UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 814-00702

HERCULES CAPITAL, INC.
(Exact name of Registrant as specified in its charter)

Maryland	**74-3113410**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

400 Hamilton Avenue, Suite 310
Palo Alto, California 94301
(Address of principal executive offices)
(650) 289-3060
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $0.001 per share	HTGC	New York Stock Exchange
6.25% Notes due 2033	HCXY	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☐

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 period 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $1.95 billion based upon a closing price of $17.06 reported for such date on the New York Stock Exchange. Common shares held by each executive officer and director and by each person who owns 5% or more of the outstanding common shares have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not intended and shall not be deemed to be an admission that, such persons are affiliates of the Registrant.

On February 16, 2022, there were 119,769,139 shares outstanding of the registrant's common stock, $0.001 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Documents incorporated by reference: Portions of the registrant's Proxy Statement for its 2022 Annual Meeting of Stockholders to be filed within 120 days after the close of the registrant's year end are incorporated by reference into Part III of this Annual Report on Form 10-K.

HERCULES CAPITAL, INC.
FORM 10-K
ANNUAL REPORT

Hercules Capital, Inc., our logo and other trademarks of Hercules Capital, Inc. are the property of Hercules Capital, Inc. All other trademarks or trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

In this Annual Report on Form 10-K, or Annual Report, the "Company," "Hercules," "we," "us," and "our" refer to Hercules Capital, Inc. and its wholly owned subsidiaries and its affiliated securitization trusts unless the context otherwise requires.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve substantial risks and uncertainties that are within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You can identify these statements using forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "target," "estimate," "intend," "continue" or "believe" or the negatives of, or other variations on, these terms or comparable terminology. You should read statements that contain these words carefully because they discuss our plans, strategies, prospects, and expectations concerning our business, operating results, financial condition, and other similar matters. We believe that it is important to communicate our future expectations to our investors. Our forward-looking statements include information in this report regarding general domestic and global economic conditions, our future financing plans, our ability to operate as a business development company ("BDC") and the expected performance of, and the yield on, our portfolio companies. There may be events in the future, however, that we are not able to predict accurately or control. The factors listed under "Risk Factors" in this annual report on Form 10-K, as well as any cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. The occurrence of the events described in these risk factors and elsewhere in this report could have a material adverse effect on our business, results of operations and financial position. Any forward-looking statement made by us in this report speaks only as of the date of this report. Factors or events that could cause our actual results to differ from our forward-looking statements may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

PART I

Item 1. *Business*

GENERAL

Hercules Capital, Inc. is a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed and institutional-backed companies in a variety of technology, life sciences and sustainable and renewable technology industries. Our goal is to be the leading structured debt financing provider for venture capital-backed and institutional-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.

Our primary business objectives are to increase our net income, net investment income, and net asset value ("NAV") by investing in debt, typically with warrants or equity, of venture capital-backed and institutional-backed companies in a variety of technology-related industries at attractive current yields and the potential for equity appreciation and realized gains. We aim to achieve our business objectives by maximizing our portfolio total return through generation of current income from our debt investments and capital appreciation from our warrant and equity investments. Our equity ownership in our portfolio companies may exceed 25% of the voting securities of such companies, which represents a controlling interest under the Investment Company Act of 1940 ("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 is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations. We invest primarily in private companies but also have investments in public companies.

Our investments are focused in companies that are active in a variety of technology industry sub-sectors or are characterized by products or services that require advanced technologies, including, but not limited to, computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, internet consumer and business services, telecommunications, telecommunications equipment, media, life sciences, and renewable or alternative energy. Within the life sciences sub-sector, we generally focus on medical devices, bio-pharmaceutical, drug discovery and development, drug delivery, health care services and information systems companies. Within the sustainable and renewable technology sub-sector, we focus on sustainable and renewable energy technologies and energy efficiency and monitoring technologies. We refer to all of these companies as "technology-related" companies and intend, under normal circumstances, to invest at least 80% of the value of our total assets in such businesses.

We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. 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 or convert into 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 invest in “unitranche” loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position. In addition to our debt investments, we regularly engage in discussions with third parties with respect to various potential transactions to explore all alternatives. Through such alternatives, we may acquire an investment, a portfolio of investments, an entire company, or sell portions 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, which may include, depending on the transaction and without limitation, the approval of our Board of Directors (the "Board"), required regulatory or third-party consents, and/or 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.

CORPORATE STRUCTURE

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (“BDC”) under the 1940 Act. As a BDC, 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,” including securities of private U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. As a BDC, we must also meet a coverage ratio of total net assets to total senior securities, which include all of our borrowings (including accrued interest payable) except for debentures issued by the Small Business Administration (the “SBA”) and any preferred stock we may issue in the future, of at least 150% subsequent to each borrowing or issuance of senior securities. Certain of our wholly owned subsidiaries are licensed to operate as a small business investment company (a “SBIC” or “SBICs”) under the authority of the SBA. Through SBIC licensed vehicles we may access capital from the SBA debenture program. See “Regulation” for additional information related to our capital requirements.

We are internally managed under the supervision of our Board. We do not pay management or advisory fees, but instead incur costs customary for an operating company. Some of those costs include recruiting and marketing expenses as well as the costs associated with employing management, investment and portfolio management professionals, and technology, secretarial and other support personnel. In connection with our recruiting, branding and marketing efforts, we may, among other things, make charitable contributions in amounts we believe to be immaterial and that do not exceed $500 thousand in the aggregate in any year. We believe that many of these contributions help us raise our profile in the communities and benefit us in attracting and retaining talent and investment opportunities.

Effective January 1, 2006, we elected to be treated for tax purposes as a regulated investment company (“RIC”) under the Internal Revenue Code of 1986, as amended (“the Code”). As a RIC, we generally will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (i.e., net realized long-term capital gains in excess of net realized short-term capital losses) we distribute (or are deemed to distribute) as dividends for U.S. federal income tax purposes to stockholders with respect to that taxable year. We will be subject to a 4% non-deductible 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 subject to certain requirements as defined for RICs. See “Certain United States Federal Income Tax Considerations” for additional information. Additionally, we have established wholly owned subsidiaries that are not consolidated 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.

In May 2020, Hercules Adviser LLC (the “Adviser Subsidiary”) was formed as a wholly owned Delaware limited liability subsidiary to provide investment advisory and related services to investment vehicles (“Adviser Funds”) owned by one or more unrelated third-party investors (“External Parties”). The Adviser Subsidiary receives fee income for the services provided to the Adviser Funds. The Company was granted no-action relief by the staff of the Securities and Exchange Commission (“SEC”) to allow the Adviser Subsidiary to register as a registered investment adviser under the Investment Advisers Act of 1940, as amended (“Advisers Act”). See “— Regulation—No-action and Exemptive Relief Obtained” for additional information regarding our Adviser Subsidiary.

CORPORATE HISTORY AND OFFICES

We are a Maryland corporation formed in December 2003 that began investment operations in September 2004. On February 25, 2016, we changed our name from "Hercules Technology Growth Capital, Inc." to "Hercules Capital, Inc." Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, MA, New York, NY, Bethesda, MD, Westport, CT, Chicago, IL, San Diego, CA, and London, United Kingdom.

AVAILABLE INFORMATION

We file with or submit to the SEC our annual, quarterly, current reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports and other publicly filed information available as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC. Our Internet address where these documents and other information can be found is www.htgc.com. Information contained on our website is not incorporated by reference into this Annual Report, and you should not consider that information to be part of this Annual Report. Our annual, quarterly, periodic and current reports, proxy statements and other public filings are also available free of charge on the EDGAR Database on the SEC's Internet website at www.sec.gov.

OUR MARKET OPPORTUNITY

We believe that technology-related companies compete in one of the largest and most rapidly growing sectors of the U.S. economy and that continued growth is supported by ongoing innovation and performance improvements in technology products as well as the adoption of technology across virtually all industries in response to competitive pressures. We believe that an attractive market opportunity exists for a specialty finance company focused primarily on investments in structured debt with warrants in technology-related companies for the following reasons:

- technology-related companies have generally been underserved by traditional lending sources;
- unfulfilled demand exists for structured debt financing to technology-related companies due to the complexity of evaluating risk in these investments; and
- structured debt with warrants products are less dilutive and complement equity financing from venture capital and private equity funds.

Technology-Related Companies are Underserved by Traditional Lenders.

We believe many viable technology-related companies backed by financial sponsors have been unable to obtain sufficient growth financing from traditional lenders, including financial services companies such as commercial banks and finance companies because traditional lenders have continued to consolidate and have adopted a more risk-averse approach to lending. More importantly, we believe traditional lenders are typically unable to underwrite the risk associated with these companies effectively.

The unique cash flow characteristics of many technology-related companies typically include significant research and development expenditures and high projected revenue growth thus often making such companies difficult to evaluate from a credit perspective. In addition, the balance sheets of these companies often include a disproportionately large amount of intellectual property assets, which can be difficult to value. Finally, the speed of innovation in technology and rapid shifts in consumer demand and market share add to the difficulty in evaluating technology-related companies.

Due to the difficulties described above, we believe traditional lenders generally refrain from entering the structured debt financing marketplace, instead preferring the risk-reward profile of asset-based lending. Traditional lenders generally do not have flexible product offerings that meet the needs of technology-related companies. The financing products offered by traditional lenders typically impose on borrowers many restrictive covenants and conditions, including limiting cash outflows and requiring a significant depository relationship to facilitate rapid liquidation.

Unfulfilled Demand for Structured Debt Financing to Technology-Related Companies.

Private debt capital in the form of structured debt financing from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that the level of demand for structured debt financing is a function of the level of annual venture equity investment activity.

We believe that demand for structured debt financing is currently underserved. The venture capital market for the technology-related companies in which we invest has been active. Therefore, to the extent we have capital available, we believe this is an opportune time to be active in the structured lending market for technology-related companies.

Structured Debt with Warrants Products Complement Equity Financing from Venture Capital and Private Equity Funds.

We believe that technology-related companies and their financial sponsors will continue to view structured debt securities as an attractive source of capital because it augments the capital provided by venture capital and private equity funds. We believe that our structured debt with warrants products provide access to growth capital that otherwise may only be available through incremental investments by existing equity investors. As such, we provide portfolio companies and their financial sponsors with an opportunity to diversify their capital sources. Generally, we believe many technology-related companies at all stages of development target a portion of their capital to be debt in an attempt to achieve a higher valuation through internal growth. In addition, because financial sponsor-backed companies have reached a more mature stage prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period sometimes required prior to liquidity events.

OUR BUSINESS STRATEGY

Our strategy to achieve our investment objective includes the following key elements:

Leverage the Experience and Industry Relationships of Our Management Team and Investment Professionals.

We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Our investment professionals have, on average, more than 10 years of experience as equity investors in, and/or lenders to, technology-related companies. In addition, our team members have originated structured debt, debt with warrants and equity investments in over 500 technology-related companies, representing more than $13.0 billion in commitments from inception to December 31, 2021, and have developed a network of industry contacts with investors and other participants within the venture capital and private equity communities. Members of our management team also have operational, research and development and finance experience with technology-related companies. Furthermore, we have established contacts with leading venture capital and private equity fund sponsors, public and private companies, research institutions and other industry participants, which we believe will enable us to identify and attract well-positioned prospective portfolio companies.

We focus our investing activities generally in industries in which our investment professionals have investment experience. We believe that our focus on financing technology-related companies will enable us to leverage our expertise in structuring prospective investments, to assess the value of both tangible and intangible assets, to evaluate the business prospects and operating characteristics of technology-related companies and to identify and originate potentially attractive investments with these types of companies.

Mitigate Risk of Principal Loss and Build a Portfolio of Warrant and Equity Securities.

We expect that our investments have the potential to produce attractive risk-adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from warrant and equity securities. We believe that we can mitigate the risk of loss on our debt investments through the combination of loan principal amortization after an initial interest only period, cash interest payments, relatively short maturities (typically between 36-48 months), security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment. Although we do not currently engage in hedging transactions, we may engage in hedging transactions in the future utilizing instruments such as forward contracts, currency options and interest rate swaps, caps, collars, and floors.

Historically our structured debt investments to technology-related companies typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investment. In addition, in some cases, we receive the right to make additional equity investments in our portfolio companies, including the right to convert some portion of our debt into equity, in connection with future equity financing rounds. We believe these equity interests will create the potential for meaningful long-term capital gains in connection with the future liquidity events of these technology-related companies.

Provide Customized Financing Complementary to Financial Sponsors' Capital.

We offer a broad range of investment structures and possess expertise and experience to effectively structure and price investments in technology-related companies. Unlike many of our competitors that only invest in companies that fit a specific set of investment parameters, we have the flexibility to structure our investments to suit the particular needs of our portfolio companies. We offer customized financing solutions ranging from senior debt, including below-investment grade debt instruments, also known as "junk bonds", to equity capital, with a focus on structured debt with warrants.

We use our relationships in the financial sponsor community to originate investment opportunities. Because venture capital and private equity funds typically invest solely in the equity securities of their portfolio companies, we believe that our debt investments will be viewed as an attractive and complimentary source of capital, both by the portfolio company and by the portfolio company's financial sponsor. In addition, we believe that many venture capital and private equity fund sponsors encourage their portfolio companies to use debt financing for a portion of their capital needs as a means of potentially enhancing equity returns, minimizing equity dilution and increasing valuations prior to a subsequent equity financing round or a liquidity event.

Invest at Various Stages of Development.

We provide growth capital to technology-related companies at all stages of development, including select publicly listed companies and select special opportunity lower middle market companies that require additional capital to fund acquisitions, recapitalizations and refinancings and established-stage companies. We believe that this provides us with a broader range of potential investment opportunities than those available to many of our competitors, who generally focus their investments on a particular stage in a company's development. Because of the flexible structure of our investments and the extensive experience of our investment professionals, we believe we are well positioned to take advantage of these investment opportunities at all stages of prospective portfolio companies' development.

Benefit from Our Efficient Organizational Structure.

We believe that the perpetual nature of our corporate structure enables us to be a long-term partner for our portfolio companies in contrast to traditional investment funds, which typically have a limited life. In addition, because of our access to the equity markets, we believe that we may benefit from a lower cost of capital than that available to private investment funds. We are not subject to requirements to return invested capital to investors nor do we have a finite investment horizon. Capital providers that are subject to such limitations are often required to seek a liquidity event more quickly than they otherwise might, which can result in a lower overall return on an investment.

Deal Sourcing Through Our Proprietary Database.

We have developed a proprietary and comprehensive database to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. As of December 31, 2021, our proprietary database included more than 55,000 technology-related companies and more than 13,000 venture capital firms, private equity sponsors or investors, as well as various other industry contacts. This proprietary database allows us to maintain, cultivate and grow our industry relationships while providing us with comprehensive details on companies in the technology-related industries and their financial sponsors.

OUR INVESTMENTS AND OPERATIONS

We principally invest in debt securities and, to a lesser extent, equity securities, with a particular emphasis on structured debt with warrants. We generally seek to invest in companies that have been operating for at least six to twelve months prior to the date of our investment. We anticipate that such entities may, at the time of investment, be generating revenues or will have a business plan that anticipates generation of revenues within 24 to 48 months. Further, we anticipate that on the date of our investment we will generally obtain a lien on available assets, which may or may not include intellectual property, and these companies will have sufficient cash on their balance sheet to operate as well as potentially amortize their debt for at least three to nine months following our investment. We generally require that a prospective portfolio company, in addition to having sufficient capital to support leverage, demonstrate an operating plan capable of generating cash flows or raising the additional capital necessary to cover its operating expenses and service its debt, for an additional six to twelve months subject to market conditions.

We expect that our investments will generally range from $15.0 million to $40.0 million, although we may make investments in amounts above or below this range. We typically structure our debt securities to provide for amortization of principal over the life of the loan, but may include a period of interest-only payments. Our loans will typically be collateralized by a security interest in the borrower's assets, although we may not have the first claim on these assets and the assets may not include intellectual property. Our debt investments carry fixed or variable contractual interest rates which generally ranged from approximately 7.0% to 14.5% as of December 31, 2021. Approximately 94.0% of our loans were at floating rates or floating rates with a floor and 6.0% of the loans were at fixed rates as of December 31, 2021.

In addition to the cash yields received on our loans, our loans generally include one or more of the following: exit fees, balloon payment fees, commitment fees, success fees, or prepayment fees. In some cases, our loans also include contractual payment-in-kind ("PIK") interest arrangements. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash.

In addition, our investments in the structured debt of venture capital-backed and institutional-backed companies generally have equity enhancement features, typically in the form of warrants or other equity securities that are considered original issue discounts ("OID") to our loans and are designed to provide us with an opportunity for potential capital appreciation. The warrants typically will be immediately exercisable upon issuance and generally will remain exercisable for the lesser of five to ten years or three to five years after completion of an initial public offering ("IPO"). The exercise prices for the warrants varies from nominal exercise prices to exercise prices that are at or above the current fair market value of the equity for which we receive warrants. We may structure warrants to provide minority rights provisions or, on a very select basis, put rights upon the occurrence of certain events. We generally target a total annualized return (including interest, fees and value of warrants) of 12% to 25% for our debt investments.

Typically, our structured debt and equity investments take one of the following forms:

- *Structured Debt with Warrants.* We seek to invest a majority of our assets in structured debt with warrants of prospective portfolio companies. Our investments in structured debt with warrants may be the only debt capital on the balance sheet of our portfolio companies, and in many cases we have a first priority security interest in all of our portfolio company's assets, or in certain investments we may have a negative pledge on intellectual property. Our structured debt with warrants typically has a maturity of between two and five years, and it may provide for full amortization after an interest only period. Our structured debt with warrants generally carries a contractual interest rate up to 11.0% and may include an additional exit fee payment or contractual PIK interest arrangements. We may structure our structured debt with warrants with restrictive affirmative and negative covenants, default penalties, prepayment penalties, lien protection, equity calls, change-in-control provisions or board observation rights.
- *Senior Debt.* We seek to invest a limited portion of our assets in senior debt. Senior debt may be collateralized by accounts receivable and/or inventory financing of prospective portfolio companies. Senior debt has a senior position with respect to a borrower's scheduled interest and principal payments and holds a first priority security interest in the assets pledged as collateral. Senior debt also may impose covenants on a borrower with regard to cash flows and changes in capital structure, among other items. We generally collateralize our investments by obtaining security interests in our portfolio companies' assets, which may include their intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property. Our senior loans, in certain instances, may be tied to the financing of specific assets. In connection with a senior debt investment, we may also provide the borrower with a working capital line-of-credit that will carry an interest rate ranging from Prime or LIBOR plus a spread with a floor, generally maturing in three to five years, and typically secured by accounts receivable and/or inventory. We also provide "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position with security interest in all the assets of the portfolio company. The loans can either be "first out" or "last out", whereby the "last-out" loans will be subordinated to the "first-out" portion of the unitranche loan in a liquidation, sale or other disposition.
- *Equity Securities.* The equity securities we hold consist primarily of warrants or other equity interests generally obtained in connection with our structured debt investments. In addition to the warrants received as a part of a structured debt financing, we typically receive the right to make equity investments in a portfolio company in connection with that company's next round of equity financing. We may also hold certain debt investments that have the right to convert a portion of the debt investment into equity. These rights will provide us with the opportunity to further enhance our returns over time through opportunistic equity investments in our portfolio companies. These equity investments are typically in the form of preferred or common equity and may be structured with a dividend yield, providing us with a current return, and with customary anti-dilution protection and preemptive rights. We may achieve liquidity through a merger or acquisition of a portfolio company, a public offering of a portfolio company's stock or by exercising our right, if any, to require a portfolio company to buy back the equity securities we hold. We may also make stand-alone direct equity

investments into portfolio companies in which we may not have any debt investment in the company. As of December 31, 2021, we held warrant and equity securities in 155 portfolio companies.

In addition to the characteristics described above, the table below compares the typical features of our investments.

	Structured Debt with Warrants	Senior Debt	Equity Securities
Typical Structure	Term debt with warrants	Term or revolving debt	Preferred stock or common stock
Investment Horizon	Long-term: 2 to 5 years; Average of 3.5 years	Generally under 4 years	3 to 7 years
Covenants	Less restrictive; mostly financial	Generally borrowing base and financial	None

Investment Criteria

We have identified several criteria, among others, that we believe are important in achieving our investment objective with respect to prospective portfolio companies. These criteria, while not inclusive, provide general guidelines for our investment decisions.

Portfolio Composition - While we generally focus our investments in venture capital-backed and institutional-backed companies in a variety of technology-related industries, we seek to invest across various financial sponsors as well as across various stages of companies' development and various technology industry sub-sectors and geographies. As of December 31, 2021, approximately 80.1% of the fair value of our portfolio was composed of investments in three industries: 39.7% was composed of investments in the "Drug Discovery & Development" industry, 24.1% was composed of investments in the "Software" industry, and 16.3% was composed of investments in the "Internet Consumer & Business Services" industry.

Continuing Support from One or More Financial Sponsors - We generally invest in companies in which one or more established financial sponsors have previously invested and continue to make a contribution to the management of the business. We believe that having established financial sponsors with meaningful commitments to the business is a key characteristic of a prospective portfolio company. In addition, we look for representatives of one or more financial sponsors to maintain seats on the board of directors of a prospective portfolio company as an indication of such commitment.

Company Stage of Development - While we invest in companies at various stages of development, we generally require that prospective portfolio companies be beyond the seed stage of development and generally have received or anticipate having commitments for their first institutional round of equity financing for early stage companies. We expect a prospective portfolio company to demonstrate progress in its product development or demonstrate a path towards revenue generation or increase its revenues and operating cash flow over time. The anticipated growth rate of a prospective portfolio company is a key factor in determining the value that we ascribe to any warrants or other equity securities that we may acquire in connection with an investment in debt securities.

Operating Plan - We generally require that a prospective portfolio company, in addition to having potential access to capital to support leverage, demonstrate an operating plan capable of generating cash flows or the ability to potentially raise the additional capital necessary to cover its operating expenses and service its debt for a specific period. Specifically, we require that a prospective portfolio company demonstrate at the time of our proposed investment that in addition to having sufficient capital to support leverage, it has an operating plan capable of generating cash flows or raising the additional capital necessary to cover its operating expenses and service its debt for an additional six to twelve months subject to market conditions.

Security Interest - In many instances we seek a first priority security interest in all of the portfolio company's tangible and intangible assets as collateral for our debt investment, subject in some cases to permitted exceptions. In other cases, we may obtain a negative pledge prohibiting a company from pledging or otherwise encumbering their intellectual property. Although we do not intend to operate as an asset-based lender, the estimated liquidation value of the assets, if any, collateralizing the debt securities that we hold is an important factor in our credit analysis and subject to assumptions that may change over the life of the investment especially when attempting to estimate the value of intellectual property. We generally evaluate both tangible assets, such as accounts receivable, inventory and equipment, and intangible assets, such as intellectual property, customer lists, networks and databases.

Covenants - Our investments may include one or more of the following covenants: cross-default; material adverse change provisions; requirements that the portfolio company provide periodic financial reports and operating metrics; and limitations on the portfolio company's ability to incur additional debt, sell assets, dividend recapture, engage in transactions with affiliates and consummate an extraordinary transaction, such as a merger or recapitalization without our consent. In addition, we may require other performance or financial based covenants, as we deem appropriate.

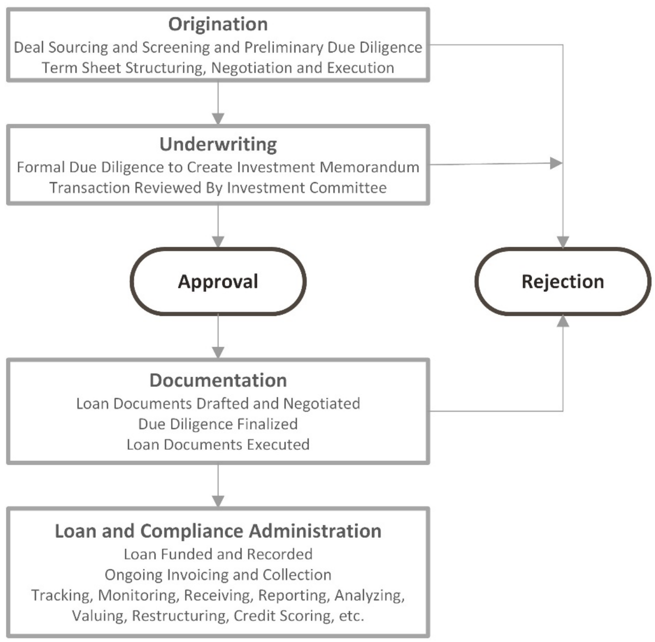
Exit Strategy - Prior to making a debt investment that is accompanied by a warrant or other equity security in a prospective portfolio company, we analyze the potential for that company to increase the liquidity of its equity through a future event that would enable us to realize appreciation in the value of our equity interest. Liquidity events may include an IPO, a private sale of our equity interest to a third party, a merger or an acquisition of the company or a purchase of our equity position by the company or one of its stockholders.

Investment Process

We have organized our management team around the four key elements of our investment process:

- Origination;
- Underwriting;
- Documentation; and
- Loan and Compliance Administration.

Our investment process is summarized in the following chart:



Origination

The origination process for our investments includes sourcing, screening, preliminary due diligence and deal structuring and negotiation, all leading to an executed non-binding term sheet. As of December 31, 2021, our investment origination team, which consists of approximately 53 investment professionals, is headed by our Chief Investment Officer and Chief Executive Officer. The origination team is responsible for sourcing potential investment opportunities and members of the investment origination team use their extensive relationships with various leading financial sponsors, management contacts within technology-related companies, trade sources, technology conferences and various publications to source prospective portfolio companies. Our investment origination team is divided into life sciences, technology, SaaS finance, sustainable and renewable technology, and special situation sub-teams to better source potential portfolio companies.

In addition, we have developed a comprehensive proprietary database to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. Our proprietary database allows our origination team to maintain, cultivate and grow our industry relationships while providing our origination team with comprehensive details on companies in the technology-related industries and their financial sponsors.

If a prospective portfolio company generally meets certain underwriting criteria, we perform preliminary due diligence, which may include high level company and technology assessments, evaluation of its financial sponsors' support, market analysis, competitive analysis, identifying key management, risk analysis and transaction size, pricing, return analysis and structure analysis. If the preliminary due diligence is satisfactory, and the origination team recommends moving forward, we then structure, negotiate and execute a non-binding term sheet with the potential portfolio company. Upon execution of a term sheet, the investment opportunity moves to the underwriting process to complete formal due diligence review and approval.

