375	372,343

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2018

(unaudited)

(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment <sup>(1)</sup>	Maturity Date	Interest Rate and Floor <sup>(2)</sup>	Principal Amount	Cost <sup>(3)</sup>	Value <sup>(4)</sup>
Electronics & Computer Hardware							
1-5 Years Maturity							
908 DEVICES INC. <sup>(15)</sup>	Electronics & Computer Hardware	Senior Secured	September 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee	\$ 10,000	\$ 10,061	\$ 9,864
Glo AB <sup>(5)(10)(14)</sup>	Electronics & Computer Hardware	Senior Secured					