Underwriting

The underwriting review includes formal due diligence and approval of the proposed investment in the portfolio company.

Due Diligence - Our due diligence on a prospective investment is typically completed by two or more investment professionals whom we define as the underwriting team. The underwriting team for a proposed investment consists of the deal sponsor who typically possesses general industry knowledge and is responsible for originating and managing the transaction, other investment professionals who perform due diligence, credit and corporate financial analyses and our legal professionals, as needed. To ensure consistent underwriting, we generally use our standardized due diligence methodologies, which include due diligence on financial performance and credit risk as well as an analysis of the operations and the legal and applicable regulatory framework of a prospective portfolio company. The members of the underwriting team work together to conduct due diligence and understand the relationships among the prospective portfolio company's business plan, operations and financial performance.

As part of our evaluation of a proposed investment, the underwriting team prepares an investment memorandum for presentation to the investment committee. In preparing the investment memorandum, the underwriting team typically interviews select key management of the company and select financial sponsors and assembles information necessary to the investment decision. If and when appropriate, the investment professionals may also contact industry experts and customers, vendors or, in some cases, competitors of the company. The underwriting team collaborates with the credit and legal teams to ensure the final credit underwriting deal structure meets our standards. In addition to the aforementioned members of the investment team, each deal is also assigned to a member of the credit team. The credit team is responsible for making sure that all material risks in the transaction are identified and mitigated to the extent possible in the investment memorandum and that the legal documentation properly reflects the transaction as approved by the investment committee.

Approval Process - The sponsoring managing director or principal presents the investment memorandum to our investment committee for consideration. The approval of a majority of our investment committee is required before we proceed with any investment. The investment committee members include our Chief Executive Officer and Chief Investment Officer, Chief Financial Officer, Chief Credit Officer, and Senior Managing Director of Risk Management. The investment committee meets on an as-needed basis.

Documentation

Our legal department administers the documentation process for our investments. This department is responsible for documenting the transactions approved by our investment committee with a prospective portfolio company. This department negotiates loan documentation and, subject to appropriate approvals, final documents are prepared for execution by all parties. The legal department generally uses the services of external law firms to complete the necessary documentation.

Loan and Compliance Administration

Our investment committee, supported by our investment team, credit team, and finance department, administers loans and tracks covenant compliance, if applicable, of our investments and oversees periodic reviews of our critical functions to ensure adherence with our internal policies and procedures. After the funding of a loan in accordance with the investment committee's approval, the loan is recorded in our loan administration software and our proprietary database. The investment team, credit team, and finance department are responsible for ensuring timely interest and principal payments and collateral management as well as advising the investment committee on the financial performance and trends of each portfolio company, including any covenant violations that occur, to aid us in assessing the appropriate course of action for each portfolio company and evaluating overall portfolio quality. In addition, the investment team and credit team advise the investment committee and the Audit Committee of our Board, accordingly, regarding the credit and investment grading for each portfolio company as well as changes in the value of collateral that may occur.

The investment team and credit team monitor our portfolio companies in order to determine whether the companies are meeting our financing criteria and their respective business plans and also monitors the financial trends of each portfolio company from its monthly or quarterly financial statements to assess the appropriate course of action for each company and to evaluate overall portfolio quality. In addition, our management team closely monitors the status and performance of each individual company through our proprietary database and periodic contact with our portfolio companies' management teams and their respective financial sponsors.

Credit and Investment Grading System. Our investment and credit teams use an investment grading system to characterize and monitor our outstanding loans. They monitor and when appropriate, recommend changes to investment grading. Our investment committee reviews and approves the recommendations and/or changes to the investment grading. These approved investment gradings are provided on a quarterly basis to the Audit Committee and our Board, along with valuations for our investments which are submitted for approval.

From time to time, we will identify investments that require closer monitoring or become workout assets. We develop a workout strategy for workout assets and our investment committee monitors the progress against the strategy. We may incur losses from our investing activities; however, we work with our troubled portfolio companies to recover as much of our investments as is practicable, including possibly taking control of the portfolio company. There can be no assurance that principal will be recovered.

We use the following investment grading system approved by our Board:

Grade 1	Loans involve the least amount of risk in our portfolio. The borrower is performing above expectations, and the trends and risk profile is generally favorable.
Grade 2	The borrower is performing as expected and the risk profile is neutral to favorable. All new loans are initially graded 2.
Grade 3	The borrower may be performing below expectations, and the loan's risk has increased materially since origination. We typically increase procedures to monitor a borrower when it is determined that credit risk has increased meaningfully since origination, such as, when the borrower is approaching a low liquidity point and an expected capital raise event is not imminent, when an expected milestone has slipped or failed, when performance or new business is materially below our plan, or if the estimated fair value of the enterprise is materially lower than it was when the loan was originated.
Grade 4	The borrower is performing materially below expectations, and the loan risk has substantially increased since origination with the prospect of raising additional capital significantly in question. Loans graded 4 may experience some partial loss or full return of principal but are expected to realize some loss of interest which is not anticipated to be repaid in full, which, to the extent not already reflected, may require the fair value of the loan to be reduced to the amount we anticipate will be recovered. Grade 4 investments are closely monitored.
Grade 5	The borrower is in workout, materially performing below expectations and a significant risk of principal loss is probable. Loans graded 5 will experience some partial principal loss or full loss of remaining principal outstanding is expected. Grade 5 loans will require the fair value of the loans be reduced to the amount, if any, we anticipate will be recovered.

As of December 31, 2021, our investment portfolio had a weighted average investment grading of 2.10.

Managerial Assistance

As a BDC we are generally required to offer and provide, upon request, significant managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance, among other things. We may, from time to time, receive fees for these services. In the event that such fees are received, they are incorporated into our operating income and are passed through to our stockholders, given the nature of our structure as an internally managed BDC. See "—Regulation—Significant Managerial Assistance" for additional information.

COMPETITION

Our primary competitors provide financing to prospective portfolio companies and include non-bank financial institutions, federally or state-chartered banks, venture debt funds, financial institutions, venture capital funds, private equity funds, investment funds and investment banks. Many of these entities have greater financial and managerial resources than we have, and the 1940 Act imposes certain regulatory restrictions on us as a BDC to which many of our competitors are not subject. However, we believe that few of our competitors possess the expertise to properly structure and price debt investments to venture capital-backed and institutional capital-backed companies in technology-related industries. We believe that our specialization in financing technology-related companies will enable us to determine a range of potential values of intellectual property assets, evaluate the business prospects and operating characteristics of prospective portfolio companies and, as a result, identify investment opportunities that produce attractive risk-adjusted returns. For additional information concerning the competitive risks we face, see "Item 1A. Risk Factors—Risks Related to our Business Structure—We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively."

HUMAN CAPITAL DISCLOSURES

As an internally managed BDC, we believe that one of the strengths and principal reasons for the long-term success of our company is the quality and dedication of our people. As of December 31, 2021, our team comprises over 90 professionals across our 8 offices globally. Within our team, 53 team members are experienced investment professionals who have on an average more than 10 years of experience in venture capital, structured finance, origination of debt and equity investments, commercial lending and acquisition finance with technology and biomedical companies, as well as our executive officers and treasury, finance, risk management, administrative support, IT and human resources professionals. We leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions. From inception to December 31, 2021, our team has originated structured debt, debt with warrants and equity investments in over 500 companies, representing more than $13.0 billion in commitments. Our investment team leverages established contacts with leading venture capital and private equity fund sponsors, public and private companies, research institutions and other industry participants, to identify and source our investments. We believe that leveraging the relationships that our investment teams have established will enable us to continue to identify and attract well-positioned prospective portfolio companies.

Talent Acquisition and Retention

Our goal is to ensure that we have the right blend of talent supporting our business. We seek to accomplish this goal through our commitment to attracting, developing, and retaining our high quality team. The process by which we attract, recruit and select new members to join our team is strategic and purposeful to ensure our business and culture continue to thrive. As part of our commitment to recruit, develop talent, and provide mentorship, we offer an internship program that invites high quality college students from a diverse pool of institutions to learn our business and contribute to our work as temporary employees for a period of approximately six months. These internships are expected to lead to permanent roles for high performing and high potential interns. Additionally, we aim to recruit a diverse group of interns and analysts, representing different ethnic and cultural backgrounds, by partnering with organizations that help us achieve that goal and that encourage diverse candidates to explore financial services as a career.

As strategic needs are identified, we contract with employment agencies to hire new members. Through our internship program, individuals who want to join the investment team have the opportunity to see the full investment process from due diligence to closing, as well as ongoing portfolio management activities. Additionally, from time to time, we may contract with independent contractors on a temporary basis.

The retention of our personnel is important to the management of our business. The departure of key management personnel could adversely affect our business and cause us to lose current and potential investment opportunities. We believe that compensation and benefits are a key part of retaining personnel. As such, we offer a competitive, equitable, compensation and benefits structure that we believe is attractive to our current and prospective professionals relative to their local markets and industry. Our compensation strategy includes, for certain professionals, equity incentive plans, which we have structured to further align the interests of our professionals with our stockholders, and to cultivate a strong sense of ownership and commitment to our Company. As part of our commitment to developing our team and to foster a culture of learning, we provide many training opportunities for our employees to continue to build their skills and increase their effectiveness as members of a team, including offering a variety of external and internal classes and training sessions as well as hands-on learning and one-on-one mentorship. Through our annual goal setting and performance review processes, our employees are annually evaluated by managers and our senior management team to ensure employees continue to develop and advance as expected. As we hire and develop individuals, we also take succession planning into account and have succession plans in place for each of our named executive officers.

The pandemic has presented new challenges with respect to employee engagement and well-being, both of which are fundamental to the success of our business. The safety of our employees, clients, customers, and vendors remains at the forefront of our decisions regarding when it is safe for employees to return to work in the office. Accordingly, we have allowed employees to work from home in regions where doing so is recommended by local guidance. Following local and CDC guidance, we have made our offices accessible to those who prefer to work in the office, with restrictions and safety protocols in place. Throughout this time, we have made continuous efforts to support our employees with increased dialogue with managers, colleagues and leaders, flexibility to address different working environments and schedules, information regarding stress management and physical and mental health, and virtual engagements. Our Employee Assistance Program provides additional, ongoing support and information for our employees and their families.

Our Culture

We are committed to fostering a workplace conducive to the open communication of any concerns regarding unethical, fraudulent or illegal activities. We seek to promote a safe environment that is free of harassment or bullying. We do not tolerate discrimination or harassment of any kind, including, but not limited to, sexual, gender identity, race, religion, ethnicity, age, or disability, among others. We seek feedback from employees on matters related to their employment or our operations including its financial statement disclosures, accounting, internal accounting controls or auditing matters. Under our Whistleblower Policy, each director, officer, regular full-time, part-time and temporary employee of the Company has the ability to confidentially report: any questionable or improper accounting, internal controls, auditing matters, disclosure, or fraudulent business practices or other illegal or unethical behavior. We seek to protect the confidentiality of those making reports of possible misconduct and our Whistleblower Policy prohibits retaliation against those who report activities believed in good faith to be a violation of any law, rule, regulation or internal policy.

Our Code of Business Conduct and Ethics establishes applicable policies, guidelines, and procedures that promote ethical practices and conduct by the Company and all its employees, officers, and directors. Upon joining and annually, all employs receive compliance training. Our Whistleblower Policy and Code of Business Conduct and Ethics Policy can be found on our website at investor.htgc.com/corporate-governance/governance-documents.

Diversity, Equity, and Inclusion

At Hercules, we feel strongly that building a diverse and inclusive team is an important priority. We aim to attract, motivate, and retain a diverse group of individuals and to create an inclusive community where all individuals are welcomed, valued, respected, and heard. We are proud that our workforce consists of diverse professionals including over 60% that are women or people of diverse ethnic backgrounds. Over 50% of our senior leaders, which includes our managing directors on the investment team and senior executives are women or people of diverse ethnic backgrounds. We strive to continue to create a welcoming and inclusive work environment for our employees.

Philanthropy

Hercules encourages and supports our employees to be active participants in our local communities. As a Company, we support local non-profit organizations by hosting annual fundraising, food, and toy drives. In addition to our Company sponsored philanthropic initiatives, we also provide employees with paid days off to volunteer at organizations of their choice. Hercules supports a variety of non-profit organizations through corporate sponsorship and donations. In addition, we support our employees and the causes that are most important to them through our Charitable Donation Matching program, in which we match donations our employees make to qualified 501(c)(3) non-profits (subject to maximum limits per employee).

For more information on our approach to social, governance, and environmental topics, please refer to our Environmental, Social and Governance Policy (“ESG Policy”), which can be found on our website at investor.htgc.com/esg.

REGULATION

We have elected to be regulated as a BDC under the 1940 Act. The following discussion is a general summary of the material prohibitions and descriptions governing BDCs. It does not purport to be a complete description of all of the laws and regulations affecting BDCs.

Regulation as a Business Development Company

A BDC primarily focuses on investing in or lending to private companies and making significant managerial assistance available to them, while providing its stockholders with the ability to retain the liquidity of a publicly traded stock. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their directors and officers and principal underwriters and certain other related persons and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities as defined in the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's shares present at a meeting if more than 50% of the outstanding shares of such company are present or represented by proxy, or (ii) more than 50% of the outstanding shares of such company.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

   (a) is organized under the laws of, and has its principal place of business in, the United States;

   (b) is not an investment company (other than a SBIC wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

   (c) does not have any class of securities listed on a national securities exchange; or if it has securities listed on a national securities exchange such company has a market capitalization of less than $250 million; is controlled by the BDC and has an affiliate of a BDC on its Board; or meets such other criteria as may be established by the SEC.

(2) Securities of any portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Control, as defined by the 1940 Act, is presumed to exist where a BDC beneficially owns more than 25% of the outstanding voting securities of the portfolio company or has greater than 50% representation on its board.

We do not intend to acquire securities issued by any investment company, including other BDCs, that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any investment company (as defined in the 1940 Act), invest more than 5% of the value of our total assets in the securities of one such investment company or invest more than 10% of the value of our total assets in the securities of such other investment companies in the aggregate. SEC rules permit us to exceed these limits, subject to certain conditions. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses.

Significant Managerial Assistance

BDCs generally must offer to make available to the issuer of the securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company's officers or other organizational or financial guidance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. We may invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we generally would not meet the diversification tests imposed on us by the Code in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. We will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Warrants, Options, and Restricted Stock

Under the 1940 Act, a BDC is subject to restrictions on the amount of warrants, options, restricted stock or rights to purchase shares of capital stock that it may have outstanding at any time. In particular, the amount of capital stock that would result from the conversion or exercise of all outstanding warrants, options or other rights to purchase or convert into capital stock cannot exceed 25% of the BDC's total outstanding shares of capital stock. This amount is reduced to 20% of the BDC's total outstanding shares of capital stock if the amount of warrants, options or rights issued pursuant to an executive compensation plan would exceed 15% of the BDC's total outstanding shares of capital stock. We have received exemptive relief from the SEC permitting us to issue stock options and restricted stock to our employees and directors subject to the above conditions, among others. For a discussion regarding the conditions of this exemptive relief, see "—No-action and Exemptive Relief" below and "Note 8 - Equity Incentive Plans" to our consolidated financial statements.

Reduced Asset Coverage Requirements

In accordance with the Small Business Credit Availability Act ("SBCAA"), our Board and stockholders approved the reduction of our minimum asset coverage ratio applicable under Section 61(a)(2) of the 1940 Act on September 4, 2018 and December 6, 2018, respectively. As a result, effective December 7, 2018, the minimum asset coverage ratio under the 1940 Act applicable to us decreased from 200% to 150%, permitting us to incur additional leverage.

Senior Securities; Coverage Ratio

We will be permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150% immediately after each such issuance. In addition, we may not be permitted to declare any cash dividend 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 150% after deducting the amount of such distribution or purchase price. On April 5, 2007, we received approval from the SEC on our request for exemptive relief that permits us to exclude the indebtedness of our wholly owned subsidiaries that are SBICs from the 150% asset coverage requirement applicable to us. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes. For a discussion of the risks associated with the resulting leverage, see "Item 1A. Risk Factors—Risks Related to Our Business Structure—Because we have substantial indebtedness, there could be increased risk in investing in our company."

Capital Structure

Subject to limited exceptions, we are not generally able to issue and sell our common stock at a price per share below NAV. We may, however, sell our common stock, or warrants, options or other rights to acquire such common stock, at a price below the current NAV if our Board determines that such sale is in the best interests of our stockholders and if stockholders, including a majority of those stockholders that are not affiliated with us, approve of such sale.

In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of the Board, closely approximates the market value of such securities (less any distribution commission or discount). We do not currently have authorization from our stockholders to issue common stock at a price below its then current NAV per share.

Other 1940 Act Regulations

As a closed-end investment company that has elected to be regulated as a BDC under the 1940 Act, we are periodically examined by, and required to submit information to, the SEC for compliance with the Exchange Act and the 1940 Act. We are also prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Board who are not interested persons and, in some cases, prior approval by the SEC. We are required by the 1940 Act to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person’s office. We are also required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation. Our Chief Compliance Officer is responsible for administering these policies and procedures.

Code of Ethics

We have adopted and will maintain a code of ethics that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code’s requirements. We may be prohibited under the 1940 Act from conducting certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, the prior approval of the SEC.

Our current code of ethics is posted on our website at investor.htgc.com/corporate-governance/governance.documents. In addition, the code of ethics is available on the EDGAR Database on the SEC’s Internet site at http://www.sec.gov. You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov.

Privacy Principles

We are committed to maintaining the privacy of our stockholders and safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent).

We restrict access to non-public personal information about our stockholders to our employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

Proxy Voting Policies and Procedures

We vote proxies relating to our portfolio securities in the best interest of our stockholders. Our proxy voting decisions are made by members of the Company's investment team, who review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that may have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so. We generally do not believe it is necessary to engage the services of an independent third party to assist in issue analysis and vote recommendation for proxy proposals.

To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Small Business Administration Regulations

We make investments in qualifying small businesses through wholly owned SBIC subsidiaries. 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.

Each SBIC subsidiary is subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. As part of the SBA's oversight, each SBIC is periodically examined and audited by the SBA’s staff to determine their compliance with SBA regulations. If any of our SBICs fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit our SBICs' use of debentures, declare outstanding debentures immediately due and payable, and/or limit our SBICs from making new investments. In addition, our SBICs may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively impact us because our SBICs are wholly owned subsidiaries. Further, the SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a “change of control” or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. As of December 31, 2021, as a result of having sufficient capital as defined under the SBA regulations, our SBICs were in compliance with the terms of the SBA’s leverage requirements.

The receipt of an SBIC license does not assure that a SBIC will receive SBA guaranteed debenture funding, which is dependent upon our SBICs continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to our SBICs’ assets over our stockholders in the event we liquidate our SBICs or the SBA exercises its remedies under the SBA-guaranteed debentures issued by our SBICs upon an event of default.

Compliance with the Securities Exchange Act of 1934 and Sarbanes-Oxley Act

We are subject to the reporting and disclosure requirements of the Exchange Act, including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the consolidated financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm;
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

Compliance with The New York Stock Exchange (NYSE) Corporate Governance Regulations

Our common stock is listed on the NYSE under the symbol "HTGC". As a listed company on the NYSE, we are subject to various listing standards including corporate governance listing standards. We believe we are in compliance with such corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we stay in compliance.

Brokerage Allocations and Other Practices

Because we generally acquire and dispose of our investments in privately negotiated transactions, we typically do not use brokers in the normal course of business. However, from time to time, we may work with brokers to sell positions we have acquired in the securities of publicly listed companies or to acquire positions (principally equity) in companies where we see a market opportunity to acquire such securities at attractive valuations. In cases where we do use a broker, we do not execute transactions through any particular broker or dealer, but will seek to obtain the best net results for the Company, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive execution costs, we may not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

No-action and Exemptive Relief Obtained

On May 11, 2020, we received no-action relief from the SEC staff that allowed us to form the Adviser Subsidiary as a registered investment adviser under the Advisers Act. Separately, for information regarding our SEC exemptive relief obtained, please see the section entitled "Regulation – Exemptive Relief Obtained" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 20, 2020 (the "2019 10-K"), which is incorporated by reference.

Investment Adviser Regulation

The Adviser Subsidiary, which is wholly owned by us, is subject to regulation under the Advisers Act. The Advisers Act establishes, among other things, recordkeeping and reporting requirements, disclosure requirements, limitations on transactions between the adviser's account and an advisory client's account, limitations on transactions between the accounts of advisory clients, and general anti-fraud prohibitions. The Adviser Subsidiary may be examined by the SEC from time to time for compliance with the Advisers Act.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain material U.S. federal income tax considerations relating to our qualification and taxation as a RIC and the acquisition, ownership and disposition of our preferred stock or common stock, but does not purport to be a complete description of the income tax considerations relating thereto. Except as otherwise noted, this discussion assumes you are a taxable U.S. person (as defined for U.S. federal income tax purposes) and that you hold your shares of our stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion is based upon current provisions of the Code, the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the "IRS"), possibly with retroactive effect. No attempt is made to present a detailed explanation of all U.S. federal income tax concerns affecting us and our stockholders (including stockholders subject to special rules under U.S. federal income tax law).

The discussions set forth herein do not constitute tax advice. We have not sought and will not seek any ruling from the IRS regarding any matters discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to those set forth below. This summary does not discuss any aspects of foreign, state or local tax. Prospective investors must consult their own tax advisers as to the U.S. federal income tax consequences (including the alternative minimum tax consequences) of acquiring, holding and disposing of shares of our stock, as well as the effects of state, local, and non-U.S. tax laws.

Election to be Subject to Tax as a RIC

Through December 31, 2005, we were subject to U.S. federal income tax as an ordinary corporation under Subchapter C of the Code. Effective beginning on January 1, 2006, we met the criteria specified below to qualify as a RIC and elected to be treated as a RIC under Subchapter M of the Code with the filing of our U.S. federal income tax return for 2006. To qualify for treatment as a RIC we must, among other things, meet certain source of income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, in respect of each taxable year, dividends for federal income tax purposes of an amount generally at least equal to 90% of our "investment company taxable income," which is generally equal to the sum of our net ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses, determined without regard to any deduction for distributions paid (the "Annual Distribution Requirement"). Upon satisfying these requirements in respect of a taxable year, we generally will not be subject to corporate taxes on any income we distribute to our stockholders as dividends for federal income tax purposes, which will allow us to reduce our liability for corporate-level income tax.

Taxation as a Regulated Investment Company

For any taxable year in which we:

- qualify as a RIC; and
- distribute dividends for federal income tax purposes to our stockholders of an amount at least equal to the Annual Distribution Requirement;

We generally will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (*i.e.*, net realized long-term capital gains in excess of net realized short-term capital losses) we distribute (or are deemed to distribute) as dividends for U.S. federal income tax purposes to stockholders with respect to that taxable year.

We made the election to recognize built-in gains as of the effective date of our election to be treated as a RIC and therefore were not subject to built-in gains tax when we sold those assets. However, if we subsequently acquire built-in gain assets from a C corporation in a carryover basis transaction, then we may be subject to tax on the gains recognized by us on dispositions of such assets unless we make a special election to pay corporate-level tax on such built-in gain at the time the assets are acquired. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) as dividends for U.S. federal income tax purposes to our stockholders.

In order to qualify as a RIC for federal income tax purposes and obtain the tax benefits of RIC status, in addition to satisfying the Annual Distribution Requirement, we must, among other things:

- have in effect at all times during each taxable year an election to be regulated as a BDC under the 1940 Act;
- derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities and (b) net income derived from an interest in a "qualified publicly traded partnership", or the 90% Income Test;
- diversify our holdings so that at the end of each quarter of the taxable year:
  - o at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and
  - o no more than 25% of the value of our assets is invested in (i) securities (other than U.S. government securities or securities of other RICs) of one issuer, (ii) securities of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) securities of one or more "qualified publicly traded partnerships", or the Diversification Tests.

We may invest in partnerships which may result in our being subject to state, local, or foreign income, franchise or other tax liabilities. In addition, some of the income and fees that we may recognize will not be qualifying income under the 90% Income Test. In order to mitigate the risk that such income and fees would disqualify us as a RIC as a result of a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities classified as corporations for U.S. federal income tax purposes. Such corporations generally will be subject to corporate income taxes on their earnings, which ultimately will reduce our return on such income and fees.

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 sum of (1) 98% of our ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of our 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 ("Excise Tax Avoidance Requirement"). We are not 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.

Under applicable Treasury regulations and other administrative guidance issued by the IRS, we are permitted to treat certain distributions payable in our stock as taxable distributions that will satisfy the Annual Distribution Requirement as well as the Excise Tax Avoidance Requirement provided that stockholders have the opportunity to elect to receive the distribution in cash. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be subject to tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on distributions, then such sales may put downward pressure on the trading price of our stock. We may in the future determine to make taxable distributions that are payable in part in our common stock.

We may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having OID (such as debt instruments with PIK interest provisions or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each taxable year a portion of the OID that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any OID accrued is generally required to be included in our investment company taxable income for the taxable year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

We are authorized to borrow funds and to sell assets in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement (collectively the “Distribution Requirements”). However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain “asset coverage” tests are met. See “Regulation—Senior Securities; Coverage Ratio”. We may be restricted from making distributions under the terms of our debt obligations themselves unless certain conditions are satisfied. Moreover, our ability to dispose of assets to meet the Distribution Requirements may be limited by (1) the illiquid nature of our portfolio, or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Distribution Requirements, we may make such dispositions at times that, from an investment standpoint, are not advantageous. If we are prohibited from making distributions or are unable to obtain cash from other sources to make the distributions, we may fail to be subject to tax as a RIC, which would result in us becoming subject to corporate-level income taxes.

In addition, we will be partially dependent on our SBICs for cash distributions to enable us to meet the RIC Distribution Requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, as amended, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our status as a RIC. We may have to request a waiver of the SBA’s restrictions for our SBICs to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such waiver. If our SBICs are unable to obtain a waiver, compliance with the SBA regulations may cause us to fail to be subject to tax as a RIC, which would result in us becoming subject to corporate-level income taxes.

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) convert distributions that would otherwise constitute qualified dividend income into ordinary income, (ii) treat distributions that would otherwise be eligible for deductions available to certain U.S. corporations under the Code as ineligible for such treatment, (iii) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (iv) convert long-term capital gains into short-term capital gains or ordinary income, (v) convert short-term capital losses into long-term capital losses, (vi) convert an ordinary loss or deduction into a capital loss (the deductibility of which is more limited), (vii) cause us to recognize income or gain without a corresponding receipt of cash, (viii) adversely alter the characterization of certain complex financial transactions, and (ix) produce gross income that will not constitute qualifying gross income for purposes of the 90% Income Test. These rules also could affect the amount, timing and character of distributions to stockholders.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income." If our otherwise deductible expenses in a given taxable year exceed our ordinary taxable gross income (e.g., as the result of large amounts of equity-based compensation), we would incur a net operating loss for that taxable year. However, a RIC is not permitted to carry back or carry forward net operating losses, respectively, to prior and subsequent taxable years, and such net operating losses do not pass through to the RIC's stockholders. In addition, deductible expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such net capital losses, and generally use them to offset capital gains indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we may for tax purposes have aggregate taxable income for several taxable years that we are required to distribute and that is taxable to our stockholders even if such taxable income is greater than the aggregate net income we actually earned during those taxable years. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Investment income received from sources within foreign countries, or capital gains earned by investing in securities of foreign issuers, may be subject to foreign income taxes withheld at the source. In this regard, withholding tax rates in countries with which the United States does not have a tax treaty are often as high as 35% or more. The United States has entered into tax treaties with many foreign countries that may entitle us to a reduced rate of tax or exemption from tax on this related income and gains. The effective rate of foreign tax cannot be determined at this time since the amount of our assets to be invested within various countries is not now known. We do not anticipate being eligible for the special election that allows a RIC to treat foreign income taxes paid by such RIC as having been paid by its stockholders.

If we acquire the equity securities of certain foreign corporations that earn at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, royalties or capital gain) or hold at least 50% of their total assets in investments producing such passive income ("PFICs"), we could be subject to federal income tax and additional interest charges on "excess distributions" received from such companies or gain from the sale of stock in such companies, even if all income or gain actually received by us is timely distributed to our stockholders to the extent that such income or gain is attributable to our ownership of PFIC stock in a prior taxable year. We would not be able to pass through to our stockholders any credit or deduction for such a tax. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election could require us to recognize taxable income or gain without the concurrent receipt of cash. We intend to limit and/or manage our holdings in PFICs to minimize our liability for any such taxes and related interest charges.

If we hold greater than 10% of the interests treated as equity for U.S. federal income tax purposes in a foreign corporation that is treated as a controlled foreign corporation ("CFC"), we may be treated as receiving a deemed distribution (taxable as ordinary income) each taxable year from such foreign corporation in an amount equal to our pro rata share of the corporation's income for such taxable year (including both ordinary earnings and capital gains), whether or not the corporation makes an actual distribution during such taxable year. We would be required to include the amount of a deemed distribution from a CFC when computing our investment company taxable income as well as in determining whether we satisfy the distribution requirements applicable to RICs, even to the extent the amount of our income deemed recognized from the CFC exceeds the amount of any actual distributions from the CFC and our proceeds from any sales or other dispositions of CFC stock during a taxable year. In general, a foreign corporation will be considered a CFC if greater than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (directly, indirectly or by attribution) by U.S. Stockholders. A "U.S. Stockholder," for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power or value of all classes of shares of a foreign corporation. Income derived by us from a CFC would generally constitute qualifying income for purposes of determining our ability to be subject to tax as a RIC if the CFC makes distributions of that income to us in the same year of the CFC in which we are treated as having received a deemed distribution of such income or if the income is derived with respect to our business of investing in stocks and securities. As such, we may limit and/or manage our holdings in issuers that could be treated as CFCs in order to limit our tax liability or maximize our after-tax return from these investments.

Our functional currency, for U.S. federal income tax purposes, is the U.S. dollar. Under the Code, foreign exchange gains and losses realized by us in connection with certain transactions involving foreign currencies, or payables or receivables denominated in a foreign currency, as well as certain non-U.S. dollar denominated debt securities, certain foreign currency futures contracts, foreign currency option contracts, foreign currency forward contracts, and similar financial instruments are subject to Code provisions that generally treat such gains and losses as ordinary income and losses and may affect the amount, timing and character of distributions to our stockholders. Any such transactions that are not directly related to our investment in securities (possibly including speculative currency positions or currency derivatives not used for hedging purposes) also could, under future Treasury regulations, produce income not among the types of "qualifying income" from which a RIC must derive at least 90% of its annual gross income.

Failure to Qualify as a Regulated Investment Company

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify as a RIC for such taxable year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level federal taxes or to dispose of certain assets).

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Such distributions would be taxable to our stockholders and provided certain holding period and other requirements were met, could qualify for treatment as "qualified dividend income" eligible for the 20% maximum U.S. federal income tax rate if earned by certain U.S. resident non-corporate stockholders to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions generally would be eligible for the dividends-received deduction with respect to distributions current and accumulated earnings and profits if earned by certain U.S. resident corporate stockholders. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that taxable year and dispose of any earnings and profits from any taxable year in which we failed to qualify as a RIC. Subject to a limited exception applicable to a corporation that qualified as a RIC under Subchapter M of the Code for at least one taxable year prior to disqualification and that requalify as a RIC no later than the second taxable year following the nonqualifying taxable year, we also could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent five taxable years, unless we made a special election to incur a corporate-level income tax on such built-in gain at the time of our requalification as a RIC.

DETERMINATION OF NET ASSET VALUE

We determine the NAV per share of our common stock quarterly. The NAV per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding. As of the date of this report, we do not have any preferred stock outstanding.

As of December 31, 2021, approximately 93.6% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board. 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. 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, Fair Value Measurements and Disclosures. Our debt securities are primarily invested in venture capital-backed and institutional-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 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 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 intend to continue to engage one or more independent valuation firm(s) to provide us with assistance regarding our determination of the fair value of selected portfolio investments each quarter unless directed by the Board to cancel such valuation services. 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. The scope of the services rendered by an independent valuation firm is at the discretion of the Board. Our Board is ultimately, and solely, responsible for determining the fair value of our investments in good faith.

See "Note 2 – Summary of Significant Accounting Policies" in the notes to the consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

Determinations in Connection with Offerings

In connection with each offering of shares of our common stock, the Board or a committee thereof is required to make the determination that we are not selling shares of our common stock at a price below our then current NAV at the time at which the sale is made, unless it is determined by the Board that such sale is in the best interests of our stockholders. The Board considers the following factors, among others, in making such determination:

- the NAV of our common stock disclosed in the most recent periodic report we filed with the SEC;
- our management's assessment of whether any material change in the NAV has occurred (including through the realization of net gains on the sale of our portfolio investments) from the period beginning on the date of the most recently disclosed NAV to the period ending two days prior to the date of the sale of our common stock; and
- the magnitude of the difference between (i) a value that our Board or an authorized committee thereof has determined reflects the current NAV of our common stock, which is generally based upon the NAV of our common stock disclosed in the most recent periodic report that we filed with the SEC, as adjusted to reflect our management's assessment of any material change in the NAV of our common stock since the date of the most recently disclosed NAV of our common stock, and (ii) the offering price of the shares of our common stock in the proposed offering.

Importantly, this determination does not require that we calculate NAV in connection with each offering of shares of our common stock, but instead it involves the determination by the Board or a committee thereof that we are not selling shares of our common stock at a price below the then current NAV at the time at which the sale is made.

Moreover, to the extent that there is a possibility that we may (i) issue shares of our common stock at a price below the then current NAV of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we will provide to the SEC in a registration statement to which a prospectus will be a part) to suspend the offering of shares of our common stock pursuant to a prospectus if the NAV fluctuates by certain amounts in certain circumstances until such prospectus is amended, the Board or a committee thereof will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such, events or to undertake to determine NAV within two days prior to any such sale to ensure that such sale will not be below our then current NAV, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine NAV to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records we are required to maintain under the 1940 Act.

Summary Risk Factors

The risk factors described below are a summary of the principal risk factors associated with an investment in us. These are not the only risks we face. You should carefully consider these risk factors, together with the risk factors set forth in Item 1A. of this Annual Report on Form 10-K and other reports and documents filed by us with the SEC.

Risks Related to our Business Structure

- As an internally managed BDC, we are subject to certain restrictions that may adversely affect our business.
- We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively.
- Because we have substantial indebtedness, there could be increased risk in investing in our company.
- Regulations governing our operations as a BDC may affect our ability to, and the manner in which, we raise additional capital.
- Our executive officers and employees, through the Adviser Subsidiary, are expected to manage the Adviser Funds or separately managed accounts, which includes funds from External Parties, that operate in the same or a related line of business as we do, which may result in significant conflicts of interest.
- There is a risk that you may not receive distributions or that our distributions may not grow over time.
- We are exposed to risks associated with changes in interest rates, including fluctuations in interest rates which could adversely affect our profitability or the value of our portfolio.
- Our operating flexibility and financial condition could be negatively affected if we fail to qualify as a BDC or RIC.

Risks Related to Our Investments

- Our investments are concentrated in certain industries and in a number of technology-related companies, which subjects us to the risk of significant loss if any of these companies default on their obligations under any of their debt securities that we hold, or if any of the technology-related industry sectors experience a downturn.
- Our financial results could be negatively affected if a significant portfolio investment fails to perform as expected.
- Our investments may be in portfolio companies that have limited operating histories and resources.
- Our investment strategy focuses on technology-related companies, which are subject to many risks, including volatility, intense competition, shortened product life cycles, changes in regulatory and governmental programs and periodic downturns, and you could lose all or part of your investment.
- Our investments in the life sciences industry are subject to extensive government regulation, litigation risk, and certain other risks particular to that industry.
- Price declines and illiquidity in the corporate debt markets could adversely affect the fair value of our portfolio investments, reducing our NAV through increased net unrealized depreciation.
- A lack of IPO or merger and acquisition opportunities may cause companies to stay in our portfolio longer, leading to lower returns, unrealized depreciation, or realized losses.
- An investment strategy focused on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel, and a greater vulnerability to economic downturns.
- Our financial condition, results of operations and cash flows could be negatively affected if we are unable to recover our principal investment as a result of a negative pledge or lack of a security interest on the intellectual property of our venture growth stage companies.
- The lack of liquidity in our investments may adversely affect our business and, if we need to sell any of our investments, we may not be able to do so at a favorable price.
- Our warrant and equity investments can be volatile, and we may not realize gains from these investments. If our warrant and equity investments do not generate gains, then the return on our invested capital will be lower than it would otherwise be which could result in a decline in the value of shares of our common stock.
- Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.
- Our loans could be subject to equitable subordination by a court which would increase our risk of loss with respect to such loans or we could be subject to lender liability claims.

Risks Related to Our Securities

- Our common stock may trade below its NAV per share, which could limit our ability to raise additional equity capital.
- If we issue preferred stock, debt securities or convertible debt securities, the NAV and market value of our common stock may become more volatile.
- A downgrade, suspension, or withdrawal of the credit rating assigned by a rating agency to us or our debt securities, if any, or change in the debt markets could cause the liquidity or market value of our debt securities to decline significantly.
- Our common stock price has been and continues to be volatile and may decrease substantially.
- We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

General Risk Factors

- Global macro-economic and political events, terrorist attacks, acts of war, natural disasters or other public health emergencies may affect the market for our securities, impact the businesses in which we invest and harm our business, operating results and financial condition.
- We may be the target of litigation.
- Changes in laws or regulations governing our business could negatively affect the profitability of our operations.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition and/or operating results.

Item 1A. *Risk Factors*

Investing in our securities may be speculative and involves a high degree of risk. You should consider carefully the risks described below and all other information contained in this Annual Report, including our financial statements and the related notes and the schedules and exhibits to this Annual Report. The risks set forth below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following risks occur, our business, financial condition, and results of operations could be materially adversely affected. In such case, our NAV and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Related to our Business Structure

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

As an internally managed BDC, the size and categories of our assets under management is limited, and we are unable to offer as wide a variety of financial products to prospective portfolio companies and sponsors (potentially limiting the size and diversification of our asset base). We therefore may not achieve efficiencies of scale and greater management resources available to externally managed business development companies. In addition, if we fail to comply with restrictions applicable to an internally managed BDC, for example with respect to the portion of our assets representing qualifying assets, we may be subject to further restrictions that could have a negative impact on our business. See "Item 1. Business — Regulation."

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

As an internally managed BDC, we are dependent upon the availability of key management personnel for our future success, particularly Scott Bluestein, and if we are not able to hire and retain qualified personnel, or if we lose any member of our senior management team, our ability to implement our business strategy could be significantly harmed.

As an internally managed BDC, our ability to achieve our investment objectives and to make distributions to our stockholders depends upon the performance of our senior management. We depend upon the members of our senior management, particularly Mr. Bluestein, as well as other key personnel for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships on which we rely to implement our business plan. If we lose the services of Mr. Bluestein or any senior management members, we may not be able to operate the business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. Furthermore, we do not have an employment agreement with Mr. Bluestein or our senior management that restricts them from creating new investment vehicles subject to compliance with applicable law. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining such personnel, we may not be able to operate our business as we expect. In connection with our recruiting, branding and marketing efforts, we may, among other things, make charitable contributions in amounts we believe to be immaterial and that do not exceed $500,000 in the aggregate in any year. We believe that many of these contributions help us raise our profile in the communities and benefit us in attracting and retaining talent and investment opportunities.

As an internally managed BDC, our compensation structure is determined and set by our Board. This structure currently includes salary and bonus and incentive compensation, which is issued through grants and subsequent vesting of restricted stock. We are not generally permitted by the 1940 Act to employ an incentive compensation structure that directly ties performance of our investment portfolio and results of operations to compensation owing to our granting of restricted stock as incentive compensation.

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

Our business model depends to a significant extent upon strong referral relationships with venture capital and private equity fund sponsors, and our inability to develop or maintain these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that members of our management team will maintain their relationships with venture capital and private equity firms, and we will rely to a significant extent upon these relationships to provide us with our deal flow. If we fail to maintain our existing relationships, our relationships become strained as a result of enforcing our rights with respect to non-performing portfolio companies in protecting our investments or we fail to develop new relationships with other firms or sources of investment opportunities, then we will not be able to grow our investment portfolio. In addition, persons with whom members of our management team have relationships are not obligated to provide us with investment opportunities and, therefore, there is no assurance that such relationships will lead to the origination of debt or other investments.

We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively.

A number of entities compete with us to make the types of investments that we plan to make in prospective portfolio companies. We compete with a large number of venture capital and private equity firms, as well as with other investment funds, business development companies, investment banks and other sources of financing, including traditional financial services companies such as commercial banks and finance companies. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. For example, some competitors may have a lower cost of funds and/or access to funding sources that are not available to us. This may enable some competitors to make loans with interest rates that are comparable to or lower than the rates that we typically offer.

A significant increase in the number and/or the size of our competitors, including traditional commercial lenders and other financing sources, in technology-related industries could force us to accept less attractive investment terms. We may be unable to capitalize on certain opportunities if we do not match competitors' pricing, terms and structure. If we do match competitors' pricing, terms or structure, we may experience decreased net interest income and increased risk of credit losses. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, establish more relationships and build their market shares. An increasing number of competitors may also have the effect of compressing our margins, which could harm our ability to retain employees, increase our operating costs, and decrease the amount and frequency of future distributions. Furthermore, many potential competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or that the Code imposes on us as a RIC. Varying responses to the coronavirus ("COVID-19") by states, local governments and other authorities may cause us to be subject to more operational restrictions than are our competitors in other geographies. If we are not able to compete effectively, our business, financial condition, and results of operations will be adversely affected. As a result of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities, or that we will be able to fully invest our available capital.

If we are unable to manage our future growth effectively, we may be unable to achieve our investment objective, which could adversely affect our financial condition and results of operations and cause the value of your investment to decline.

Our ability to achieve our investment objective will depend on our ability to sustain growth. Sustaining growth will depend, in turn, on our senior management team's ability to identify, evaluate, finance and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our marketing capabilities, our management of the investment process, our ability to provide and receive efficient services and our access to financing sources on acceptable terms. Organizational growth and scale-up of our investments could strain our existing managerial, investment, financial and other resources. Management of our growth could divert financial resources from other projects. Failure to manage our future growth effectively could lead to a decrease in our future distributions and have a material adverse effect on our business, financial condition and results of operations.

Because we intend to distribute substantially all of our income to our stockholders in order to qualify as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.

In order to satisfy the tax requirements applicable to a RIC and to minimize or avoid being subject to income and excise taxes, we intend to make distributions to our stockholders treated as dividends for U.S. federal income tax purposes generally of an amount at least equal to substantially all of our net ordinary income and realized net capital gains except for certain realized net capital gains, which we may retain, pay applicable income taxes with respect thereto and elect to treat as deemed distributions to our stockholders. As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which includes all of our borrowings and any preferred stock that we may issue in the future, of at least 150%, subject to certain disclosure requirements. This requirement limits the amount that we may borrow. This limitation may prevent us from incurring debt (including under any of our existing revolving credit facilities) and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. If we are unable to incur additional debt, we may be required to raise additional equity at a time when it may be disadvantageous to do so. In addition, shares of closed-end investment companies, including BDCs, have recently traded at discounts to their NAV.

This characteristic of closed-end investment companies, including BDCs, is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our NAV. If our common stock trades below its NAV, we generally will not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our NAV could decline. In addition, our results of operations and financial condition could be adversely affected.

Because most of our investments typically are not in publicly-traded securities, there is uncertainty regarding the value of our investments, which could adversely affect the determination of our NAV.

As of December 31, 2021, portfolio investments, whose fair value is determined in good faith by the Board were approximately 93.6% of our total assets. We expect our investments to continue to consist primarily of securities issued by privately-held companies, the fair value of which is not readily determinable. In addition, we are not permitted to maintain a general reserve for anticipated loan losses. Instead, we are required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value.

There is no single standard for determining fair value in good faith. We value these securities at fair value as determined in good faith by our Board, based on the recommendations of our Audit Committee. In making a good faith determination of the value of these securities, we generally start with the cost basis of each security, which includes the amortized OID and PIK interest, if any. The Audit Committee uses its best judgment in arriving at the fair value of these securities. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while applying a valuation process for the types of investments we make, which includes but is not limited to deriving a hypothetical exit price.

However, the Board retains ultimate authority as to the appropriate valuation of each investment. Because such valuations are inherently uncertain and may be based on estimates, our determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. We adjust quarterly the valuation of our portfolio to reflect the Board's determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our consolidated statements of operations as net change in unrealized appreciation or depreciation. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Legislation allows us to incur additional leverage, which may increase the risk of investing with us.

Historically, the 1940 Act generally prevented us, as BDC, from incurring indebtedness unless immediately after such borrowing we had an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). The 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 and a majority of directors who are not interested persons). On September 4, 2018 and December 6, 2018, our Board, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, 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, as of December 7, 2018, we are able to incur additional indebtedness, subject to certain disclosure requirements and, therefore, your risk of an investment in us may increase. Rating agencies may also decide to review our credit ratings and those of other BDCs in light of this new law as well as any corresponding changes to asset coverage ratios and consider downgrading such ratings, including a downgrade from an investment grade rating to a non-investment grade rating. Such a downgrade in our credit ratings may adversely affect our securities. See "—A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or our debt securities, if any, or change in the debt markets could cause the liquidity or market value of our debt securities to decline significantly."

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 secured credit facilities with Sumitomo Mitsui Banking Corporation (the "SMBC Facility") and MUFG Union Bank, N.A., (the "Union Bank Facility" and together with the SMBC Facility our "Credit Facilities"), as well as the 2022 Notes, July 2024 Notes, February 2025 Notes, June 2025 Notes, March 2026 A Notes, March 2026 B Notes, September 2026 Notes, 2033 Notes, 2022 Convertible Notes, and January 2027 Notes (as each term is individually defined below and collectively, the "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 December 31, 2021, we had $29.9 million in borrowings outstanding under the SMBC Facility and none outstanding under the Union Bank Facility. As of December 31, 2021, we had approximately $150.5 million of indebtedness outstanding incurred by our SBIC subsidiary, and approximately $1,070.0 million in aggregate principal outstanding 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 discussed in the previous risk factor, we are only permitted to incur indebtedness if immediately after such borrowing we have an asset coverage for total borrowings of at least 150%. 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 150% after deducting the amount of such distribution or purchase price. If this ratio declines below 150%, we may not be able to incur additional debt and may need to sell a portion of our investments to repay debt when it is disadvantageous to do so, and we may not be able to make distributions. As of December 31, 2021, our asset coverage ratio under our regulatory requirements as a BDC was 218.9%, excluding our SBIC debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio and was 204.6% when including all SBA leverage.

Based on our current capital structure, assuming leverage remains equal to 95.6% of our net assets as of December 31, 2021, our investment portfolio would have been required to generate an annual return of at least 2.5% to cover our annual interest payments.

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 December 31, 2021, (2) a hypothetical asset coverage ratio of 200%, and (3) a hypothetical asset coverage ratio of 150% (each excluding our SBA debentures as permitted by our exemptive relief) each at various annual returns on our portfolio as of December 31, 2021, 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 our actual asset coverage of 218.9% as of December 31, 2021 (1)	(24.56%)	(14.63%)	(4.69%)	5.24%	15.18%
Corresponding return to common stockholder assuming 200% asset coverage (2)	(26.93%)	(16.20%)	(5.47%)	5.26%	15.98%
Corresponding return to common stockholder assuming 150% asset coverage (3)	(41.82%)	(26.10%)	(10.38%)	5.35%	21.07%

(1) Assumes $2.6 billion in total assets, $1.3 billion in debt outstanding, $1.3 billion in stockholders' equity, and an average cost of funds of 4.9%, which is the approximate average cost of our Notes and Credit Facilities for the period ended December 31, 2021. Actual interest payments may be different.

(2) Assumes $2.8 billion in total assets including debt issuance costs on a pro forma basis, $1.5 billion in debt outstanding, $1.3 billion in stockholders' equity, and an average cost of funds of 4.9%, which is the approximate average cost of our Notes and Credit Facilities for the period ended December 31, 2021, 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 $4.1 billion in total assets including debt issuance costs on a pro forma basis, $2.8 billion in debt outstanding, $1.3 billion in stockholders' equity, and an average cost of funds of 4.9%, which is the approximate average cost of our Notes and Credit Facilities for the period ended December 31, 2021, 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.

It is likely that the terms of any current or future long-term or revolving credit or warehouse facility we may enter into in the future could constrain our ability to grow our business.

Under our borrowings and our Credit Facilities, current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets pledged as collateral under the Credit Facilities. Our Credit Facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a security interest in our assets in connection with any such credit facilities and borrowings.

Our Credit Facilities generally contain customary default provisions such as a minimum net worth amount, a profitability test, and a restriction on changing our business and loan quality standards. In addition, our Credit Facilities require or are expected to require the repayment of all outstanding debt on the maturity date which may disrupt our business and potentially the business of our portfolio companies that are financed through the facilities. An event of default under these facilities would likely result, among other things, in termination of the availability of further funds under the facilities and accelerated maturity dates for all amounts outstanding under the facilities, which would likely disrupt our business and, potentially, the business of the portfolio companies whose loans we finance through the facilities. This could reduce our revenues and, by delaying any cash payment allowed to us under our facilities until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and our ability to make distributions sufficient to maintain our ability to be subject to tax as a RIC.

The terms of future available financing may place limits on our financial and operation flexibility. If we are unable to obtain sufficient capital in the future, we may be forced to reduce or discontinue our operations, not be able to make new investments, or otherwise respond to changing business conditions or competitive pressures.

In addition to regulatory requirements that restrict our ability to raise capital, our Notes, and Credit Facilities contain various covenants which, if not complied with, could require accelerated repayment under the facility or require us to repurchase the Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

The credit indentures governing our Notes and Credit Facilities require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, debt to equity and interest coverage. Our ability to continue to comply with these covenants in the future depends on many factors, some of which are beyond our control. There are no assurances that we will be able to comply with these covenants. Failure to comply with these covenants would result in a default, which if we were unable to obtain a waiver from the lenders under our Credit Facilities or holders of our Notes, could accelerate repayment under the Credit Facilities or Notes and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay a sufficient amount of distributions and maintain our ability to be subject to tax as a RIC. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases. See "Note 5 – Debt".

The SMBC Facility and the Union Bank Facility mature in November 2026 and February 2024, respectively, and any inability to renew, extend or replace our Credit Facilities could adversely impact our liquidity and ability to find new investments or maintain distributions to our stockholders.

As of December 31, 2021, we had two available secured credit facilities, the SMBC Facility and the Union Bank Facility, which mature in November 2026 and February 2024, respectively. There can be no assurance that we will be able to renew, extend or replace our Credit Facilities upon maturity on terms that are favorable to us, if at all. Our ability to renew, extend or replace the Credit Facility will be constrained by then-current economic conditions affecting the credit markets. In the event that we are not able to renew, extend or replace either Credit Facility at the time of its maturity, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify as a RIC.

We may be unable to obtain debt capital on favorable terms or at all, in which case we would not be able to use leverage to increase the return on our investments.

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. An inability to obtain debt capital may also limit our ability to refinance existing indebtedness, particularly during periods of adverse credit market conditions when refinancing indebtedness may not be available under interest rates and other terms acceptable to us or at all.

Our investments in a portfolio company, whether debt, equity, or a combination thereof, may lead to our receiving material non-public information ("MNPI") or obtaining "control" of the target company. Our ability to exit an investment where we have MNPI or control could be limited and could result in a realized loss on the investment.

If we receive MNPI, or a controlling interest in a portfolio company, our ability to divest ourselves from a debt or equity investment could be restricted. Causes of such restriction could include market factors, such as liquidity in a private stock, or limited trading volume in a public company's securities, or regulatory factors, such as the receipt of MNPI or insider blackout periods, where we are legally prohibited from selling. Additionally, we may choose not to take certain actions to protect a debt investment in a controlled investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

Regulations governing our operations as a BDC may affect our ability to, and the manner in which, we raise additional capital, which may expose us to risks.

Our business requires a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowings, securitization transactions or other indebtedness, or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities, other evidence of indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. As discussed above, under the 1940 Act, we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 150%. 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 150% after deducting the amount of such distribution or purchase price. Our ability to pay distributions or issue additional senior securities would be restricted if our asset coverage ratio were not at least 150%.

If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such transaction may be disadvantageous. As a result of issuing senior securities, we would also be exposed to risks associated with leverage, including an increased risk of loss. If we issue preferred stock, the preferred stock would rank "senior" to common stock in our capital structure, preferred stockholders would have separate voting rights and might have rights, preferences, or privileges more favorable than those of our common stockholders and the issuance of preferred stock could have the effect of delaying, deferring, or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

To the extent that we are constrained in our ability to issue debt or other senior securities, we will depend on issuances of common stock to finance operations. We currently do not have requisite approval from our stockholders to issue shares of our common stock at a price below its then current NAV per share. We may, but are under no obligation to and cannot guarantee that we will, seek to obtain such approval in the future. In connection with any such approval, we will limit the number of shares that we issue at a price below NAV per share pursuant to the stockholder authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%; however, our Board, subject to its fiduciary duties and regulatory requirements, will have the discretion to determine the amount of the discount. As a result, the discount could be up to 100% of NAV per share. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

Our executive officers and employees, through the Adviser Subsidiary, are expected to manage the Adviser Funds or separately managed accounts, which includes funds from External Parties, that operate in the same or a related line of business as we do, which may result in significant conflicts of interest.

Our executive officers and employees, through the Adviser Subsidiary, are expected to manage the Adviser Funds that operate in the same or a related line of business as we do, and which funds may be invested in by us and/or our executive officers and employees. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the interests of us or our stockholders. Our relationship with the Adviser Subsidiary may require us to commit resources to achieving the Adviser Funds or External Parties' investment objectives, while such resources were previously solely devoted to achieving our investment objective. Our investment objective and investment strategies may be very similar to those of the Adviser Funds and External Parties and it is likely that an investment appropriate for us, the Adviser Funds, or External Parties would be appropriate for the other entity. Because the Adviser Subsidiary may receive performance-based fee compensation from the Adviser Funds or External Parties, this may provide an incentive to allocate opportunities to the Adviser Funds or External Parties instead of us. Accordingly, we and the Adviser Subsidiary have established policies and procedures governing the allocation investment opportunities between us, the Adviser Funds, and External Parties. We may be limited in or unable to participate in certain investments based upon such allocation policy. Although we will endeavor to allocate investment opportunities in a fair and equitable manner, we may face conflicts in allocating investment opportunities between us, the Adviser Funds and External Parties managed by the Adviser Subsidiary.

Investments in Adviser Funds managed by our Adviser Subsidiary may create conflicts of interests.

Our Adviser Subsidiary is committed to make contributions as a limited partner to certain Adviser Funds, it is also entitled to receive distributions on such interest. Our officers and employees may dedicate more time or resources to the Adviser Funds or allocate more favorable investment opportunities to the Adviser Funds instead of us. The Adviser Funds will, at times, acquire, hold, or sell investments that are also suitable for us. Investments allocated to the Adviser Funds may reduce the amount of investments available to us. Our officers and employees may make investment decisions or recommendations for the Adviser Funds that differ from the investment decisions that are made for us. The Adviser Subsidiary could determine to sell a loan for one or more Adviser Funds while all or a portion of such loan is retained by us, or vice-versa. The Adviser Subsidiary makes its decisions as to whether the Adviser Funds should invest pursuant to, among other things, its duties under the applicable governing documents for the Adviser Funds. Conflicts of interest can arise if the Adviser Subsidiary seeks to acquire or sell portions of one or more loans for one or more of the Adviser Funds while we also seek to acquire or sell portions of such loans. We and the Adviser Subsidiary have implemented an investment allocation policy and procedures designed to ensure that investment opportunities are allocated among us and the Adviser Funds fairly and equitably over time; however, there can be no assurance that the application of our allocation policy will result in our desired participation in every investment opportunity that may be suitable for both us and the Adviser Funds.

In addition, we may make investments in the Adviser Funds in the form of loans. For example, prior to the receipt by the Adviser Funds of capital contributions from investors for which a capital call notice has or will be given, we expect to provide loan financing to such Adviser Funds to fund such amounts on a temporary basis in order to permit the Adviser Funds to invest in a target portfolio company within the applicable time constraints prior to the receipt by the Adviser Funds of a capital call in respect of such investment. In addition, we may provide loan financing to the Adviser Funds to cover start-up and initial operating costs prior to the receipt by the Adviser Funds of a capital call in respect of such expenses. The provision of debt financing to the Adviser Funds may cause conflicts of interest, including in situations where our interest as a lender to the Adviser Funds conflicts with the interest of holders of third-party equity interests.

Our revenues and results of operations relating to our Adviser Subsidiary's business depend on the management fees and performance fees received from the Adviser Funds.

We will derive our revenues related to the Adviser Subsidiary primarily from dividend income, which the Adviser Subsidiary will pay from net profits generated from advisory fees charged to the Adviser Funds. The Adviser Funds may be established with different fee structures, including management fees payable at varying rates and carried interest or performance fees that are payable at varying hurdle rates. Investment advisory, carried interest, and performance fee revenues can be adversely affected by several factors, including market factors, third-party investor preferences, and our Adviser Subsidiary's performance and track record. A reduction in revenues of our Adviser Subsidiary, without a commensurate reduction in expenses, would adversely affect our Adviser Subsidiary's business and our revenues and results of operations derived from the Adviser Subsidiary.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and management of the company may make decisions that could decrease the value of our portfolio holdings.

We make both debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than "qualifying assets" as defined under the 1940 Act, unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See "Item 1. Business –Regulation."

We believe that most of the investments we make will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. In addition, a rise in the equity markets may result in increased market valuations of certain of our existing and prospective portfolio companies, which may lead to new investments with such companies being qualified as non-eligible portfolio company assets and would require that we invest in qualified assets going forward. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inopportune times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it may be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Although we are exploring investment structures, such as entering into joint venture arrangements, to increase our flexibility to make investments in assets that are not qualifying assets, there can be no assurance that we will ultimately pursue such investment structures or that such investment structures will achieve this goal.

A failure on our part to maintain our qualification as a BDC would significantly reduce our operating flexibility.

If we fail to continuously qualify as a BDC, we might be subject to regulation as a registered closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility, and lead to situations where we might have to, among other things, restrict our borrowings, reduce our leverage, sell securities and pursue other activities that we are allowed to engage in as a BDC. In addition, failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us. For additional information on the qualification requirements of a BDC, see "Item 1. Business – Regulation."

To the extent OID and PIK interest constitute a portion of our income, we will be exposed to risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include OID instruments and contractual PIK interest arrangements, which represent contractual interest added to a loan balance and due at the end of such loan's term. To the extent OID or PIK interest constitutes a portion of our income, we are exposed to risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- The higher interest rates of OID and PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans.
- Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is due at the maturity of the obligation, which could lead to future losses.
- OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK income may also create uncertainty about the source of our cash distributions.

- For accounting purposes, any cash distributions to stockholders representing OID and PIK income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. As a result, despite the fact that a distribution representing OID and PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.
- The deferral of PIK interest may have a negative impact on our liquidity as it represents non-cash income that may require cash distributions to our stockholders in order to maintain our ability to be subject to tax as a RIC.
- Tax rules require that income be recognized for tax purposes no later than when recognized for financial reporting purposes.

If we are unable to satisfy Code requirements for qualification as a RIC, then we will be subject to corporate-level income tax, which would adversely affect our results of operations and financial condition.

We elected to be treated as a RIC for U.S. federal income tax purposes with the filing of our federal corporate income tax return for 2006. We will not qualify for the tax treatment allowable to RICs if we are unable to comply with the source of income, asset diversification and distribution requirements contained in Subchapter M of the Code, or if we fail to maintain our election to be regulated as a BDC under the 1940 Act. If we fail to qualify as a RIC for any reason and become subject to a corporate-level income tax, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders and the actual amount of our distributions. Such a failure would have a material adverse effect on us, the NAV of our common stock and the total return, if any, earned from your investment in our common stock.

We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.

In accordance with U.S. federal tax requirements, we are required to include in income for tax purposes certain amounts that we have not yet received in cash, such as OID and contractual PIK interest arrangements, which represent contractual interest added to a loan balance and due at the end of such loan’s term. In addition to the cash yields received on our loans, in some instances, our loans generally include one or more of the following: exit fees, balloon payment fees, commitment fees, success fees or prepayment fees. In some cases our loans also include contractual PIK interest arrangements. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income for tax purposes certain other amounts prior to receiving the related cash. Also, tax rules require that income be recognized for tax purposes no later than when recognized for financial reporting purposes.

Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in OID for tax purposes, which we must recognize as ordinary income, increasing the amount that we are required to distribute in order to be subject to tax as a RIC. Because these warrants generally will not produce distributable cash for us at the same time as we are required to make distributions in respect of the related OID, if ever, we would need to obtain cash from other sources or to pay a portion of our distributions using shares of newly issued common stock, consistent with IRS guidelines and the Code, to satisfy such distribution requirements.

Other features of the debt instruments that we hold may also cause such instruments to generate OID in excess of current cash interest received. Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to make distributions each taxable year to our stockholders treated as dividends for U.S. federal income tax purposes generally of an amount equal to at least 90% of our investment company taxable income, determined without regard to any deduction for dividends paid. Under such circumstances, we may have to sell some of our assets, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify to be subject to tax as a RIC and, thus, become subject to a corporate-level income tax on all our taxable income (including any net realized securities gains).

Furthermore, we may invest in the equity securities of non-U.S. corporations (or other non-U.S. entities classified as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as PFICs and/or CFCs. The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances, these rules also could require us to recognize taxable income or gains where we do not receive a corresponding payment in cash. Income derived by us either from a PFIC with respect to which we have made a certain U.S. tax election or from a CFC would generally constitute qualifying income for purposes of determining our ability to be subject to tax as a RIC if the PFIC or CFC respectively makes distributions of that income to us or if the income is derived with respect to our business of investing in stocks and securities. As such, we may be restricted in our ability to make qualified electing fund ("QEF") elections with respect to our holdings in issuers that could either be treated as PFICs or CFCs in order to limit our tax liability or maximize our after-tax return from these investments.

Our portfolio investments may present special tax issues.

Investments in below-investment grade debt instruments and certain equity securities may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, OID or market discount, when and to what extent deductions may be taken for bad debts or worthless debt in equity securities, how payments received on obligations in default should be allocated between principal and interest income, as well as whether exchanges of debt instruments in a bankruptcy or workout context are taxable. Such matters could cause us to recognize taxable income for U.S. federal income tax purposes, even in the absence of cash or economic gain, and require us to make taxable distributions to our stockholders to maintain our RIC status or preclude the imposition of either U.S. federal corporate income or excise taxation. Additionally, because such taxable income may not be matched by corresponding cash received by us, we may be required to borrow money or dispose of other investments to be able to make distributions to our stockholders. These and other issues will be considered by us, to the extent determined necessary, in order that we minimize the level of any U.S. federal income or excise tax that we would otherwise incur. See "Item 1. Business—Certain United States Federal Income Tax Considerations—Taxation as a Regulated Investment Company."

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We intend to make distributions on a quarterly basis to our stockholders. We cannot assure you that we will achieve investment results, or our business may not perform in a manner that will allow us to make a specified level of distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Also, our Credit Facilities limit our ability to declare distributions to our stockholders if we default under certain provisions of our Credit Facilities. Furthermore, while we may have undistributed earnings, those earnings may not yield distributions because we may incur unrealized losses or otherwise be unable to distribute such earnings.

We have and may in the future choose to pay distributions in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

Under applicable Treasury regulations and other general guidelines issued by the IRS, RICs are permitted to treat certain distributions payable in their stock, as taxable dividends that will satisfy their annual distribution obligations for U.S. federal income tax and excise tax purposes provided that stockholders have the opportunity to elect to receive all or a portion of such distribution in cash. Taxable stockholders receiving distributions will be required to include the full amount of such distributions as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on such distributions, then such sales may put downward pressure on the trading price of our stock. We may in the future determine to distribute taxable distributions that are partially payable in our common stock.

We are exposed to risks associated with changes in interest rates, including fluctuations in interest rates which could adversely affect our profitability or the value of our portfolio.

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities, and, accordingly, may have a material adverse effect on our investment objective and rate of return on investment capital. A portion of our income will depend upon the difference between the rate at which we borrow funds and the interest rate on the debt securities in which we invest. Because we will borrow money to make investments and may issue debt securities, preferred stock or other securities, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities, preferred stock or other securities and the rate at which we invest these funds. Typically, we anticipate that our interest-earning investments will accrue and pay interest at both variable and fixed rates, and that our interest-bearing liabilities will generally accrue interest at fixed rates.

A significant increase in market interest rates could harm our ability to attract new portfolio companies and originate new loans and investments. In addition to potentially increasing the cost of our debt, increasing interest rates may also have a negative impact on our portfolio companies' ability to repay or service their loans, which could enhance the risk of loan defaults. We expect that most of our current initial investments in debt securities will be at floating rate with a floor. However, in the event that we make investments in debt securities at variable rates, a significant increase in market interest rates could also result in an increase in our non-performing assets and a decrease in the value of our portfolio because our floating-rate loan portfolio companies may be unable to meet higher payment obligations. As of December 31, 2021, approximately 94.0% of our debt investments were at floating rates or floating rates with a floor and 6.0% of the debt investments were at fixed rates.

In periods of rising interest rates, our cost of funds would increase on our floating rate liabilities, potentially resulting in a decrease in our net investment income. In addition, a decrease in interest rates may reduce net income, because new investments may be made at lower rates despite the increased demand for our capital that the decrease in interest rates may produce. We may, but will not be required to, hedge against the risk of adverse movement in interest rates in our short-term and long-term borrowings relative to our portfolio of assets. If we engage in hedging activities, it may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition, and results of operations.

The discontinuation of LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.

In July 2017, the head of the United Kingdom Financial Conduct Authority (the "FCA") announced that it will phase out the use of LIBOR by December 31, 2021. To identify a successor rate for U.S. dollar LIBOR, the Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although there have been a few transactions utilizing SOFR or the Sterling Overnight Index Average ("SONIA"), an alternative reference rate that is based on transactions, at this time, it is not possible to predict whether either of these alternative reference rates will attain market traction as a LIBOR replacement tool or the effect of any such changes as the establishment of alternative reference rates or other reforms to LIBOR may be enacted in the United States, United Kingdom or elsewhere.

On November 30, 2020, ICE Benchmark Administration, the administrator of LIBOR (the "IBA"), announced its intention to continue publication of overnight and one-, three-, six- and 12-month USD LIBOR rates through June 30, 2023. However, it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted. Concurrent with the IBA's announcement, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation released a statement that (i) encouraged banks to cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, (ii) indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than US dollar LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after US dollar LIBOR's discontinuation and (iii) explained that extending the publication of certain US dollar LIBOR tenors until June 30, 2023 would allow most legacy US dollar LIBOR contracts to mature before LIBOR experiences disruptions. It is possible that the IBA and the panel banks could continue to produce LIBOR after June 30, 2023, or the FCA could deem LIBOR to be no longer representative of its underlying market prior to that date, but no assurance can be given that LIBOR will survive in its current form, or at all.

On March 8, 2021, the Alternative Reference Rates Committee confirmed that in its opinion the March 5, 2021, announcements by the IBA and the FCA on the future cessation and loss of the representativeness of the LIBOR benchmark rates constitutes a "benchmark transition event" with respect to all U.S. dollar LIBOR settings. A "benchmark transition event" may cause, or allow for, certain contracts to replace LIBOR with an alternative reference rate and such replacement could have a material and adverse impact on the debt market and/or us. On July 29, 2021, the Alternative Reference Rates Committee formally announced that it recommends the Chicago Mercantile Exchange's forward-looking SOFR term rates for use in business loans, including securities backed by such assets. However, forward-looking SOFR term rates will not be representative of three-month LIBOR, and there is no requirement that the Chicago Mercantile Exchange continue to publish forward-looking SOFR term rates, in which case we, our lenders, and our portfolio company borrowers may be required to use other measurements of SOFR, as applicable. As such, if LIBOR in its current form does not survive and a replacement rate is not widely agreed upon or if a replacement rate is significantly different from LIBOR, it could cause a disruption in the credit markets generally. Such a disruption could also negatively impact the market value and/or transferability of our portfolio company investments. Further, any additional changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations.

Alteration of the terms of a debt instrument or a modification of the terms of other types of contracts to replace an interbank offered rate with a new reference rate could result in a taxable exchange and the realization of income and gain/loss for U.S. federal income tax purposes. The IRS has issued final regulations regarding the tax consequences of the transition from interbank offered rates to new reference rates in debt instruments and non-debt contracts. Under the final regulations, alteration or modification of the terms of a debt instrument to replace an operative rate that uses a discontinued LIBOR with a qualified rate (as defined in the final regulations) including true up payments equalizing the fair market value of contracts before and after LIBOR transition, to add a qualified rate as a fallback rate to a contract whose operative rate uses a discontinued LIBOR or replace a fallback rate that uses a discontinued LIBOR with a qualified rate would not be taxable. The IRS may provide additional guidance, with potential retroactive effect.

We may expose ourselves to risks if we engage in hedging transactions.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and there can be no assurance that any such hedging arrangements will achieve the desired effect. During the year ended December 31, 2021, we did not engage in any hedging activities.

We are subject to SBA regulations, as one of our wholly owned subsidiaries is licensed by the U.S. SBA, and as a result this could limit our capital or investment decisions.

Our wholly owned subsidiary Hercules Capital IV, LP ("HC IV") is licensed to act as an SBIC and is regulated by the SBA. HC IV holds approximately $245.7 million in assets and it accounted for approximately 9.5% of the Company's total assets, prior to consolidation as of December 31, 2021. The SBIC license allows HC IV to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. We may, subject to SBA rules and regulations, seek to renew or obtain additional SBIC licenses in the future. The SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. If our SBIC subsidiary fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit our SBIC subsidiary's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HC IV from making new investments. Such actions by the SBA would, in turn, negatively affect us because HC IV is a wholly owned subsidiaries.

HC IV was in compliance with the terms of the SBIC's leverage as of December 31, 2021 as a result of having sufficient capital as defined under the SBA regulations. Compliance with SBA requirements may cause our SBIC subsidiary to forego attractive investment opportunities that are not permitted under SBA regulations. See "Item 1. Business — Regulation—Small Business Administration Regulations."

SBA regulations limit the outstanding dollar amount of SBA guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to $175.0 million or to a group of SBICs under common control to $350.0 million. An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of December 31, 2021, we have $150.5 million in SBA-guaranteed debentures in HC IV. Under our existing license, $175.0 million is the maximum capacity for HC IV to issue SBA-guaranteed debentures. During times that we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital is likely to increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Moreover, the current status of HC IV as an SBIC does not automatically assure that our SBIC subsidiary will continue to receive SBA-guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon our SBIC subsidiary's continued compliance with SBA regulations and policies and available SBA funding. The amount of SBA leverage funding available to a SBIC is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by our SBIC subsidiary.

The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. HC IV has debentures outstanding with maturity dates beginning September 2031. HC IV will need to generate sufficient cash flow to make required interest payments on the debentures. If HC IV is unable to meet its financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to our SBIC subsidiary's assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under such debentures as the result of a default by us.

Our wholly owned SBIC subsidiary may be unable to make distributions to us that will enable us to maintain RIC status, which could result in the imposition of an entity-level tax.

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level taxes, we will be required to distribute substantially all of our investment company taxable income, determined without regard to any deduction for dividends paid, and net capital gains, including income from certain of our subsidiaries, which includes the income from our SBIC subsidiary. We will be partially dependent on our SBIC subsidiary for cash distributions to enable us to meet the RIC distribution requirements. Our SBIC subsidiary may be limited by the Small Business Investment Act of 1958, as amended, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our ability to be subject to tax as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiary to make certain distributions to maintain our ability to be subject to tax as a RIC. We cannot assure you that the SBA will grant such waiver. If our SBIC subsidiary is unable to obtain waivers, compliance with the SBA regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

Our Board may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our Board has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the market price of our common stock. Nevertheless, any such changes could materially and adversely affect our business and impair our ability to make distributions to our stockholders.

Risks Related to Our Investments

Our investments are concentrated in certain industries and in a number of technology-related companies, which subjects us to the risk of significant loss if any of these companies default on their obligations under any of their debt securities that we hold, or if any of the technology-related industry sectors experience a downturn.

We have invested and intend to continue investing in a limited number of technology-related companies. A consequence of this limited number of investments is that the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Beyond the asset diversification requirements to which we are subject as a BDC and a RIC, we do not have fixed guidelines for diversification or limitations on the size of our investments in any one portfolio company and our investments could be concentrated in relatively few issuers. In addition, we have invested and intend to continue to invest, under normal circumstances, at least 80% of the value of our total assets (including the amount of any borrowings for investment purposes) in technology-related companies.

As of December 31, 2021, approximately 80.1% of the fair value of our portfolio comprised investments in three industries: 39.7% comprised investments in the "Drug Discovery & Development" industry, 24.1% comprised investments in the "Software" industry, and 16.3% comprised investments in the "Internet Consumer & Business Services" industry.

As a result, a downturn in technology-related industry sectors and particularly those in which we are heavily concentrated could materially adversely affect our financial condition.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we generally are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer, excluding limitations under the 1940 Act on investments in other investment companies and certain other issuers. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company might be. Beyond the asset diversification requirements to which we are subject as a BDC and a RIC, we do not have fixed guidelines for portfolio diversification, and our investments could be concentrated in relatively few portfolio companies or industries. Although we are classified as a non-diversified investment company within the meaning of the 1940 Act, we maintain the flexibility to operate as a diversified investment company and have done so for an extended period of time. To the extent that we operate as a non-diversified investment company in the future, we may be subject to greater risk.

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 as of December 31, 2021, that represent greater than 5% of our net assets:

	December 31, 2021		
(in thousands)	**Fair Value**		**Percentage of Net Assets**
Zepz (p.k.a. Worldremit Group Limited)	$	102,460	7.8%
Corium, Inc.		90,997	7.0%
Rocket Lab Global Services, LLC		90,505	6.9%
Phathom Pharmaceuticals, Inc.		86,382	6.6%
uniQure B.V.		79,111	6.0%
Delphix Corp.		65,620	5.0%

- Zepz (p.k.a. WorldRemit Group Limited) is a global online money transfer business.
- Corium, Inc. develops, engineers, and manufactures drug delivery products and devices that utilize the skin and mucosa as a primary means of transport.
- Rocket Lab Global Services, LLC is a commercial space provider of high-frequency, low-cost launches.
- Phathom Pharmaceuticals, Inc. is a biopharmaceutical company focused on the development and commercialization of novel treatments for gastrointestinal diseases and disorders.
- uniQure B.V. is a leader in the field of gene therapy, developing proprietary therapies to treat patients with severe genetic diseases of the central nervous system and liver.
- Delphix Corp. is a provider of a Data as a Service platform intended to help enterprises to accelerate cloud migrations, custom development and ERP rollouts.

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.

Our investments may be in portfolio companies that have limited operating histories and resources.

We expect that our portfolio will continue to consist of investments that may have relatively limited operating histories. These companies may be particularly vulnerable to U.S. and foreign economic downturns may have more limited access to capital and higher funding costs, may have a weaker financial position and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from larger, more established companies with greater financial, technical and marketing resources. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation applicable to their given industry. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us, and may adversely affect the return on, or the recovery of, our investment in these companies. We cannot assure you that any of our investments in our portfolio companies will be successful. We may lose our entire investment in any or all of our portfolio companies.

Investing in publicly traded companies can involve a high degree of risk and can be speculative.

We have invested, and expect to continue to invest, a portion of our portfolio in publicly traded companies or companies that are in the process of completing their IPO. As publicly traded companies, the securities of these companies may not trade at high volumes, and prices can be volatile, particularly during times of general market volatility, which may restrict our ability to sell our positions and may have a material adverse impact on us.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a BDC, we are not permitted to acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made and giving effect to it, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as a qualifying asset only if such issuer has a market capitalization that is less than $250.0 million at any point in the 60 days prior to the time of such investment and meets the other specified requirements.

Our investment strategy focuses on technology-related companies, which are subject to many risks, including volatility, intense competition, shortened product life cycles, changes in regulatory and governmental programs and periodic downturns, and you could lose all or part of your investment.

We have invested and will continue investing primarily in technology-related companies, many of which may have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. The revenues, income (or losses), and valuations of technology-related companies can and often do fluctuate suddenly and dramatically. In addition, technology-related industries are generally characterized by abrupt business cycles and intense competition. Overcapacity in technology-related industries, together with cyclical economic downturns, may result in substantial decreases in the market capitalization of many technology-related companies. Such decreases in market capitalization may occur again, and any future decreases in technology-related company valuations may be substantial and may not be temporary in nature. Therefore, our portfolio companies may face considerably more risk of loss than do companies in other industry sectors.

Because of rapid technological change, the average selling prices of products and some services provided by technology-related companies have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by technology-related companies may decrease over time, which could adversely affect their operating results, their ability to meet obligations under their debt securities and the value of their equity securities. This could, in turn, materially adversely affect our business, financial condition and results of operations.

Our investments in sustainable and renewable technology companies are subject to substantial operational risks, such as underestimated cost projections, unanticipated operation and maintenance expenses, loss of government subsidies, and inability to deliver cost-effective alternative energy solutions compared to traditional energy products. In addition, sustainable and renewable technology companies employ a variety of means of increasing cash flow, including increasing utilization of existing facilities, expanding operations through new construction or acquisitions, or securing additional long-term contracts. Thus, some energy companies may be subject to construction risk, acquisition risk or other risks arising from their specific business strategies. Furthermore, production levels for solar, wind and other renewable energies may be dependent upon adequate sunlight, wind, or biogas production, which can vary from market to market and period to period, resulting in volatility in production levels and profitability. Demand for sustainable and renewable technology is also influenced by the available supply and prices for other energy products, such as coal, oil and natural gases. A change in prices in these energy products could reduce demand for alternative energy.

A natural disaster may also impact the operations of our portfolio companies, including our technology-related portfolio companies. The nature and level of natural disasters cannot be predicted and may be exacerbated by global climate change. A portion of our technology-related portfolio companies rely on items assembled or produced in areas susceptible to natural disasters, and may sell finished goods into markets susceptible to natural disasters. A major disaster, such as an earthquake, tsunami, flood or other catastrophic event could result in disruption to the business and operations of our technology-related portfolio companies.

We will invest in technology-related companies that are reliant on U.S. and foreign regulatory and governmental programs. Any material changes or discontinuation, due to change in administration or U.S. Congress or otherwise could have a material adverse effect on the operations of a portfolio company in these industries and, in turn, impair our ability to timely collect principal and interest payments owed to us to the extent applicable.

We have invested in and may continue investing in technology-related companies that do not have venture capital or private equity firms as equity investors, and these companies may entail a higher risk of loss than do companies with institutional equity investors, which could increase the risk of loss of your investment.

Our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other cash requirements and, in most instances, to service the interest and principal payments on our investment. Portfolio companies that do not have venture capital or private equity investors may be unable to raise any additional capital to satisfy their obligations or to raise sufficient additional capital to reach the next stage of development. Portfolio companies that do not have venture capital or private equity investors may be less financially sophisticated and may not have access to independent members to serve on their boards of directors, which means that they may be less successful than portfolio companies sponsored by venture capital or private equity firms. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are sponsored by venture capital or private equity firms.

Sustainable and renewable technology companies are subject to extensive government regulation and certain other risks particular to the sectors in which they operate and our business and growth strategy could be adversely affected if government regulations, priorities and resources impacting such sectors change or if our portfolio companies fail to comply with such regulations.

As part of our investment strategy, we plan to invest in portfolio companies in sustainable and renewable technology sectors that may be subject to extensive regulation by foreign, U.S. federal, state and/or local agencies. Changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, or new laws, rules or regulations could have an adverse impact on the business and industries of our portfolio companies. In addition, changes in government priorities or limitations on government resources could also adversely impact our portfolio companies. We are unable to predict whether any such changes in laws, rules or regulations will occur and, if they do occur, the impact of these changes on our portfolio companies and our investment returns. Furthermore, if any of our portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations, which would also impact our ability to realize value since our exit from the investment may be subject to the portfolio company obtaining the necessary regulatory approvals. Our portfolio companies may be subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace.

In addition, there is considerable uncertainty about whether foreign, U.S., state and/or local governmental entities will enact or maintain legislation or regulatory programs that mandate reductions in greenhouse gas emissions or provide incentives for sustainable and renewable technology companies. Without such regulatory policies, investments in sustainable and renewable technology companies may not be economical and financing for sustainable and renewable technology companies may become unavailable, which could materially adversely affect the ability of our portfolio companies to repay the debt they owe to us. Any of these factors could materially and adversely affect the operations and financial condition of a portfolio company and, in turn, the ability of the portfolio company to repay the debt they owe to us.

Cyclicality within the energy sector may adversely affect some of our portfolio companies.

Industries within the energy sector are cyclical with fluctuations in commodity prices and demand for, and production of commodities driven by a variety of factors. The highly cyclical nature of the industries within the energy sector may lead to volatile changes in commodity prices. While we generally do not invest directly in oil and gas companies, commodity price fluctuation may adversely affect the earnings of technology-related companies in which we may invest and the performance and valuation of our portfolio.

Our investments in the life sciences industry are subject to extensive government regulation, litigation risk, and certain other risks particular to that industry.

We have invested and plan to continue investing in companies in the life sciences industry that are subject to extensive regulation by the FDA and to a lesser extent, other federal, state, and other foreign agencies. If any of these portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Portfolio companies that produce medical devices or drugs are subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace. In addition, governmental budgetary constraints effecting the regulatory approval process, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a portfolio company in this industry. Portfolio companies in the life sciences industry may also have a limited number of suppliers of necessary components or a limited number of manufacturers for their products, and therefore face a risk of disruption to their manufacturing process if they are unable to find alternative suppliers when needed. Any of these factors could materially and adversely affect the operations of a portfolio company in this industry and, in turn, impair our ability to timely collect principal and interest payments owed to us.

Our investments in the drug discovery industry are subject to numerous risks, including competition, extensive government regulation, product liability, and commercial difficulties.

Our investments in the drug discovery industry are subject to numerous risks. The successful and timely implementation of the business model of our drug discovery portfolio companies depends on their ability to adapt to changing technologies and introduce new products. As competitors continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety, patient's and clinician's ease of use and cost-effectiveness are important to the success of such portfolio companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors. Failure by our portfolio companies to introduce planned products or other new products or to introduce products on schedule could have a material adverse effect on our business, financial condition and results of operations.

Further, the development of products by drug discovery companies requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the U.S. and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others.

Future legislation, and/or regulations and policies adopted by the FDA or other U.S. or foreign regulatory authorities may increase the time and cost required by some of our portfolio companies to conduct and complete clinical trials for the product candidates that they develop, and there is no assurance that these companies will obtain regulatory approval to market and commercialize their products in the U.S. and in foreign countries.

The FDA has established regulations, guidelines and policies to govern the drug development and approval process, as have foreign regulatory authorities, which affect some of our portfolio companies. Any change in regulatory requirements due to the adoption by the FDA and/or foreign regulatory authorities of new legislation, regulations, or policies may require some of our portfolio companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost, timing and completion of the clinical trials.

In addition, increased scrutiny by the U.S. Congress of the FDA's and other authorities' approval processes may significantly delay or prevent regulatory approval, as well as impose more stringent product labeling and post-marketing testing and other requirements. Foreign regulatory authorities may also increase their scrutiny of approval processes resulting in similar delays. Increased scrutiny and approvals processes may limit the ability of our portfolio companies to market and commercialize their products in the U.S. and in foreign countries.

Life sciences companies, including drug development companies, device manufacturers, service providers and others, are also subject to material pressures when there are changes in the outlook for healthcare insurance markets. The ability for individuals, along with private and public insurers, to account for the costs of paying for healthcare insurance can place strain on the ability of new technology, devices and services to enter those markets, particularly when they are new or untested. As a result, it is not uncommon for changes in the insurance marketplace to lead to a slower rate of adoption, price pressure and other forces that may materially limit the success of companies bringing such technologies to market. Changes in the health insurance sector might then have an impact on the value of companies in our portfolio or our ability to invest in the sector generally.

Changes in healthcare laws and other regulations, or the enforcement or interpretation of such laws or regulations, applicable to some of our portfolio companies' businesses may constrain their ability to offer their products and services.

Changes in healthcare or other laws and regulations, or the enforcement or interpretation of such laws or regulations, applicable to the businesses of some of our portfolio companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies.

Additionally, because of the possibility of additional changes to healthcare laws and regulations under the current U.S. presidential administration, we cannot quantify or predict with any certainty the likely impact on our portfolio companies, our business model, prospects, financial condition or results of operations. We also anticipate that Congress, state legislatures, and third-party payors may continue to review and assess alternative healthcare delivery and payment systems and may in the future propose and adopt legislation or policy changes or implementations effecting additional fundamental changes in the healthcare delivery system. We cannot assure you as to the ultimate content, timing, or effect of changes, nor is it possible at this time to estimate the impact of any such potential legislation on certain of our portfolio companies, our business model, prospects, financial condition or results of operations.

Price declines and illiquidity in the corporate debt markets could adversely affect the fair value of our portfolio investments, reducing our NAV through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair market value as determined in good faith by or under the direction of our Board. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect our investment valuations. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our NAV by increasing net unrealized depreciation in our portfolio.

Depending on market conditions, we could incur substantial realized losses and may suffer substantial unrealized depreciation in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Economic recessions or slowdowns could impair the ability of our portfolio companies to repay loans, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and have a material adverse effect on our results of operations.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions in both the U.S. and foreign countries, and may be unable to repay our loans during such periods. Therefore, during such periods, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results. A reduction in liquidity caused by or associated with economic slowdowns or recessions may also incentivize our portfolio companies to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans.

In particular, intellectual property owned or controlled by our portfolio companies may constitute an important portion of the value of the collateral of our loans to our portfolio companies. Adverse economic conditions may decrease the demand for our portfolio companies' intellectual property and consequently its value in the event of a bankruptcy or required sale through a foreclosure proceeding. As a result, our ability to fully recover the amounts owed to us under the terms of the loans may be impaired by such events.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of the portfolio company's loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity, and rising interest rates may make it more difficult for portfolio companies to make periodic payments on their loans.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity. This risk and the risk of default is increased to the extent that the loan documents do not require the portfolio companies to pay down the outstanding principal of such debt prior to maturity. In addition, if general interest rates rise, there is a risk that our portfolio companies will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Any failure of one or more portfolio companies to repay or refinance its debt at or prior to maturity or the inability of one or more portfolio companies to make ongoing payments following an increase in contractual interest rates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The disposition of our investments may result in contingent liabilities.

We currently expect that a portion of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

The health and performance of our portfolio companies could be adversely affected by political and economic conditions in the countries in which they conduct business.

Some of the products of our portfolio companies are developed, manufactured, assembled, tested or marketed outside the U.S. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns, political unrest or safety concerns, among other things, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution and could impair our ability to service our borrowings.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our Board. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our investment portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings.

A lack of IPO or merger and acquisition opportunities may cause companies to stay in our portfolio longer, leading to lower returns, unrealized depreciation, or realized losses.

A lack of IPO or merger and acquisition, or M&A, opportunities for private companies, including venture capital-backed and institutional-backed companies could lead to companies staying longer in our portfolio as private entities still requiring funding. This situation may adversely affect the amount of available funding for early-stage companies in particular as, in general, venture-capital and other sponsor firms are being forced to provide additional financing to late-stage companies that cannot complete an IPO or M&A transaction. In the best case, such stagnation would dampen returns, and in the worst case, could lead to unrealized depreciation and realized losses as some companies run short of cash and have to accept lower valuations in private fundings or are not able to access additional capital at all. A lack of IPO or M&A opportunities for private companies can also cause some venture capital and other sponsor firms to change their strategies, leading some of them to reduce funding of their portfolio companies and making it more difficult for such companies to access capital and to fulfill their potential, which can result in unrealized depreciation and realized losses in such companies by other companies, such as ourselves, who are co-investors in such companies.

The majority of our portfolio companies will need multiple rounds of additional financing to repay their debts to us and continue operations. Our portfolio companies may not be able to raise additional financing, which could harm our investment returns.

The majority of our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other cash requirements and, in most instances, to service the interest and principal payments on our investment. Each round of venture financing is typically intended to provide a company with only enough capital to reach the next stage of development. We cannot predict the circumstances or market conditions under which our portfolio companies will seek additional capital. It is possible that one or more of our portfolio companies will not be able to raise additional financing or may be able to do so only at a price or on terms unfavorable to us, either of which would negatively impact our investment returns. Some of these companies may be unable to obtain sufficient financing from private investors, public capital markets or traditional lenders. This may have a significant impact if the companies are unable to obtain certain federal, state or foreign agency approval for their products or the marketing thereof, or if regulatory review processes extend longer than anticipated, and the companies need continued funding for their operations during these times. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are able to utilize traditional credit sources.

If the assets securing the loans that we make decrease in value, then we may lack sufficient collateral to cover losses.

To attempt to mitigate credit risks, we will typically take a security interest in the available assets of our portfolio companies. There is no assurance that we will obtain or properly perfect our liens.

There is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of a portfolio company to raise additional capital. In some circumstances, our lien could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or that we will be able to collect on the loan should we be forced to enforce our remedies.

In addition, because we invest in technology-related companies, a substantial portion of the assets securing our investment may be in the form of intellectual property, if any, inventory and equipment and, to a lesser extent, cash and accounts receivable. Intellectual property, if any, that is securing our loan could lose value if, among other things, the company's rights to the intellectual property are challenged or if the company's license to the intellectual property is revoked or expires, the technology fails to achieve its intended results or a new technology makes the intellectual property functionally obsolete. Inventory may not be adequate to secure our loan if our valuation of the inventory at the time that we made the loan was not accurate or if there is a reduction in the demand for the inventory.

We may from time-to-time provide loans that will be collateralized partially or only by equipment of the portfolio company. If the portfolio company defaults on the loan, we would take possession of the underlying equipment to satisfy the outstanding debt. If there are changes in technology or advances in new equipment that render the particular equipment obsolete or of limited value, or if the company fails to adequately maintain or repair the equipment, the residual value of the equipment at the time we take possession may not be sufficient to satisfy the outstanding debt. We could therefore experience a loss on the disposition of the equipment and a material impairment of our ability to recover earned interest and principal in a foreclosure.

In most 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 December 31, 2021, approximately 77.0% of our debt investments were in a senior secured first lien position, with (a) 37.5% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, (b) 31.6% 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, and (c) 7.9% secured as a "last-out" 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 20.6% of our debt investments were secured by a second priority security interest in all of the portfolio company's assets, and 2.4% were unsecured.

We may suffer a loss if a portfolio company defaults on a loan and the underlying collateral is not sufficient.

In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. In addition, we sometimes make loans that are unsecured, which are subject to the risk that other lenders may be directly secured by the assets of the portfolio company. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying assets. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the portfolio company prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

In the event of bankruptcy of a portfolio company, we may not have full recourse to its assets in order to satisfy our loan, or our loan may be subject to "equitable subordination." This means that depending on the facts and circumstances, including the extent to which we actually provided significant "managerial assistance," if any, to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, certain of our loans are subordinate to other debt of the portfolio company. If a portfolio company defaults on our loan or on debt senior to our loan, or in the event of a portfolio company bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of inter-creditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill" periods) and control decisions made in bankruptcy proceedings relating to the portfolio company. Bankruptcy and portfolio company litigation can significantly increase collection losses and the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value, causing us to suffer losses.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a portfolio company may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a portfolio company's ability to refinance our loan because the underlying collateral cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer a loss which may adversely impact our financial performance.

The inability of our portfolio companies to commercialize their technologies or create or develop commercially viable products or businesses would have a negative impact on our investment returns.

The possibility that our portfolio companies will not be able to commercialize their technology, products or business concepts presents significant risks to the value of our investment. Additionally, although some of our portfolio companies may already have a commercially successful product or product line when we invest, technology-related products and services often have a more limited market or life-span than have products in other industries. Thus, the ultimate success of these companies often depends on their ability to continually innovate, or raise additional capital, in increasingly competitive markets. Their inability to do so could affect our investment return. In addition, the intellectual property held by our portfolio companies often represents a substantial portion of the collateral, if any, securing our investments. We cannot assure you that any of our portfolio companies will successfully acquire or develop any new technologies, or that the intellectual property the companies currently hold will remain viable. Even if our portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither our portfolio companies nor we have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of our portfolio companies may not be successful.

An investment strategy focused on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel, and a greater vulnerability to economic downturns.

We invest primarily in privately-held companies. Generally, very little public information exists about these companies, and we are required to rely on the ability of our management and investment teams to obtain adequate information to evaluate the potential returns from investing in these companies. Such small, privately held companies as we routinely invest in may also lack quality infrastructures, thus leading to poor disclosure standards or control environments. If we are unable to uncover all material information about these companies, then we may not make a fully informed investment decision, and we may not receive the expected return on our investment or lose some or all of the money invested in these companies.

Also, privately-held companies frequently have less diverse product lines and a smaller market presence than do larger competitors. Privately-held companies are, thus, generally more vulnerable to economic downturns and may experience more substantial variations in operating results than do larger competitors. These factors could affect our investment returns and our results of operations and financial condition.

In addition, our success depends, in large part, upon the abilities of the key management personnel of our portfolio companies, who are responsible for the day-to-day operations of our portfolio companies. Competition for qualified personnel is intense at any stage of a company's development, and high turnover of personnel is common in technology-related companies. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. Our portfolio companies may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively impact our investment returns and our results of operations and financial condition.

If our portfolio companies are unable to protect their intellectual property rights or are required to devote significant resources to protecting their intellectual property rights, then our investments could be harmed.

Our future success and competitive position depend in part upon the ability of our portfolio companies to obtain and maintain proprietary technology used in their products and services, which will often represent a significant portion of the collateral, if any, securing our investment. The portfolio companies will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation in order to enforce their patents, copyrights or other intellectual property rights, to protect their trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. At the same time, failure to pursue such litigation may result in increased competition from infringing parties and adverse impacts to the portfolio company's business. Similarly, if a portfolio company is found to infringe upon or misappropriate a third party's patent or other proprietary rights, that portfolio company could be required to pay damages to such third party, alter its own products or processes, obtain a license from the third party and/or cease activities utilizing such proprietary rights, including making or selling products utilizing such proprietary rights. Any of the foregoing events could negatively affect both the portfolio company's ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

We generally will not control our portfolio companies.

In some instances, we may control our portfolio companies or provide our portfolio companies with significant managerial assistance. However, we generally do not, and do not expect to, control the ultimate decision making in many of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest will make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, will take risks or otherwise act in ways that do not serve our interests as investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that would decrease the value of our portfolio holdings.

Our financial condition, results of operations and cash flows could be negatively affected if we are unable to recover our principal investment as a result of a negative pledge or lack of a security interest on the intellectual property of our venture growth stage companies.

In some cases, we collateralize our loans with a secured collateral position in a portfolio company's assets, which may include a negative pledge or, to a lesser extent, no security on their intellectual property. In the event of a default on a loan, the intellectual property of the portfolio company will most likely be liquidated to provide proceeds to pay the creditors of the company. There can be no assurance that our security interest, if any, in the proceeds of the intellectual property will be enforceable in a court of law or bankruptcy court or that there will not be others with senior or *pari passu* credit interests.

Our relationship with certain portfolio companies may expose us to our portfolio companies' trade secrets and confidential information which may require us to be parties to non-disclosure agreements and restrict us from engaging in certain transactions.

Our relationship with some of our portfolio companies may expose us to our portfolio companies' trade secrets and confidential information (including transactional data and personal data about their employees and clients) which may require us to be parties to non-disclosure agreements and restrict us from engaging in certain transactions. Unauthorized access or disclosure of such information may occur, resulting in theft, loss or other misappropriation. Any theft, loss, improper use, such as insider trading, or other misappropriation of confidential information could have a material adverse impact on our competitive positions, our relationship with our portfolio companies and our reputation and could subject us to regulatory inquiries, enforcement and fines, civil litigation (which may cause us to incur significant expense or expose us to losses) and possible financial liability or costs.

Portfolio company litigation could result in additional costs, the diversion of management time and resources and have an adverse impact on the fair value of our investment.

To the extent that litigation arises with respect to any of our portfolio companies, we may be named as a defendant, which could result in additional costs and the diversion of management time and resources. Furthermore, if we are providing managerial assistance to the portfolio company or have representatives on the portfolio company's Board, our costs and diversion of our management's time and resources in assessing the portfolio company could be substantial in light of any such litigation regardless of whether we are named as a defendant. In addition, litigation involving a portfolio company may be costly and affect the operations of the portfolio company's business, which could in turn have an adverse impact on the fair value of our investment in such company.

Our investments in foreign securities or investments denominated in foreign currencies may involve significant risks in addition to the risks inherent in U.S. and U.S. denominated investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Our total investments at value in foreign companies were approximately $296.3 million or 12.2% of total investments as of December 31, 2021. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies.

These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility, among other things.

Although most of our investments will be U.S. dollar denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments.

We may not have sufficient funds to make follow-on investments. Our decision not to make a follow-on investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity or need to increase our investment in a successful situation or attempt to preserve or enhance the value of our initial investment, for example, the exercise of a warrant to purchase common stock, or a negative situation, to protect an existing investment. We have the discretion to make any follow-on investments, subject to the availability of capital resources and regulatory considerations. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. Any decision we make not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us to increase our participation in a successful operation and may dilute our equity interest or otherwise reduce the expected yield on our investment. Moreover, a follow-on investment may limit the number of companies in which we can make initial investments. In determining whether to make a follow-on investment, our management will exercise its business judgment and apply criteria similar to those used when making the initial investment. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments and this could adversely affect our success and result in the loss of a substantial portion or all of our investment in a portfolio company.

The lack of liquidity in our investments may adversely affect our business and, if we need to sell any of our investments, we may not be able to do so at a favorable price. As a result, we may suffer losses.

We generally invest in debt securities with terms of up to seven years and hold such investments until maturity, and we do not expect that our related holdings of equity securities will provide us with liquidity opportunities in the near-term. We invest and expect to continue investing in companies whose securities have no established trading market and whose securities are and will be subject to legal and other restrictions on resale or whose securities are and will be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, to maintain our qualification as a BDC and as a RIC, we may have to dispose of investments if we do not satisfy one or more of the applicable criteria under the respective regulatory frameworks.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases, portfolio companies will be permitted to incur other debt, or issue other equity securities, that rank equally with, or senior to, our investment. Such instruments may provide that the holders thereof are entitled to receive payment of distributions, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company might not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on a pari passu basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more inter-creditor agreements that we enter into with the holders of senior debt. Under such an inter-creditor agreement, at any time that senior obligations are outstanding, we may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as junior lenders are adversely affected.

Our warrant and equity investments can be volatile, and we may not realize gains from these investments. If our warrant and equity investments do not generate gains, then the return on our invested capital will be lower than it would otherwise be, which could result in a decline in the value of shares of our common stock.

When we invest in debt securities, we generally expect to acquire warrants or other equity securities as well. Our goal is ultimately to dispose of these equity interests and realize gains upon disposition of such interests. Over time, the gains that we realize on these equity interests may offset, to some extent, losses that we experience on defaults under debt and other securities that we hold. However, the equity interests that we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses that we experience. In addition, we anticipate that approximately 50% of our warrants may not realize and exit or generate any returns. Furthermore, because of the financial reporting requirements under U.S. generally accepted accounting principles ("U.S. GAAP"), of those approximately 50% of warrants that we do not realize and exit, the assigned costs to the initial warrants may lead to realized write-offs when the warrants either expire or are not exercised.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

During the year ended December 31, 2021, we received debt investment early principal repayments and pay down of working capital debt investments of approximately $1,185.0 million. We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay distributions, could adversely affect our results of operation and financial condition and cause the loss of all or part of your investment.

We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

Our loans could be subject to equitable subordination by a court which would increase our risk of loss with respect to such loans or we could be subject to lender liability claims.

Courts may apply the doctrine of equitable subordination to subordinate the claim or lien of a lender against a borrower to claims or liens of other creditors of the borrower, when the lender or its affiliates is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lender or its affiliates is found to have exerted inappropriate control over a client, including control resulting from the ownership of equity interests in a client or providing of significant managerial assistance. We have made direct equity investments or received warrants in connection with loans. These investments represent approximately 9.2% of the outstanding value of our investment portfolio as of December 31, 2021. Payments on one or more of our loans, particularly certain loans to clients in which we also hold equity interests, may be subject to claims of equitable subordination. If we were deemed to have the ability to control or otherwise exercise influence over the business and affairs of one or more of our portfolio companies resulting in economic hardship to other creditors of that company, this control or influence may constitute grounds for equitable subordination and a court may treat one or more of our loans as if it were unsecured or common equity in the portfolio company. In that case, if the portfolio company were to liquidate, we would be entitled to repayment of our loan on a pro-rata basis with other unsecured debt or, if the effect of subordination was to place us at the level of common equity, then on an equal basis with other holders of the portfolio company's common equity only after all of its obligations relating to its debt and preferred securities had been satisfied.

In addition to these risks, in the event we elect to convert our debt position to equity, or otherwise take control of a portfolio company (such as through placing a member of our management team on its Board), as part of a restructuring, we face additional risks acting in that capacity. It is not uncommon for unsecured, or otherwise unsatisfied creditors, to sue parties that elect to use their debt positions to later control a company following a restructuring or bankruptcy. Apart from lawsuits, key customers and suppliers might act in a fashion contrary to the interests of a portfolio company if they were left unsatisfied in a restructuring or bankruptcy. Any combination of these factors might lead to the loss in value of a company subject to such activity and may divert the time and attention of our management team and investment team to help to address such issues in a portfolio company.

The potential inability of our portfolio companies in the healthcare industry to charge desired prices with respect to prescription drugs could impact their revenues and in turn their ability to repay us.

Some of our portfolio companies in the healthcare industry are subject to risks associated with the pricing for prescription drugs. It is uncertain whether customers of our healthcare industry portfolio companies will continue to utilize established prescription drug pricing methods, or whether other pricing benchmarks will be adopted for establishing prices within the industry. Legislation may lead to changes in the pricing for Medicare and Medicaid programs. Regulators have conducted investigations into the use of prescription drug pricing methods for federal program payment, and whether such methods have inflated drug expenditures by the Medicare and Medicaid programs. Federal and state proposals have sought to change the basis for calculating payment of certain drugs by the Medicare and Medicaid programs. Any changes to the method for calculating prescription drug costs may reduce the revenues of our portfolio companies in the healthcare industry which could in turn impair their ability to timely make any principal and interest payments owed to us.

Risks Related to Our Securities

Investing in shares of our common stock involves an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk, volatility or loss of principal than alternative investment options. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

Our common stock may trade below its NAV per share, which could limit our ability to raise additional equity capital.

If our common stock is trading below its NAV per share, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our independent directors and stockholders. If our common stock trades below NAV, the higher cost of equity capital may result in it being unattractive to raise new equity, which may limit our ability to grow. The risk of trading below NAV is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our NAV.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law and our charter and bylaws contain provisions that may have the effect of discouraging, delaying, or making difficult a change in control of our company or the removal of our incumbent directors. Under our charter, our Board is divided into three classes serving staggered terms, which will make it more difficult for a hostile bidder to acquire control of us. In addition, our Board may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Subject to compliance with the 1940 Act, our Board may, without stockholder action, amend our charter to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third party bids for ownership of our company. These provisions may prevent any premiums being offered to you for shares of our common stock in connection with a takeover.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale (including as a result of the conversion of any convertible notes issued and outstanding or that we may issue in the future), could adversely affect the prevailing market prices for our common stock, which may also lead to further dilution of our earnings per share. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional equity capital. Any issuance of our common stock at a price below the current NAV could materially dilute your interest in our common stock and reduce our NAV per share.

Subject to limited exceptions, we are not generally able to issue and sell our common stock at a price per share below NAV. We may, however, sell our common stock, warrants, options, or other rights to acquire such common stock, at a price below the current NAV if our Board determines that such sale is in the best interest of our stockholders and if stockholders, including a majority of those stockholders that are not affiliated with us, approved of such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of the Board, closely approximates the market value of such securities (less any distributing commission or discount). We do not currently have authorization from our stockholders to issue common stock at a price below its then current NAV per share. We did not sell any of our securities at a price below NAV during the year ended December 31, 2021.

We may in the future seek to obtain approval from our stockholders to issue shares of our common stock at prices below the then current NAV per share of our common stock, subject to certain limitations and with the approval from our independent directors. If we receive such approval, we may periodically issue shares of our common stock at a price below the then current NAV per share of common stock. Any such issuance could materially dilute your interest in our common stock and reduce our NAV per share.

We may in the future seek to obtain approval from our stockholders to issue shares of our common stock at prices below the then current NAV per share of our common stock. Such approval would allow us to access the capital markets in a way that we typically are unable to do as a result of restrictions described above. Any decision to sell shares of our common stock below the then current NAV per share of our common stock is subject to the determination by our Board that such issuance and sale is in our and our stockholders' best interests.

Any sale or other issuance of shares of our common stock at a price below NAV per share would result in an immediate dilution to your interest in our common stock and a reduction of our NAV per share. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our NAV per share and the price and timing of such issuances, if any, are not currently known, we cannot predict the actual dilutive effect of any such issuance. We also cannot determine the resulting reduction in our NAV per share of any such issuance at this time. We caution you that such effects may be material, and we undertake to describe all the material risks and dilutive effects of any offering that we may make at a price below our then current NAV in the future in a prospectus supplement issued in connection with any such offering. We cannot predict whether shares of our common stock will trade above, at or below our NAV.

We may allocate the net proceeds from an offering in ways with which you may not agree.

We have significant flexibility in investing the net proceeds of an offering and may use the net proceeds from an offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

If we issue preferred stock, debt securities or convertible debt securities, the NAV and market value of our common stock may become more volatile.

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the NAV and market value of our common stock to become more volatile. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the NAV of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in NAV to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in NAV would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or our current investment income might not be sufficient to meet the distribution requirements on the preferred stock or the interest payments on the debt securities. If we do not maintain our required asset coverage ratios, we may not be permitted to declare dividend distributions. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities, convertible debt or any combination of these securities may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock that we may issue will have the right to elect members of the Board and have class voting rights on certain matters.

The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open-end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our ability to be subject to tax as a RIC.

Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.

If you are holding debt securities issued by us and such securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if you are holding debt securities issued by us and such securities are subject to mandatory redemption, we may be required to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

We may redeem our Notes at a redemption price set forth under the terms of the individual indentures (Refer to "Note 5 - Debt" included in the notes to our consolidated financial statements appearing elsewhere in this report). If we choose to redeem our Notes when the fair market value is above par value, you would experience a loss of any potential premium.

A downgrade, suspension, or withdrawal of the credit rating assigned by a rating agency to us or our debt securities, if any, or change in the debt markets could cause the liquidity or market value of our debt securities to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our outstanding debt and equity securities and our ability to raise capital. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of such debt and equity securities. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion.

Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of our debt and equity securities of any changes in our credit ratings. There can be no assurance that a credit rating will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely if future circumstances relating to the basis of the credit rating, such as adverse changes in our company, so warrant. An increase in the competitive environment, inability to cover distributions, or increase in leverage could lead to a downgrade in our credit ratings and limit our access to the debt and equity markets capability impairing our ability to grow the business. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future.

Our shares may trade at discounts from NAV or at premiums that are unsustainable over the long term.

Shares of BDCs may trade at a market price that is less than the NAV that is attributable to those shares. Our shares have historically traded above and below our NAV. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV may decrease. It is not possible to predict whether our shares will trade at, above or below NAV in the future.

Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

All distributions in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

If our investments do not meet our performance expectations, you may not receive distributions.

We intend to make distributions on a quarterly basis to our stockholders. We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Also, restrictions and provisions in any future credit facilities may limit our ability to make distributions. As a RIC, if we do not distribute at least a certain percentage of our income each taxable year as dividends for U.S. federal income tax purposes to our stockholders, we will suffer adverse tax consequences, including the inability to be subject to tax as a RIC. We cannot assure you that you will receive distributions at a particular level or at all.

We may be subject to restrictions on our ability to make distributions to our stockholders.

Restrictions imposed on the declaration of dividends or other distributions to holders of our common stock, by both the 1940 Act and by requirements imposed by rating agencies, might impair our ability to make the required distributions to our stockholders in order to be subject to tax as a RIC. While we intend to prepay our Notes and other debt to the extent necessary to enable us to distribute our income as required to maintain our ability to be subject to tax as a RIC, there can be no assurance that such actions can be effected in time or in a manner to satisfy the requirements set forth in the Code.

Our distribution proceeds may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to stockholders, which will lower their tax basis in their shares.

The tax treatment and characterization of our distributions may vary significantly from time to time due to the nature of our investments. The ultimate tax characterization of our distributions made during a taxable year generally will not finally be determined until after the end of that taxable year. We may make distributions during a taxable year that exceed our investment company taxable income, determined without regard to any deduction for dividends paid, and net capital gains for that taxable year. In such a situation, the amount by which our total distributions exceed investment company taxable income, determined without regard to any deduction for dividends paid, and net capital gains generally would be treated as a return of capital up to the amount of a stockholder's tax basis in the shares, with any amounts exceeding such tax basis generally treated as a gain from the sale or exchange of such shares. A return of capital generally is a return of a stockholder's investment rather than a return of earnings or gains derived from our investment activities. Moreover, we may pay all or a substantial portion of our distributions from the proceeds of the sale of shares of our common stock or from borrowings in anticipation of future cash flow, which could constitute a return of stockholders' capital and will lower such stockholders' tax basis in our shares, which may result in increased tax liability to stockholders when they sell such shares. The tax liability to stockholders upon the sale of shares may increase even if such shares are sold at a loss.

Our common stock price has been and continues to be volatile and may decrease substantially.

As with any company, the price of our common stock will fluctuate with market conditions and other factors, which include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of RICs, BDCs or other financial services companies;
- any inability to deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- the financial performance of specific industries in which we invest in on a recurring basis;
- announcement of strategic developments, acquisitions, and other material events by us or our competitors, or operating performance of companies comparable to us;
- changes in regulatory policies or tax guidelines with respect to RICs, SBICs or BDCs;

- losing our ability to either qualify or be subject to U.S. federal income tax as a RIC;
- actual or anticipated changes in our earnings or fluctuations in our operating results, or changes in the expectations of securities analysts;
- changes in the value of our portfolio of investments;
- realized losses in investments in our portfolio companies;
- general economic conditions and trends;
- inability to access the capital markets;
- loss of a major funded source; or
- departure of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and could divert management's attention and resources from our business.

We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

Delays in investing the net proceeds raised in an offering or from exiting an investment or other capital may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of any offering or from exiting an investment or other capital on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest the capital primarily in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less or use the net proceeds from such offerings to reduce then-outstanding debt obligations, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of any offering or from exiting an investment or other capital are invested in new securities meeting our investment objective, the market price for our securities may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our NAV per share, then you will experience an immediate dilution of the aggregate NAV of your shares.

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot precisely state the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the NAV per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate NAV of their shares as a result of the offering. The amount of any decrease in NAV is not predictable because it is not known at this time what the subscription price and NAV per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial.

The trading market or market value of our publicly issued debt securities may fluctuate.

Our publicly issued debt securities may or may not have, and may never develop, an established trading market. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities. You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

The Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, while the Notes remain senior in priority to our equity securities, they are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes.

The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of Hercules Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries are or act as guarantors of the Notes. Furthermore, the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Our secured indebtedness with respect to the SBA debentures is held through our SBIC subsidiary. The assets of any such subsidiary are not directly available to satisfy the claims of our creditors, including holders of the Notes.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. As a result of not having a direct claim against any of our subsidiaries, the Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

The respective indentures under which the Notes were issued contain limited protections for the holders of the Notes.

The indentures under which the Notes were issued offers limited protections to the holders of the Notes. The terms of the respective Notes indentures do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on an investment in the Notes. In particular, the terms of the respective Notes indentures do not place any restrictions on our or our subsidiaries' ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect to any exemptive relief granted to us by the SEC (currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% thereafter after such borrowings);

- pay distributions on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, in each case other than distributions, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another BDC (or to us if we determine to seek such similar no-action or other relief) permitting the BDC to declare any cash distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act in order to maintain the BDC's status as a RIC under Subchapter M of the Code (currently, these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 150% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase);
- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of distributions or other amounts to us from our subsidiaries.

Furthermore, the terms of the respective Notes indentures do not protect their respective holders in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for their holders, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting their trading value.

Certain of our current debt instruments include more protections for their respective holders than the Notes indentures. In addition to regulatory requirements that restrict our ability to raise capital, our Notes and Credit Facilities contain various covenants which, if not complied with, could require accelerated repayment under the facility or require us to repurchase the Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions." In addition, other debt we issue or incur in the future could contain more protections for its holders than the respective Notes indentures , including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

An active trading market for the 2033 Notes may not develop or be sustained, which could limit the market price of the 2033 Notes or your ability to sell them.

Although the 2033 Notes are listed on the NYSE under the symbol "HCXY", we cannot provide any assurances that an active trading market will develop or be sustained for the 2033 Notes or that the 2033 Notes will be able to be sold. At various times, the 2033 Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. To the extent an active trading market is not sustained, the liquidity and trading price for the 2033 Notes may be harmed.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on our outstanding Notes and Credit Facilities.

Any default under the agreements governing our indebtedness, including our Notes and Credit Facilities, or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on any of our indebtedness, including our Notes and Credit Facilities, or other indebtedness and substantially decrease the market value of our outstanding Notes and Credit Facilities debt. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the SMBC Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the SMBC Facility or Union Bank Facility or the required holders of our outstanding Notes or other debt that we may incur in the future to avoid being in default. If we breach our debt covenants and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the related Credit Facility or Notes and the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the SMBC Facility and the Union Bank Facility, could proceed against the collateral securing the debt. Because the SMBC Facility and the Union Bank Facility have, and any future credit facilities will likely have, customary cross-default provisions, if our outstanding Notes are accelerated, we may be unable to repay or finance the amounts due.

We may not be able to prepay the Notes or Credit Facilities upon a change in control.

The indentures governing the July 2024 Notes, February 2025 Notes, June 2025 Notes, March 2026 A Notes, and March 2026 B Notes require us to offer to prepay all of the issued and outstanding notes upon a change in control and election by the holders, which could have a material adverse effect on our business, financial condition and results of operations. A change in control under the indentures occurs upon the consummation of a transaction which results in a "person" or "group" (as those terms are used in the Exchange Act and the rules promulgated thereunder) becoming the beneficial owner of more than 50% of our outstanding voting stock.

Upon a change in control event, holders of the notes may require us to prepay for cash some or all of the notes at a prepayment price equal to 100% of the aggregate principal amount of the notes being prepaid, plus accrued and unpaid interest to, but not including, the date of prepayment. If a change in control were to occur, we may not have sufficient funds to prepay any such accelerated indebtedness. The 2033 Notes do not require us to purchase the 2033 Notes in connection with a change of control or any other event.

General Risk Factors

The effects of the outbreak of COVID-19 have negatively affected the global economy and the United States economy, and may disrupt our operations, which could have an adverse effect on our business, financial condition and results of operations.

The COVID-19 pandemic, which began in late 2019 has and threatens to continue to create market volatility and disruption in the U.S. and across the global capital markets. With the rollout of vaccination programs in the U.S. and globally, several countries, as well as certain states in the U.S., have lifted or reduced certain travel restrictions, business restrictions, and other quarantine measures. This has contributed to a positive economic recovery since 2020, especially in the U.S. Although the economic recovery and rollout of vaccination programs are promising, the potential exists for new COVID-19 variants to impede the global economic recovery. For example, the Delta and Omicron variants have caused a surge in the reported number of cases, hospitalizations and deaths related to the COVID-19 pandemic. These surges led to the re-introduction of restrictions and business shutdowns in certain states within the United States and globally. Although some states and municipalities have begun to eliminate restrictions related to COVID-19, there remains the potential for new COVID-19 variants to cause the reintroduction of such restrictions in the future.

As a result, COVID-19 may continue to disrupt our portfolio companies and their businesses, and certain industries in which our portfolio companies operate. Disruptions to our portfolio companies may impair their ability to fulfill their obligations to us and could result in increased risk of delinquencies, defaults, declining collateral values associated with our existing loans, and impairments or losses on our loans. Disruption and the pressures on their liquidity caused by COVID-19 on certain of our portfolio companies have been, or may continue to be, incentivized to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans. The extent to which the COVID-19 pandemic will continue to affect the financial condition and liquidity of our portfolio companies' results of operations will depend on future developments, such as the speed and extent of further vaccine distribution and the impact of COVID-19 variants that might arise, which are highly uncertain and cannot be predicted.

Equally the extent of the impact of the COVID-19 pandemic on our own operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend to a large extent on future developments regarding the duration and severity of the COVID-19, effectiveness of vaccination deployment and the actions taken by governments (including stimulus measures or the lack thereof) and their citizens to contain the COVID-19 or treat its impact, all of which are beyond our control. An extended period of global supply chain and economic disruption, including any resulting inflation, could materially affect our business, results of operations, access to sources of liquidity and financial condition. Given the fluidity of the situation, neither our management nor our Board is able to predict the full impact of COVID-19 on our business, future results of operations, financial position, or cash flows at this time.

Depending on funding requirements, we may need to raise additional capital to meet our unfunded commitments through additional borrowings.

As of December 31, 2021, we had approximately $286.8 million of available unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones.

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. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We believe that our assets provide adequate cover to satisfy all of our unfunded commitments and we intend to use cash flow from normal and early principal repayments and proceeds from borrowings and notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due, which could have a material adverse effect on our reputation in the market and our ability to generate incremental lending activity and subject us to lender liability claims.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

Global macro-economic and political events, terrorist attacks, acts of war, natural disasters or other public health emergencies may affect the market for our securities, impact the businesses in which we invest and harm our business, operating results and financial condition.

Global macro-economic and political events, terrorist acts, acts of war, natural disasters or other public health emergencies may affect the market for our securities, disrupt our operations, as well as the operations of the businesses in which we invest. Such events and acts have created, and continue to create economic and political uncertainties and have contributed to global economic instability. Future events, acts, or other emergencies could further weaken the domestic economy, global economy, or both and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from such events and acts are generally unknown and uninsurable.

We may be the target of litigation.

We may be the target of securities litigation in the future, particularly if the trading price of our common stock and our debt securities fluctuates significantly. We could also generally be subject to litigation, including derivative actions by our stockholders. Additionally, we could also be generally subject to litigation, indirectly through our relationships with the Adviser Subsidiary, the Adviser Funds that it manages, and External Parties that it services. Any litigation could result in substantial costs and divert management's attention and resources from our business and cause a material adverse effect on our business, financial condition and results of operations.

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

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

In particular, if we incur additional debt, our liquidity and financial stability could be impaired as a result of using a significant portion of available cash or borrowing capacity to finance an acquisition. Moreover, we may face an increase in interest expense or financial leverage if additional debt is incurred to finance an acquisition, which may, among other things, adversely affect our various financial ratios and our compliance with the conditions of our existing indebtedness. In addition, such additional indebtedness may be secured by liens on our assets.

Acquisitions involve numerous other risks, including:

- diversion of management time and attention;
- failures to identify material problems and liabilities of acquisition targets or to obtain sufficient indemnification rights to fully offset possible liabilities related to the acquired businesses;
- difficulties integrating the operations, technologies and personnel of the acquired businesses;
- inefficiencies and complexities that may arise due to unfamiliarity with new assets, businesses or markets;
- disruptions to our ongoing business;
- inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings;
- the inability to obtain required financing for the new acquisition or investment opportunities and our existing business;
- the need or obligation to divest portions of an acquired business;
- challenges associated with operating in new geographic regions;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- potential loss of our or the acquired business' key employees, contractual relationships, suppliers or customers; and
- inability to obtain required regulatory approvals.

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

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

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

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

Legislative or regulatory tax changes could adversely affect you.

At any time, the U.S. federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or of you as a stockholder. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations.

In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, as amended ("the Sarbanes-Oxley Act"), or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted below), may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors and lenders to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Changes in laws or regulations governing our business could negatively affect the profitability of our operations.

Changes in the laws or regulations, or the interpretations of the laws and regulations, which govern BDCs, SBICs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations, in addition to applicable foreign and international laws and regulations, and are subject to judicial and administrative decisions that affect our operations, including our loan originations maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition.

Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.

Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

The U.S. Foreign Corrupt Practices Act ("FCPA"), and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti-corruption laws and regulations, as well as anti-boycott regulations, to which we are subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations.

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the New York Stock Exchange ("NYSE") have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. The Dodd-Frank Wall Street Reform and Protection Act, as amended ("the Dodd-Frank Act"), contains significant corporate governance and executive compensation-related provisions, and the SEC has adopted, and will continue to adopt, additional rules and regulations that may impact us. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on our business as a result of recent financial reform legislation, these changes could be materially adverse to us and our stockholders.

In addition, our failure to maintain compliance with such rules, or for our management to appropriately address issues relating to our compliance with such rules fully and in a timely manner, exposes us to an increasing risk of inadvertent non-compliance. While our management team takes reasonable efforts to ensure that we are in full compliance with all laws applicable to its operations, the increasing rate and extent of regulatory change increases the risk of a failure to comply, which may result in our ability to operate our business in the ordinary course or may subject us to potential fines, regulatory findings or other matters that may materially impact our business.

We incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act and other rules implemented by the SEC.

Results may fluctuate and may not be indicative of future performance.

Our operating results may fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the investment origination volume and fee income earned, changes in the accrual status of our debt investments, variations in timing of prepayments, variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions.

We face cyber-security risks and the failure in cyber security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

Our business operations rely upon secure information technology systems for data processing, storage and reporting. Despite careful security and controls design, implementation and updating, our information technology systems could become subject to cyber-attacks. Network, system, application and data breaches could result in operational disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition.

The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, pandemic or quarantine, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

In addition, the costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Furthermore, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be, for example:

- sudden electrical or telecommunication outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

Downgrades of the U.S. credit rating, automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.

U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time resulting in, among other things, inadequate funding for and/or the shutdown of certain government agencies, including the SEC, SBA, and U.S. Food and Drug Administration ("the FDA"), on which the operation of our business may rely. Inadequate funding for and/or the shutdown of these government agencies prevents them from performing their normal business functions, which could impact, among other things, (i) our and our portfolio companies' ability to access the public markets and obtain necessary capital in order to, among other things, properly capitalize, continue or expand operations, or, in the case of portfolio investments held by us, liquidate such investments; (ii) our ability to originate SBA loans; and (iii) the ability of the FDA and other governmental agencies to timely review and process regulatory submissions of our portfolio companies. Continued adverse political and economic conditions, including a prolonged U.S. federal government shutdown, could have a material adverse effect on our business, financial condition and results of operations.

Our business and operations could be negatively affected if we become subject to stockholder activism, which could cause us to incur significant expense, hinder the execution of our investment strategy or impact our stock price.

Stockholder activism, which could take many forms, including making public demands that we consider certain strategic alternatives, engaging in public campaigns to attempt to influence our corporate governance and/or our management, and commencing proxy contests to attempt to elect the activists' representatives or others to our Board, or arise in a variety of situations, has been increasing in the BDC industry recently. While we are currently not aware of any stockholder activism in our company, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of stockholder activism. Stockholder activism could result in substantial costs and divert management and our Board's attention and resources from our business. Additionally, such stockholder activism could give rise to perceived uncertainties as to our future and adversely affect our relationships with service providers and our portfolio companies. Also, we may be required to incur significant legal and other expenses related to any activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any stockholder activism.

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

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. While the capital markets have improved, these conditions could deteriorate again in the future. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required.

As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and around the world, including in the Middle East, Eastern Europe, Asia, and Russia, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. In addition, continuing uncertainty arising from the United Kingdom’s decision to leave the European Union, or Brexit, could lead to further market disruptions and currency volatility, potentially weakening consumer, corporate and financial confidence and resulting in lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Under the terms of the withdrawal agreement negotiated and agreed to between the United Kingdom and the European Union, the United Kingdom’s departure from the European Union was followed by a transition period which ran until December 31, 2020, and during which the United Kingdom continued to apply European Union law and was treated for all material purposes as if it were still a member of the European Union. On December 24, 2020, the European Union and United Kingdom governments signed a Trade and Cooperation Agreement that became provisionally effective on January 1, 2021, and that now governs the relationship between the United Kingdom and the European Union (the “Trade Agreement”). The Trade Agreement implements significant regulation around trade, transport of goods and travel restrictions between the United Kingdom and the European Union. Notwithstanding the Trade Agreement, the longer term economic, legal, political and social implications of Brexit are unclear at this stage. Brexit has led to ongoing political and economic uncertainty and periods of increased volatility in both the United Kingdom and in wider European markets for some time. We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, Brexit, military conflict between Russia and Ukraine, or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

The broader fundamentals of the United States economy remain mixed. In the event that the United States economy contracts, it is likely that the financial results of small to mid-sized companies, like many of our portfolio companies, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, declines in oil and natural gas prices could adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy-related businesses.

In addition, volatility in the equity markets could impact our portfolio companies’ access to the debt and equity capital markets, which could ultimately limit their ability to grow, satisfy existing financing and other arrangements and impact their ability to perform. Volatility in the equity markets could also impact our ability to liquidate or achieve value from warrants and other equity investments we have in our portfolio companies. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles, industry cycles or other conditions, which could also have a negative impact on our future results.

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

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Neither we nor any of our subsidiaries own any real estate or other physical properties materially important to our operation or any of our subsidiaries. Currently, we lease approximately 14,500 square feet of office space in Palo Alto, CA for our corporate headquarters. We also lease office space in Boston, MA, New York, NY, Bethesda, MD, Westport, CT, Chicago, IL, San Diego, CA, and London, United Kingdom.

Item 3. ***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 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NYSE under the symbol "HTGC." As of February 10, 2022, we had approximately 104,553 stockholders of record. Most of the shares of our common stock are held by brokers and other institutions on behalf of stockholders. There are currently approximately 147 additional beneficial holders of our common stock.

Shares of BDCs may trade at a market price that is less than the NAV per share. The possibilities that our shares of common stock will trade at a discount from NAV or at premiums that are unsustainable over the long term are separate and distinct from the risk that our NAV will decrease. At times, our shares of common stock have traded at a premium to NAV or at a significant discount to the NAV per share.

Price Range of Common Stock and Distributions

The following table sets forth the range of high and low closing sales prices of our common stock, the sales price as a percentage of NAV and the distributions declared by us for each fiscal quarter. The stock quotations are interdealer quotations and do not include markups, markdowns or commissions.

	NAV(1)	Price Range High	Price Range Low	Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Distribution per Share(2)
2019						
First quarter	$ 10.26	$ 14.04	$ 11.23	36.8 %	9.5 %	$ 0.31
Second quarter	$ 10.59	$ 13.75	$ 12.57	29.8 %	18.7 %	$ 0.33
Third quarter	$ 10.38	$ 13.44	$ 12.66	29.5 %	22.0 %	$ 0.34
Fourth quarter	$ 10.55	$ 14.44	$ 12.98	36.9 %	23.0 %	$ 0.35
2020						
First quarter	$ 9.92	$ 15.99	$ 6.81	61.2 %	(31.4)%	$ 0.40
Second quarter	$ 10.19	$ 11.83	$ 6.64	16.1 %	(34.8)%	$ 0.32
Third quarter	$ 10.26	$ 11.97	$ 10.02	16.7 %	(2.3)%	$ 0.32
Fourth quarter	$ 11.26	$ 14.42	$ 11.13	28.1 %	(1.2)%	$ 0.34
2021						
First quarter	$ 11.36	$ 16.60	$ 14.21	46.1 %	25.1 %	$ 0.37
Second quarter	$ 11.71	$ 17.66	$ 15.98	50.8 %	36.5 %	$ 0.39
Third quarter	$ 11.54	$ 17.56	$ 16.50	52.2 %	43.0 %	$ 0.39
Fourth quarter	$ 11.22	$ 18.07	$ 16.14	61.1 %	43.9 %	$ 0.40

(1) NAV per share is generally determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
(2) Represents the dividend or distribution declared in the relevant quarter.

SALES OF UNREGISTERED SECURITIES

During 2021, 2020, and 2019, we issued 248,041, 280,690, and 180,135 shares, respectively, 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 of 1933, as amended ("the Securities Act"). The aggregate value of the shares of our common stock issued under our dividend reinvestment plan during the years ended December 31, 2021, 2020, and 2019 were approximately $4.1 million, $3.3 million, and $2.4 million, respectively.

EQUITY COMPENSATION PLAN INFORMATION

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

ISSUER PURCHASES OF EQUITY SECURITIES

On December 17, 2018, our Board authorized a stock repurchase plan permitting us to repurchase up to $25.0 million of our common stock until June 18, 2019, after which the plan expired. The Company did not repurchase common stock on the open market during the years ended 2021, 2020, and 2019. Upon vesting of restricted stock awarded pursuant to our equity compensation plans, shares may be withheld to meet applicable tax withholding requirements. Any shares withheld are treated as common stock purchases by the Company in our consolidated financial statements as they reduce the number of shares received by employees upon vesting. Please refer to "Retired shares for restricted stock vesting" and "Retired shares from net issuance" in the consolidated statements of changes in net assets for share amounts withheld.

DISTRIBUTION POLICY

In order to be subject to tax as a RIC, we must distribute to our stockholders, in respect of each taxable year, dividends for U.S. federal income tax purposes of an amount generally at least equal to the Annual Distribution Requirement. Upon satisfying this requirement in respect of a taxable year, we generally will not be subject to corporate taxes on any income we distribute to our stockholders as dividends for U.S. federal income tax purposes.

However, as a RIC we will be subject to a 4% non-deductible 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. See "Item 1. Business— Regulation."

On February 16, 2022, the Board declared (i) a fourth quarter cash distribution of $0.33 per share and (ii) a supplemental cash distribution of $0.60 per share, to be paid in four quarterly distributions of $0.15 per share beginning with the fourth quarter of 2021 (the "$0.60 Supplemental Cash Distribution"). The fourth quarter cash distribution and the first quarterly distribution of the $0.60 Supplemental Cash Distribution (a total of $0.48 per share) will be paid on March 16, 2022 to stockholders of record as of March 9, 2022.

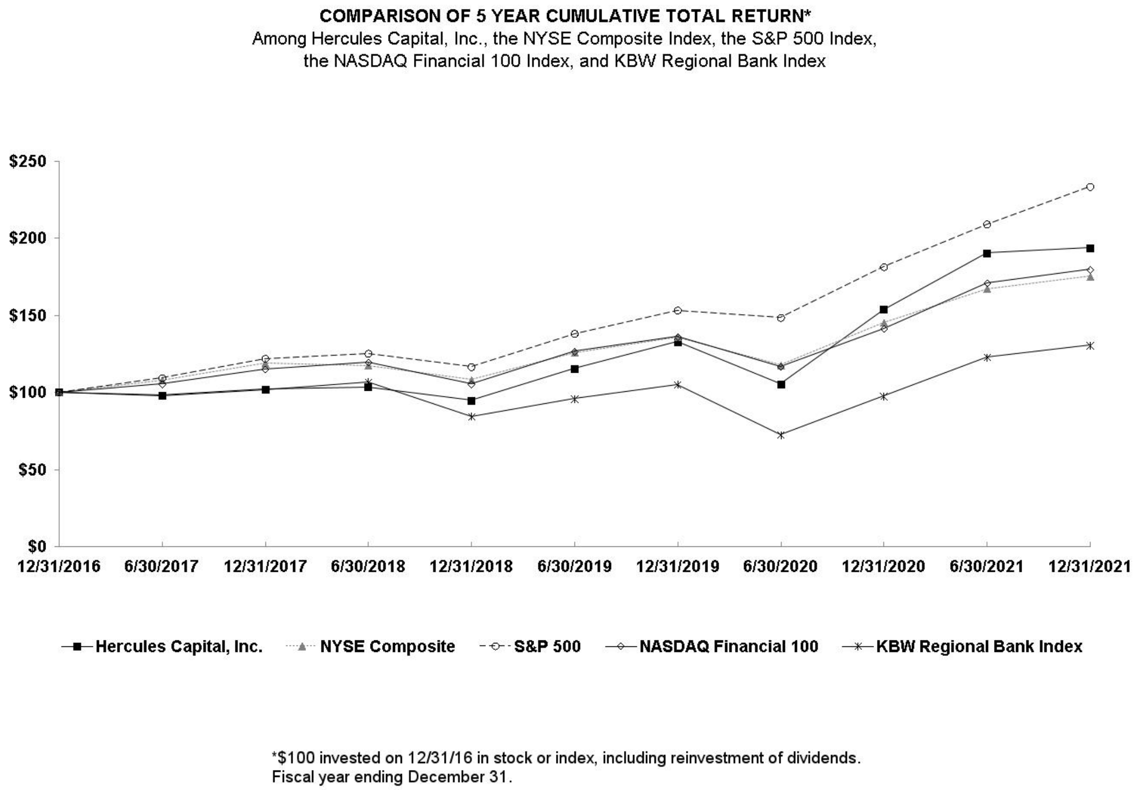
Previously on April 21, 2021, the Board declared a supplemental cash distribution of $0.28 per share, to be paid in four quarterly distributions of $0.07 per share beginning with the first quarter 2021 (the "$0.28 Supplemental Cash Distribution"). The $0.15 payable as the first quarterly distribution of the $0.60 Supplemental Cash Distribution includes $0.07 per share as the fourth and final distribution of the $0.28 Supplemental Cash Distribution. With the declaration of the first quarterly distribution of the $0.60 Supplemental Cash Distribution, the Board has declared all of the $0.28 Supplemental Cash Distribution.

Our Board 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.

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 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. During 2021, 2020, and 2019, we issued 248,041, 280,690 and 180,135 shares, respectively, of common stock to stockholders in connection with the dividend reinvestment plan.

PERFORMANCE GRAPH

The following stock performance graph compares the cumulative stockholder return assuming that, on December 31, 2016, a person invested $100 in each of our common stock, the NYSE Composite Index, the S&P 500, the NASDAQ Financial 100 Index, and the KBW Regional Bank Index. The graph measures total stockholder return, which takes into account both changes in stock price and distributions, prior to any tax effect. It assumes that distributions paid are reinvested in like securities.



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This graph and other information furnished under Part II. Item 5 of the Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act. The stock price performance included in the above graph is not necessarily indicative of, or intended to forecast, future stock price performance.

Item 6. [Reserved]

Item 7. *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 current and future effects of the COVID-19 pandemic on us and our portfolio companies;
- 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 BDC, 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 depreciation on investments.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this report, please see the discussion under "Item 1A. Risk Factors." You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this report.

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" and "Forward-Looking Statements" of this Item 7.

Use of Non-GAAP Measures

In Item 1. Business and throughout this MD&A, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are “non-GAAP financial measures” under SEC rules and regulations. GAAP is the acronym for “generally accepted accounting principles” in the United States. The non-GAAP financial measures we present may not be comparable to similarly-named measures reported by other companies.

COVID-19 Developments

The COVID-19 pandemic, which began in late 2019, has and threatens to continue to create market volatility and disruption in the U.S. and across the global capital markets. We are continuing to closely monitor the impact of COVID-19 on all aspects of our business, including impacts to our portfolio companies, employees, due diligence and underwriting processes, and financial markets. With the rollout of vaccination programs in the U.S. and globally, several countries, as well as certain states in the U.S., have lifted or reduced certain travel restrictions, business restrictions, and other quarantine measures. This has contributed to a positive economic recovery since 2020, especially in the U.S. Although the economic recovery and rollout of vaccination programs are promising, the potential exists for new COVID-19 variants to impede the global economic recovery. For example, the Delta and Omicron variants have caused a surge in the reported number of cases, hospitalizations and deaths related to the COVID-19 pandemic. These surges have led to the re-introduction of such restrictions and business shutdowns in certain states within the United States and globally. Although some states and municipalities have begun to eliminate restrictions related to COVID-19, there remains the potential for new COVID-19 variants to cause the reintroduction of such restrictions in the future.

As a result of the pressures on liquidity and financial results to certain of our portfolio companies caused by the COVID-19 pandemic, portfolio companies may draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans. The extent to which the COVID-19 pandemic will continue to affect the financial condition and liquidity of our portfolio companies’ results of operations will depend on future developments, such as the speed and extent of further vaccine distribution and the impact of the COVID-19 variants that might arise, which are highly uncertain and cannot be predicted.

Equally the extent of the impact of the COVID-19 pandemic on our own operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend to a large extent on future developments regarding the duration and severity of the COVID-19, effectiveness of vaccination deployment and the actions taken by governments (including stimulus measures or the lack thereof) and their citizens to contain the COVID-19 or treat its impact, all of which are beyond our control. An extended period of global supply chain and economic disruption, including any resulting inflation, could materially affect our business, results of operations, access to sources of liquidity and financial condition. Given the fluidity of the situation, neither our management nor our Board is able to predict the full impact of COVID-19 on our business, future results of operations, financial position, or cash flows at this time.

Overview

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed and institutional-backed companies in a variety of technology, life sciences, and sustainable and renewable technology industries. Our goal is to be the leading structured debt financing provider for venture capital-backed and institutional-backed companies in a variety of 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. 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.

We are structured as an internally managed, non-diversified, closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC, 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. Consistent with requirements under the 1940 Act, we invest primarily in United-States based companies and to a lesser extent in foreign companies. 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, Bethesda, MD, San Diego, CA, and London, United Kingdom.

We have elected to be treated for tax purposes as RIC under Subchapter M of the Code. As a RIC, we generally will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (i.e., net realized long-term capital gains in excess of net realized short-term capital losses) that we distribute (or are deemed to distribute) as dividends for U.S. federal income tax purposes to stockholders with respect to that taxable year. We will be subject to a 4% non-deductible U.S. federal excise tax on certain undistributed taxable income and capital 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 subject to certain requirements as defined for RICs. In order to qualify as a RIC requires that we must 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 have established Hercules Adviser LLC, a wholly owned registered investment adviser subsidiary. The Adviser Subsidiary provides investment advisory and related services to the Advisor Funds and External Parties. The Adviser Subsidiary is not consolidated for reporting purposes as noted in “Note 1- Description of Business”. In addition to the Adviser Subsidiary, we have established other wholly owned subsidiaries which are consolidated for reporting. However, certain of these subsidiaries are not consolidated for income tax purposes and may generate income tax expense or benefit, as well as tax assets and liabilities as a result of their ownership of certain portfolio investments.

Our primary business objectives are to increase our net income, net investment income, and NAV by investing in debt, typically with warrants or equity, of venture capital-backed and institutional-backed companies in a variety of technology-related industries at attractive current yields and the potential for equity appreciation and realized gains. We aim to achieve our business objectives by maximizing our portfolio total return through generation of current income from our debt investments and capital appreciation from our warrant and equity investments. 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 is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations. We invest primarily in private companies but also have investments in public companies.

We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. 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 or convert into 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 invest in “unitranche” loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position. In addition to our debt investments, we regularly engage in discussions with third parties with respect to various potential transactions to explore all alternatives. Through such alternatives we may acquire an investment, a portfolio of investments, an entire company, or sell portions 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 which may include, depending on the transaction and without limitation, the approval of our Board of Directors (the "Board"), required regulatory or third-party consents, and/or the approval of our stockholders. Accordingly, there can be no assurance that any such transaction would be consummated. Any of these transactions or funds may require significant management resources either during the transaction phase or on an ongoing basis depending on the terms of the transaction.

Portfolio and Investment Activity

The total fair value of our investment portfolio was approximately $2.4 billion as of December 31, 2021, as compared to approximately $2.4 billion as of December 31, 2020. The fair value of our debt investment portfolio as of December 31, 2021 was approximately $2.2 billion, compared to a fair value of approximately $2.1 billion as of December 31, 2020. The fair value of the equity portfolio as of December 31, 2021, was approximately $184.7 million, compared to a fair value of approximately $224.7 million as of December 31, 2020. The fair value of the warrant portfolio as of December 31, 2021, was approximately $38.4 million, compared to a fair value of approximately $34.6 million as of December 31, 2020.

Portfolio Activity

Our investments in portfolio companies take a variety of forms, including unfunded contractual commitments and funded investments. Not all debt commitments represent future cash requirements. 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. From time to time, 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 convert to contractual commitments in approximately 90 days from signing and some portion may be assigned or allocated to or directly originated by the Adviser Funds prior to or after closing. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

During the year ended December 31, 2021, Hercules and the Adviser Funds directly committed or originated an aggregate total $2,639.2 million of investment commitments. Of the aggregated total directly committed or originated by Hercules and the Adviser Funds, $374.5 million of investment commitments were directly committed or originated by the Adviser Funds. Of the aggregate total direct fundings or originations, $226.4 million of debt, equity, and warrant fundings during the period, were assigned to, directly funded or originated by the Adviser Funds. There was no Adviser Funds activity during the year ended December 31, 2020. Our portfolio activity for the years ended December 31, 2021, and 2020 was comprised of the following:

(in millions)	**December 31, 2021**	**December 31, 2020**
Gross Debt Commitments Originated by Hercules Capital and the Adviser Funds [1]		
New portfolio company	$ 1,810.4	$ 834.0
Existing portfolio company	801.3	339.1
Sub-total	2,611.7	1,173.1
Less: Debt commitments assigned to or directly committed by the Adviser Funds [3]	(371.7)	—
Net Total Debt Commitments	$ 2,240.0	$ 1,173.1
Gross Debt Fundings by Hercules Capital and the Adviser Funds [2]		
New portfolio company	$ 1,056.7	$ 420.5
Existing portfolio company	482.6	331.3
Sub-total	1,539.3	751.8
Less: Debt fundings assigned to or directly funded by the Adviser Funds [3]	(223.6)	—
Net Total Debt Fundings	$ 1,315.7	$ 751.8
Equity Investments and Investment Funds and Vehicles Fundings by Hercules Capital and the Adviser Funds		
New portfolio company	$ 18.6	$ 8.2
Existing portfolio company	10.5	1.3
Sub-total	$ 29.1	$ 9.5
Less: Equity fundings assigned to or directly funded by the Adviser Funds [3]	(2.8)	—
Net Total Equity and Investment Funds and Vehicle Fundings	$ 26.3	$ 9.5
Unfunded Contractual Commitments [4]		
Total	$ 286.8	$ 179.8
Non-Binding Term Sheets		
New portfolio company	$ 275.0	$ 247.5
Existing portfolio company	—	—
Total	$ 275.0	$ 247.5

(1) Includes restructured loans and renewals in addition to new commitments.
(2) Funded amounts include borrowings on revolving facilities.
(3) Commitments and fundings include amounts assigned to, directly committed or originated, or funded by the Adviser Funds, as applicable.
(4) 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. This excludes $34.9 million of unfunded commitments as of December 31, 2021 to portfolio companies related to loans assigned to or directly committed by the Adviser Funds.

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 year ended December 31, 2021, we received approximately $1,185.0 million in aggregate principal repayments. Of the aggregate principal repayments, approximately $80.9 million were scheduled principal payments, and approximately $1,104.1 million were early principal repayments related to 49 portfolio companies. Of the approximately $1,104.1 million early principal repayments, approximately $247.9 million were early repayments due to merger and acquisition transactions related to eight portfolio companies.

Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, and escrow receivables) as of and for each of the years ended December 31, 2021, and 2020 was as follows:

(in millions)	December 31, 2021	December 31, 2020
Beginning portfolio	$ 2,354.1	$ 2,314.5
New fundings and restructures	1,568.4	761.3
Fundings assigned to or directly funded by the Adviser Funds(1)	(226.4)	—
Warrants not related to current period fundings	1.1	(0.1)
Principal payments received on investments	(80.9)	(72.2)
Early payoffs	(1,104.1)	(709.0)
Accretion of loan discounts and paid-in-kind principal	44.5	44.7
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(23.4)	(12.5)
New loan fees	(17.2)	(9.9)
Sale of investments	(111.2)	(32.5)
Gain (loss) on investments due to sales or write offs	24.7	(56.4)
Net change in unrealized appreciation (depreciation)	4.9	126.2
Ending portfolio	$ 2,434.5	$ 2,354.1

(1) Funded amounts include $101.2 million of direct fundings of debt investments made by the Adviser Funds.

As of December 31, 2021, we held debt, warrants, or equity positions in seven companies that have filed definitive agreements for reverse merger initial public offerings with special purpose acquisition companies. 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.

The following table presents certain selected information regarding our debt investment portfolio:

	December 31, 2021	December 31, 2020
Number of portfolio companies with debt outstanding	92	97
Percentage of debt bearing a floating rate	94.0%	96.9%
Percentage of debt bearing a fixed rate	6.0%	3.1%
Weighted average core yield (1)	11.4%	11.6%
Weighted average effective yield (2)	12.9%	12.9%
Prime rate at the end of the period	3.3%	3.3%

(1) The core yield is a Non-GAAP financial measure. The core yield on our debt investments excludes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications, other one-time events, and includes income from expired commitments. Please refer to the "Portfolio Yield" section below for further discussion of this measure.

(2) The effective yield on our debt investments includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications, and other one-time events. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the year, excluding non-interest earning assets such as warrants and equity investments.

Income from Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and fee income, which is primarily comprised of 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 securities that we acquire from our portfolio companies. Our investments generally range from $15.0 million to $40.0 million, although we may make investments in amounts above or below that range. As of December 31, 2021, our debt investments generally have a term of between two and five years and typically bear interest at a rate ranging from approximately 7.0% to approximately 14.5%. In addition to the cash yields received on our debt investments, in some instances our debt investments may also include any of the following: exit fees, balloon payment fees, commitment fees, success fees, 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 $42.9 million of unamortized fees as of December 31, 2021, of which approximately $36.5 million was included as an offset to the cost basis of our current debt investments and approximately $6.4 million was deferred contingent upon the occurrence of a funding or milestone. As of December 31, 2020, we had approximately $39.2 million of unamortized fees, of which approximately $32.2 million was included as an offset to the cost basis of our current debt investments and approximately $7.0 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. As of December 31, 2021, we had approximately $35.0 million in exit fees receivable, of which approximately $29.6 million was included as a component of the cost basis of our current debt investments and approximately $5.4 million was a deferred receivable related to expired commitments. As of December 31, 2020, we had approximately $40.9 million in exit fees receivable, of which approximately $37.6 million was included as a component of the cost basis of our current debt investments and approximately $3.3 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that earn PIK interest. 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 status as a RIC, the non-cash PIK income must be distributed to stockholders with other sources of income in the form of dividend distributions even though we have not yet collected any cash from the borrower. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately $11.2 million and $9.0 million in PIK income in the years ended December 31, 2021 and December 31, 2020, respectively.

Portfolio Yield

We report our financial results on a GAAP basis. We monitor the performance of our total investment portfolio and total debt portfolio using both GAAP and Non-GAAP financial measures. In particular, we evaluate performance through monitoring the portfolio yields as we consider them to be effective indicators, for both management and stockholders, of the financial performance of our total investment portfolio and total debt portfolio. The key metrics that we monitor with respect to yields are as described below:

- "Total Yield" - The total yield is derived by dividing GAAP basis 'Total investment income' by the weighted average GAAP basis value of investment portfolio assets outstanding during the year, including non-interest earning assets such as warrants and equity investments at amortized cost.
- "Effective Yield" on total debt investments - The effective yield is derived by dividing GAAP basis 'Total investment income' by the weighted average GAAP basis value of debt investment portfolio assets at amortized cost outstanding during the year.
- "Core Yield" on total debt investments – The core yield is a Non-GAAP financial measure. The core yield is derived by dividing "Core investment income" by the weighted average GAAP basis value of debt investment portfolio assets at amortized cost outstanding during the year. "Core investment income" adjusts GAAP basis 'Total investment income' to exclude fee and other income accelerations attributed to early payoffs, deal restructuring, loan modifications, and other one-time income events, but includes income from expired commitments.

	December 31, 2021	December 31, 2020
Total Yield	11.9%	11.7%
Effective Yield	12.9%	12.9%
Core Yield (Non-GAAP)	11.4%	11.6%

We believe that these measures are useful for our stockholders as it provides the yield of our portfolio to allow a more meaningful comparison with our competitors. As noted above, Core Yield, a Non-GAAP financial measure, is derived by dividing Core investment income, as defined above, by the weighted average GAAP basis value of debt investment portfolio assets at amortized cost outstanding. The reconciliation to calculate "Core investment income" from GAAP basis 'Total investment income' are as follows:

	2021	2020
GAAP Basis:		
Total investment income	280,976	287,258
Less: fee and income accelerations attributed to early payoffs, restructuring, loan modifications, and other one-time events, but including income from expired commitments	(32,420)	(29,934)
Non-GAAP Basis:		
Core investment income	248,556	257,324

We believe the Core Yield is useful for our investors as it provides the yield at which our debt investments are originated and eliminates one-off items that can fluctuate significantly from period to period, thereby allowing for a more meaningful comparison over time.

Although the Core Yield, a Non-GAAP financial measure, is intended to enhance our stockholders' understanding of our performance, the Core Yield should not be considered in isolation from or as an alternative to the GAAP financial metrics presented. The aforementioned Non-GAAP financial measure may not be comparable to similar Non-GAAP financial measures used by other companies.

Another financial measure that we monitor is the total return for our investors, which was approximately 25.6% and 14.3% during the years ended December 31, 2021 and 2020, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that may be paid by investors. See "Note 10 – 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 sectors characterized by high margins, high growth rates, consolidation, and product and market extension opportunities.

The following table presents the fair value of the Company's portfolio by industry sector as of December 31, 2021 and December 31, 2020:

	December 31, 2021		December 31, 2020	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Drug Discovery & Development	$ 967,383	39.7 %	$ 757,163	32.2 %
Software	585,622	24.1 %	780,045	33.1 %
Internet Consumer & Business Services	395,506	16.3 %	514,538	21.9 %
All other industries (1)	486,011	19.9 %	302,332	12.8 %
Total	$ 2,434,522	100.0 %	$ 2,354,078	100.0 %

(1) See "Note 4 – Investments" for complete list of industry sectors and corresponding amounts of investments at fair value as a percentage of the total portfolio. As of December 31, 2021 the fair value as a percentage of total portfolio does not exceed 5% for any individual industry sector other than "Drug Discovery & Development", "Software", or "Internet Consumer & Business Services".

Industry and sector concentrations vary as new loans are recorded and loans are paid off. Loan revenue, consisting of interest, fees, and recognition of gains on equity and warrants or other equity 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 years ended December 31, 2021 and 2020, our ten largest portfolio companies represented approximately 30.5% and 27.9% of the total fair value of our investments in portfolio companies, respectively. As of December 31, 2021 and December 31, 2020, we had six and three investments that represented 5% or more of our net assets, respectively. As of December 31, 2021 and December 31, 2020, we had six and four equity investments representing approximately 49.6% and 63.7%, respectively, of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. No single portfolio investment represents more than 10% of the fair value of our total investments as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, approximately 94.0% and 96.9% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR-based interest rate floor, respectively. Changes in interest rates, including Prime and LIBOR rates, may affect the interest income and the value of our investment portfolio for portfolio investments with floating rates.

Our investments in structured debt have detachable equity enhancement features, typically in the form of warrants or other equity 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 December 31, 2021, we held warrants in 97 portfolio companies, with a fair value of approximately $38.4 million. The fair value of our warrant portfolio increased by approximately $3.8 million, as compared to a fair value of $34.6 million as of December 31, 2020, primarily related to the increase in fair value of the portfolio companies.

Our existing warrant holdings would require us to invest approximately $67.4 million to exercise such warrants as of December 31, 2021. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company's performance and overall market conditions. As attractive investment opportunities arise, we may exercise certain of our warrants to purchase stock, and could ultimately monetize our investments. Of the warrants that we have monetized since inception, we have realized multiples in the range of approximately 1.02x to 42.71x based on the historical rate of return on our investments. We may also experience losses from our warrant portfolio in the event that warrants are terminated or expire unexercised.

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. See "Item 1. Business—Investment Process—Loan and Compliance Administration." The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of December 31, 2021 and 2020, respectively:

(in thousands)	December 31, 2021			December 31, 2020		
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	15	$ 408,975	18.5%	16	$ 410,955	19.6%
2	47	1,208,323	54.7%	46	1,027,931	49.1%
3	28	581,424	26.3%	28	621,323	29.7%
4	1	8,269	0.4%	3	25,313	1.2%
5	1	2,608	0.1%	4	8,913	0.4%
	92	$ 2,209,599	100.0%	97	$ 2,094,435	100.0%

As of December 31, 2021, our debt investments had a weighted average investment grading of 2.10 on a cost basis, as compared to 2.16 as of December 31, 2020. 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.

As the COVID-19 pandemic and related disruption to markets and businesses continues to evolve, we are continuing to monitor and work with the management teams and stakeholders of our portfolio companies to navigate the significant market, operational, and economic challenges created by the continuing COVID-19 pandemic. This includes continuing to proactively assess and manage potential risks across our debt investment portfolio.

Non-accrual Investments

The following table shows the amortized cost of our performing and non-accrual investments as of December 31, 2021 and December 31, 2020:

	As of December 31, 2021		As of December 31, 2020	
(in millions)	Amortized Cost	Percentage of Total Portfolio at Amortized Cost	Amortized Cost	Percentage of Total Portfolio at Amortized Cost
Performing	$ 2,367	99.0%	$ 2,284	98.7%
Non-accrual	24	1.0%	31	1.3%
Total Investments	$ 2,391	100.0%	$ 2,315	100.0%

Debt investments are placed on non-accrual status when it is probable that principal, interest or fees will not be collected according to contractual terms. When a debt investment is placed on non-accrual status, we cease to recognize interest and fee income until the portfolio company has paid all principal and interest due or demonstrated the ability to repay our current and future contractual obligations. We may not apply the non-accrual status to a loan where the investment has sufficient collateral value to collect all of the contractual amount due and is in the process of collection. Interest collected on non-accrual investments are generally applied to principal.

Results of Operations

Comparison of periods ended December 31, 2021 and 2020. A comparison of the fiscal years ended December 31, 2020 and December 31, 2019 can be found in our Form 10-K for the fiscal year ended December 31, 2020 within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Investment Income

Total investment income for the year ended December 31, 2021 was approximately $281.0 million as compared to approximately $287.3 million for the year ended December 31, 2020. Investment income is primarily composed of interest income earned on our debt investments and fee income from commitments, facilities, and other loan related fees.

Interest Income

The following table summarizes the components of interest income for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
(in thousands)	**2021**	**2020**
Contractual interest income	$ 200,682	$ 208,017
Exit fee interest income	37,494	41,191
PIK interest income	11,210	9,009
Other interest income (1)	3,974	5,162
Total interest income	$ 253,360	$ 263,379

(1) Other interest income includes OID interest income and interest recorded on other assets.

Interest income for the year ended December 31, 2021 totaled approximately $253.4 million as compared to approximately $263.4 million for the year ended December 31, 2020. The decrease in interest income for the year ended December 31, 2021 as compared to the year ended December 31, 2020 is primarily attributable to a decrease in the weighted average principal of our debt investment portfolio outstanding between the periods.

Of the $253.4 million in interest income for the year ended December 31, 2021, approximately $238.1 million represents recurring income from the contractual servicing of our debt investment portfolio and approximately $15.3 million represents income related to the acceleration of income due to early loan repayments, and other one-time events during the period. Income from the contractual servicing of our debt investment portfolio and the acceleration of interest income due to early loan repayments, dividends received, and other one-time events represented $245.9 million and $17.5 million, respectively, of the $263.4 million interest income for the year ended December 31, 2020.

The following table shows the PIK related activity for the years ended December 31, 2021 and 2020, at cost:

	Year Ended December 31,	
(in thousands)	**2021**	**2020**
Beginning PIK interest receivable balance	$ 14,817	$ 14,498
PIK interest income during the period	11,210	9,009
PIK accrued (capitalized) to principal but not recorded as income during the period	—	(5,704)
Payments received from PIK loans	(14,047)	(2,973)
Realized gain (loss)	(179)	(13)
Ending PIK interest receivable balance	$ 11,801	$ 14,817

The increase in PIK interest income during the year ended December 31, 2021 as compared to the year ended December 31, 2020 is due to an increase in the weighted average principal outstanding for debt investments on accrual which bear PIK interest. PIK accrued (capitalized) to principal but not recorded as income during the year ended December 31, 2021 and 2020 includes the portion of PIK receivable that is capitalized as principal on the restructuring of loans, as applicable. Payments on PIK loans are normally received only in the event of payoffs. The PIK receivable for both December 31, 2021 and December 31, 2020 represented approximately 1% of total debt investments.

Fee Income

Fee income from commitment, facility, and loan related fees for the year ended December 31, 2021 totaled approximately $27.6 million as compared to approximately $23.9 million for the year ended December 31, 2020. The increase in fee income is primarily due to an increase in the acceleration of unamortized fees, one-time fees due to early repayments.

Of the $27.6 million in fee income from commitment, facility, and loan related fees for the year ended December 31, 2021, approximately $7.5 million represented income from recurring fee amortization, approximately $3.0 million represented the acceleration of unamortized fees from expired commitments, and approximately $17.1 million represented income related to the acceleration of unamortized fees during the period.

Of the $23.9 million in fee income from commitment, facility, and loan related fees for the year ended December 31, 2020, approximately $7.8 million represented income from recurring fee amortization, approximately $3.1 million represented the acceleration of unamortized fees from expired commitments, and approximately $13.0 million represented income related to the acceleration of unamortized fees during the period.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the years ended December 31, 2021 and 2020, respectively.

Operating Expenses

Our operating expenses are comprised of interest and fees on our debt borrowings, general and administrative expenses, and employee compensation and benefits. Our operating expenses totaled approximately $131.0 million and $130.1 million during the years ended December 31, 2021 and 2020, respectively.

Interest and Fees on our Debt

Interest and fees on our debt totaled approximately $63.1 million and $66.9 million for the years ended December 31, 2021 and 2020, respectively. A lower weighted average debt outstanding and lower weighted average borrowing cost during the year ended December 31, 2021, resulted in a decline of interest and fee expenses as compared to the year ended December 31, 2020.

We had a weighted average cost of debt of approximately 4.9% and 5.1% for the years ended December 31, 2021 and 2020, respectively. The weighted average cost of debt includes interest and fees on our debt, but excludes the impact of fee acceleration due to extinguishment of debt. The decrease in the weighted average cost of debt was primarily driven by a lower average amount outstanding of higher cost debt, which is attributable to our refinancing activities during the year.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, taxes, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses increased to $24.0 million from $23.2 million for the years ended December 31, 2021 and 2020, respectively. The increase in general and administrative expenses for the year ended December 31, 2021 is primarily attributable to an increase in excise taxes.

Employee Compensation

Employee compensation and benefits totaled approximately $37.0 million for the year ended December 31, 2021 as compared to approximately $29.0 million for the year ended December 31, 2020. The increase between comparative periods was primarily due to increased variable compensation and payroll related expenses, and a higher headcount.

Employee stock-based compensation totaled approximately $11.9 million for the year ended December 31, 2021 as compared to approximately $11.1 million for the year ended December 31, 2020. The increase between comparative periods was primarily attributable to the issuance of additional stock-based compensation awards and higher weighted average grant date fair value.

Expenses allocated to the Adviser Subsidiary

In March 2021, we entered into a shared services agreement with the Adviser Subsidiary (the “Sharing Agreement”), pursuant to which the Adviser Subsidiary utilizes our human capital resources, including deal professional, finance, and administrative functions, as well as other resources including infrastructure assets such as office space and technology. Under the terms of the Sharing Agreement, we allocate the related expenses of shared services to the Adviser Subsidiary. Our total net operating expenses for the year ended December 31, 2021 are net of expenses allocated to the Adviser Subsidiary of $5.0 million. As of December 31, 2021, $0.1 million remained receivable from the Adviser Subsidiary related to the expenses allocated during the period. No amounts were allocated or receivable for the year ended December 31, 2020.

Net Realized Gains and Losses and Net Change in Unrealized Appreciation and Depreciation

Realized gains or losses on investments 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. Realized loss on debt extinguishment relates to additional fees, costs, and accelerated recognition of remaining debt issuance costs, which are recognized in the event debt is extinguished before its stated maturity. The net change in unrealized appreciation or depreciation on investments 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 net realized gains and losses for the years ended December 31, 2021 and 2020 is as follows:

	Year Ended December 31,	
(in thousands)	**2021**	**2020**
Realized gains	$ 91,617	$ 23,856
Realized losses	(66,322)	(79,961)
Realized loss on debt extinguishment	(4,419)	—
Net realized gains (losses)	$ 20,876	$ (56,105)

During the year ended December 31, 2021, we recognized net realized gains of approximately $20.9 million. Net realized gains included gross realized gains of approximately $91.6 million, primarily from the sale of DoorDash, Inc. Palantir Technologies, Ology Bioservices, and TransMedics Group, Inc. Our gains were offset by gross realized losses of $66.3 million, primarily from the write-off of our investments in Intent (p.k.a. Intent Media, Inc.) and Solar Spectrum Holdings, LLC.

During the year ended December 31, 2020, we recognized net realized losses of approximately $56.1 million on the portfolio. Net realized losses included gross realized losses of approximately $80.0 million, primarily from the full or partial write-off of our debt investments in Patron Technology, Motif BioSciences, Inc., and Sebacia, Inc., as well as the write-off of our debt, equity, and warrant investments in Optiscan Biomedical, Inc. during the period. These losses were partially offset by gross realized gains of approximately $23.9 million, primarily from the sale of public equity positions and the sale of our holdings due to merger and acquisition transactions.

On July 1, 2021 and October 20, 2021, we fully redeemed and repaid the aggregate outstanding $364.2 million of principal and $1.7 million of accrued interest and fees pursuant to the redemption terms of the April 2025 Notes, 2027 Asset-Backed Notes, and 2028 Asset-Backed Notes agreements. Combined with other debt redemptions, we accelerated recognition of $4.4 million of debt issuance costs associated with the extinguishment of the debt, which is included as a realized loss within the “Loss on debt extinguishment” on the Consolidated Statement of Operations for the year ended December 31, 2021. There were no debt extinguishment losses recognized during the year ended December 31, 2020.

The net change in unrealized appreciation and depreciation of our investments is based on the fair value of each investment as determined in good faith by our Board. The following table summarizes the change in net unrealized appreciation or depreciation of investments for the years ended December 31, 2021, and 2020:

	Year Ended December 31,	
(in thousands)	**2021**	**2020**
Gross unrealized appreciation on portfolio investments	$ 178,947	$ 221,301
Gross unrealized depreciation on portfolio investments	(154,635)	(148,238)
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	(19,461)	53,163
Net unrealized appreciation (depreciation) on debt, equity, warrant and fund investments	4,851	126,226
Other net unrealized appreciation (depreciation)	(1,540)	—
Total net unrealized appreciation (depreciation) on investments	$ 3,311	$ 126,226

During the years ended December 31, 2021 and 2020, we recorded approximately $3.3 million and $126.2 million of net unrealized appreciation on our debt, equity, warrant, and investment funds, respectively. The following table summarizes the key drivers of change in net unrealized appreciation (depreciation) of investments for the years ended December 31, 2021, and 2020:

	For the year ended December 31,					
	2021			2020		
(in thousands)	Debt	Equity, Warrants and Investment Funds	Total	Debt	Equity, Warrants and Investment Funds	Total
Valuation appreciation (depreciation)	$ (3,847)	$ 28,159	$ 24,312	$ (23,443)	$ 96,506	$ 73,063
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	(1,150)	(18,311)	(19,461)	40,002	13,161	53,163
Other net unrealized appreciation (depreciation)	—	(1,540)	(1,540)	—	—	—
Net realized appreciation (depreciation)	$ (4,997)	$ 8,308	$ 3,311	$ 16,559	$ 109,667	$ 126,226

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC Topic 740 Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. We intend to timely distribute to our stockholders substantially all of our annual taxable income for each year, except that we may retain certain net capital gains for reinvestment and, depending upon the level of taxable income earned in a year, we may choose to carry forward taxable income for distribution in the following year and pay any applicable U.S. federal excise tax.

Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. Permanent differences may also result from the classification of certain items, such as the treatment of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

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

For the years ended December 31, 2021 and 2020, we had net increases in net assets resulting from operations totaling approximately $174.2 million and approximately $227.3 million, respectively. The basic and fully diluted net change in net assets per common share for the year ended December 31, 2021 were $1.50 and $1.49, respectively, whereas the basic and fully diluted net change in net assets per common share for the year ended December 31, 2020 were $2.02 and $2.01, respectively.

For the purpose of calculating diluted earnings per share for years ended December 31, 2021 and 2020, the dilutive effect of the 2022 Convertible Notes, Service Vesting Awards, and Performance Awards was considered. As disclosed in “Note 9 – Earnings Per Share”, the dilutive impact of the 2022 Convertible Notes includes only the portion expected to be settled in stock in the calculations of diluted shares outstanding for the year ended December 31, 2021. The effect of the 2022 Convertible Notes was excluded from these calculations for the year ended December, 31 2020 as our share price was less than the conversion price in effect which results in anti-dilution.

Hercules Adviser LLC

Hercules Adviser LLC, the Adviser Subsidiary, receives fee income for the services provided to the Adviser Funds. The Adviser Subsidiary’s contribution to our net investment income is derived from dividend income declared by the Adviser Subsidiary and interest income earned on loans to the Adviser Subsidiary. For the years ended December 31, 2021 and 2020, no dividends were declared by the Adviser Subsidiary.

In March and July 2021, the Adviser Subsidiary entered into investment management agreements (the “IMAs”) with the Adviser Funds. Pursuant to the IMAs, the Adviser Subsidiary provides investment advisory and management services to the Adviser Funds in exchange for an asset-based fee and certain incentive fees. The Adviser Funds are privately offered investment funds exempt from registration under the 1940 Act that invest in debt and equity investments in venture or institutionally backed technology related and life sciences companies.

Financial Condition, Liquidity, Capital Resources and Obligations

Our liquidity and capital resources are derived from our debt borrowings 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 debt 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, At-the-Market ("ATM"), and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries. This "Financial Condition, Liquidity and Capital Resources" section should be read in conjunction with the "COVID-19 Developments" section above.

During the year ended December 31, 2021, we principally funded our operations from (i) cash receipts from interest, dividend, and fee income from our investment portfolio, (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments, (iii) debt offerings along with borrowings on our credit facilities, and (iv) equity offerings.

During the year ended December 31, 2021, our operating activities provided $128.6 million of cash and cash equivalents, compared to $207.8 million provided during the year ended December 31, 2020. The $79.2 million decrease in cash provided by operating activities was primarily attributable to increased purchases of investments of $580.6 million (net of assignments to the Adviser Funds), which was offset by a $401.8 million increase in principal and fee payments received on investments and $79.1 million of proceeds from the sale of equity investments.

During the year ended December 31, 2021, our investing activities used $106 thousand of cash, compared to $137 thousand used during the year ended December 31, 2020. The $31 thousand decrease in cash used by investing activities was due to a decrease in purchases of capital equipment.

During the year ended December 31, 2021, our financing activities used $229.9 million of cash, compared to $85.0 million used during the year ended December 31, 2020. The $144.9 million increase in cash used by financing activities was primarily due to repayments of $99.0 million of SBA Debentures related to Hercules Technology III, L.P. ("HT III"), and an aggregate total $506.0 million paid during the year to retire the April 2025 Notes, the 2027 Asset-Backed Notes, and the 2028 Asset-Based Notes. The debt repayments were offset by $525.5 million of new debt issuances related to the March 2026 B Notes, September 2026 Notes, and HC IV SBA Debentures (See "Note 5 - Debt"). Additionally, we distributed $175.5 million in dividends during the year ended December 31, 2021, which was an increase from $152.4 million distributed during the year ended December 31, 2020. Lastly, we issued $10.6 million of common stock during the year ended December 31, 2021, which was lower than the $77.2 million issued during the year ended December 31, 2020.

As of December 31, 2021, net assets totaled $1.3 billion, with a NAV per share of $11.22. 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.

Available liquidity and capital resources as of December 31, 2021

As of December 31, 2021, we had $627.7 million in available liquidity, including $133.1 million in cash and cash equivalents. We had available borrowing capacity of $70.1 million under the SMBC Facility, $400.0 million under the Union Bank Facility, and an additional $24.5 million available via our SBIC, subject to existing terms, borrowing base, advance rates, regulatory requirements and regulatory approval, as applicable. Furthermore, the Credit Facilities each have accordion provisions through which the available borrowing capacity can be increased by an aggregate $250.0 million.

The 1940 Act, permits BDCs to incur borrowings, issue debt securities, or issue preferred stock unless immediately after the borrowings or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock is less than 200% (or 150% if certain requirements are met). On September 4, 2018 and December 6, 2018, our Board, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) and our stockholders, respectively, approved the application to us of the 150% minimum asset coverage ratio set forth in Section 61(a)(2) of the 1940 Act. As of December 31, 2021, our asset coverage ratio under our regulatory requirements as a BDC was 218.9% excluding our SBA debentures. Our exemptive order from the SEC 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 150%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total asset coverage when including our SBA debentures was 204.6% as of December 31, 2021.

As of December 31, 2021, we had $29.9 million outstanding under our Credit Facilities, which are floating interest rate obligations. During the year ended December 31, 2021, we terminated our $75.0 million Wells Facility, and entered into a new $100.0 million multi-currency facility, the SMBC Facility. The remaining $1,220.5 million of debt outstanding are all fixed interest rate debt obligations. During the year ended December 31, 2021, we issued $375.0 million of new debt through the capital markets. On March 4, 2021, we issued $50.0 million in aggregate principal amount of March 2026 B Notes. The sale of the March 2026 B Notes generated net proceeds of approximately $49.5 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter's discount and commissions, were approximately $0.5 million. On September 16, 2021, we issued $325.0 million in aggregate principal amount of unsecured notes, the September 2026 Notes. The issuance of the notes generated net proceeds of approximately $320.1 million, which was primarily used to repay the remaining outstanding principal and accrued interest related to the 2027 Asset-Backed Notes and 2028 Asset-Backed Notes in October 2021. Aggregate offering expenses in connection with the transaction, including the underwriter's discount and commissions, were approximately $4.1 million of costs and $0.8 million related to the discount.

In addition to the above capital market transactions, we have access of up to $175.0 million of capital through our SBIC. During the year ended December 31, 2021, we borrowed $150.5 million of the available capital, and have $24.5 million remaining available for draw. As of December 31, 2021, we had one active SBIC, HC IV, to which we have contributed $87.5 million of regulatory capital. During 2021, we completed the wind-down of HT III, by paying down the remaining $99.0 million of SBA Debentures, and on June 15, 2021, we surrendered our SBIC license for HT III.

Lastly, as of December 31, 2021, $3.2 million of cash was classified as restricted cash. Our restricted cash relates to amounts that are held as collateral securing certain of the Company's financing transactions. Refer to "Note 5 – Debt" included in the notes to our consolidated financial statements appearing elsewhere in this report for additional discussion of our debt obligations.

As detailed above, our diverse and well-structured balance sheet is designed to provide a long-term focused and sustainable investment platform. Currently, we believe we have ample liquidity to support our near-term capital requirements. As the impact of the COVID-19 pandemic and related disruption to markets and business continues to impact the economy, we will continue to evaluate our overall liquidity position and take proactive steps to maintain the appropriate liquidity position based upon the current circumstances.

Equity Distribution Agreement

On May 6, 2019, we entered into the 2019 Equity Distribution Agreement, which was subsequently terminated on July 2, 2020, when we entered into a new ATM equity distribution agreement with JMP (the "2020 Equity Distribution Agreement"). As a result, the remaining shares that were available under the 2019 Equity Distribution Agreement are no longer available for issuance. The 2020 Equity Distribution Agreement provides that we may offer and sell up to 16.5 million shares of our common stock from time to time through JMP, as our sales agent. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market," as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the year ended December 31, 2021, the Company sold 0.6 million shares of common stock. As of December 31, 2021, approximately 15.6 million shares remain available for issuance and sale under the 2020 Equity Distribution Agreement. During the year ended December 31, 2020, the Company sold 6.3 million shares of common stock, of which 6.0 million shares and 306,000 shares were issued under the 2019 Equity Distribution Agreement and the 2020 Equity Distribution Agreement, respectively.

Equity Offerings

There were no equity offerings during the years ending December 31, 2021 or 2020. On June 17, 2019, we closed our underwritten public offering of 5.8 million shares of common stock, including an over-allotment option to purchase an additional 750,000 shares of common stock (the "June 2019 Equity Offering"), that generated net proceeds, before expenses, of $70.5 million including the underwriting discount and commissions of $2.2 million during the year ending December 31, 2019.

Stock Repurchase

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. Our Board authorized a stock repurchase plan permitting us to repurchase up to $25.0 million of our common stock until June 18, 2019, after which the plan expired and was not renewed. We had no common stock repurchases during 2019, 2020, or 2021.

Commitments and Obligations

Our significant cash requirements generally relate to our debt obligations. As of December 31, 2021, we had $1,250.4 million of debt outstanding, which includes $380.0 million due within the next year, $105.0 million within 1 to 3 years, and $765.4 million beyond 3 years. As disclosed in “Note 14 - Subsequent Events”, we have refinanced both the 2022 Convertible Notes and 2022 Notes which were due within the next year through our issuance of the $350.0 million January 2027 Notes.

In addition to our debt obligations, 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 unfunded 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. Refer to “Note 11 – Commitments and Contingencies” included in the notes to our consolidated financial statements appearing elsewhere in this report for additional discussion of our unfunded commitments.

As of December 31, 2021, we had approximately $286.8 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by future or unachieved milestones, as well as uncalled capital commitments to make investments in a private equity fund. This excludes $34.9 million of unfunded commitments which represent the portion of portfolio company commitments assigned to or directly committed by the Adviser Funds. 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 $275.0 million of non-binding term sheets outstanding to five new companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

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

Our Board 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 may choose to pay additional special distributions, 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. Of the distributions declared during the years ended December 31, 2021, 2020, and 2019, 100% were distributions derived from our current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2022 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 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 debt. Our ability to make distributions will be limited by the asset coverage requirements under the 1940 Act.

We intend to timely distribute to our stockholders substantially all of our annual taxable income for each year, except that we may retain certain net capital gains for reinvestment and, depending upon the level of taxable income earned in a year, we may choose to carry forward taxable income for distribution in the following year and pay any applicable U.S. federal excise tax.

Critical Accounting Policies and Estimates

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.

For a description of our critical accounting policies, refer to “Note 2 – Summary of Significant Accounting Policies” included in the notes to our consolidated financial statements appearing elsewhere in this report. We consider the most significant accounting policies to be those related to our Valuation of Investments, Fair Valuation Measurements, Income Recognition, and Income Taxes. The valuation of investments is our most significant critical estimate. The most significant input to this estimate is the yield interest rate, which includes the hypothetical market yield plus premium or discount adjustment, used in determining the fair value of our debt investments. The following table shows the approximate increase (decrease) to the fair value of our debt investments from hypothetical change to the yield interest rates used for each valuation, assuming no other changes:

(in thousands) Basis Point Change	Change in unrealized appreciation (depreciation)	
(100)	$	20,986
(50)	$	10,557
50	$	(10,955)
100	$	(21,943)

For a further discussion and disclosure of key inputs and considerations related to this estimate, refer to "Note 3 - Fair Value of Financial Instruments" included in the notes to our consolidated financial statements appearing elsewhere in this report.

Item 7A. ***Quantitative and Qualitative Disclosure 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 December 31, 2021, approximately 94.0% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. As of December 31, 2021, approximately 21.3% of our debt investments have variable rates based on LIBOR. Additionally, all of our LIBOR rate based debt securities have interest rate floors. We are actively considering and discussing the preferred alternative benchmark with our portfolio companies and prioritize the inclusion of LIBOR fallback language in our documentation. The Alternative Reference Rates Committee ("ARRC") has recommended for US based debt securities to use the SOFR rate as the alternative benchmark. Our debt borrowings under the Credit Facilities bear interest at a floating rate, all other outstanding debt borrowings 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 December 31, 2021, 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 debt.

(in thousands) **Basis Point Change**	**Interest Income**	**Interest Expense**	**Net Income**	**EPS**
(75)	$ (73)	$ (26)	$ (47)	$ —
(50)	$ (63)	$ (19)	$ (44)	$ —
(25)	$ (34)	$ (11)	$ (23)	$ —
25	$ 4,492	$ 11	$ 4,481	$ 0.04
50	$ 8,988	$ 23	$ 8,965	$ 0.08
75	$ 13,485	$ 34	$ 13,451	$ 0.12
100	$ 17,981	$ 45	$ 17,936	$ 0.16
200	$ 36,719	$ 90	$ 36,629	$ 0.32

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 year ended December 31, 2021, 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 our debt borrowings and use of our 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 our portfolio companies. 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 debt borrowings, refer to “Note 5 – Debt” included in the notes to our consolidated financial statements in this report on Form 10-K.

Item 8. ***Financial Statements and Supplementary Data***

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Hercules Capital, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Hercules Capital, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2021, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

We have also previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Hercules Capital, Inc. and its subsidiaries as of December 31, 2019, 2018, 2017, 2016, 2015, 2014, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for each of the years ended December 31, 2012 through 2018 (none of which are presented herein), and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth in the Senior Securities table of Hercules Capital, Inc. and its subsidiaries for each of the ten years in the period ended December 31, 2021 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2021 and 2020 by correspondence with the custodians, agent banks and portfolio company investees; when replies were not received, we performed other auditing procedures. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Investments - Level 3 Investments in Senior Secured Debt, Unsecured Debt, Preferred Stock, Common Stock

As described in Notes 2 and 3 to the consolidated financial statements, approximately 94.5% of the Company's $2,435 million total investments in securities as of December 31, 2021 represents investments in level 3 senior secured debt, unsecured debt, preferred stock and common stock whose fair value, as disclosed by management, is determined in good faith by the Board of Directors. Management applied significant judgment in determining the fair value of these level 3 investments, which involved the use of significant unobservable inputs related to i) hypothetical market yields, premiums/(discounts) and the probability weighting of alternative outcomes for debt securities; and ii) the revenue and/or EBITDA multiples, market equity adjustments, discounts for lack of marketability, tangible book value multiple, and cash flow discount rate for equity securities.

The principal considerations for our determination that performing procedures relating to the valuation of level 3 investments in senior secured debt, unsecured debt, preferred stock and common stock is a critical audit matter are the significant judgment by management to determine the fair value of these level 3 investments, including the use of the hypothetical market yields, premiums/(discounts), the probability weighting of alternative outcomes, discounts for lack of marketability, tangible book value multiple and cash flow discount rate, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating the audit evidence obtained relating to the significant unobservable inputs. The audit effort involved the use of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of level 3 investments in senior secured debt, unsecured debt, preferred stock and common stock, including controls over the Company's methods and significant unobservable inputs. These procedures also included, among others, (i) testing the completeness and accuracy of data provided by management, evaluating the appropriateness of management's methods, and evaluating the reasonableness of significant unobservable inputs used in those methods related to the hypothetical market yields, premiums/(discounts), and the probability weighting of alternative outcomes for debt securities; and discounts for lack of marketability, tangible book value multiple, and cash flow discount rate for equity securities, and (ii) the involvement of professionals with specialized skill and knowledge to assist in developing an independent fair value range for a sample of securities and comparison of management's estimate to the independently developed fair value range. Developing the independent fair value range involved testing the completeness and accuracy of data provided by management and developing independent significant unobservable inputs in order to evaluate the reasonableness of management's fair value estimate of these certain level 3 investments.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
February 22, 2022

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

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

	December 31, 2021	December 31, 2020
Assets		
Investments, at fair value:		
Non-control/Non-affiliate investments (cost of $2,293,398 and $2,175,651, respectively)	$ 2,351,560	$ 2,288,338
Control investments (cost of $84,039 and $65,257, respectively)	73,504	57,400
Affiliate investments (cost of $13,547 and $74,450, respectively)	9,458	8,340
Total investments, at fair value (cost of $2,390,984 and $2,315,358, respectively)	2,434,522	2,354,078
Cash and cash equivalents	133,115	198,282
Restricted cash	3,150	39,340
Interest receivable	17,365	19,077
Right of use asset	6,761	9,278
Other assets	5,100	3,942
Total assets	$ 2,600,013	$ 2,623,997
Liabilities		
Debt (net of debt issuance costs - Note 5)	$ 1,236,303	$ 1,286,638
Accounts payable and accrued liabilities	47,781	36,343
Operating lease liability	7,382	9,312
Total liabilities	$ 1,291,466	$ 1,332,293
Commitments and contingencies (Note 11)		
Net assets consist of:		
Common stock, par value	117	115
Capital in excess of par value	1,091,907	1,158,198
Total distributable earnings	216,523	133,391
Total net assets	$ 1,308,547	$ 1,291,704
Total liabilities and net assets	$ 2,600,013	$ 2,623,997
Shares of common stock outstanding ($0.001 par value and 200,000,000 authorized)	116,619	114,726
Net asset value per share	$ 11.22	$ 11.26

See notes to consolidated financial statements.

The following table presents the assets and liabilities of our consolidated securitization trusts for the 2027 Asset-Backed Notes and the 2028 Asset-Backed Notes (see "Note 5 Debt"), which were variable interest entities ("VIEs"). The assets of our securitization VIEs were restricted to only be used to settle obligations of our consolidated securitization VIEs, the liabilities are only the obligations of our consolidated securitization VIEs, and the creditors (or beneficial interest holders) do not have recourse to our general credit. The assets and liabilities are included in the Consolidated Statements of Assets and Liabilities above. As of October 20, 2021, the Company fully repaid the aggregate outstanding obligations of the VIEs and began the legal wind-down of the entities. As of December 31, 2021, no assets or liabilities were held in the VIEs.

(in thousands)	December 31, 2021	December 31, 2020
Assets		
Restricted Cash	$ —	$ 39,340
2027 Asset-Backed Notes, investments in securities, at value (cost of $0 and $267,657, respectively)	—	269,551
2028 Asset-Backed Notes, investments in securities, at value (cost of $0 and $355,236, respectively)	—	356,097
Total assets	$ —	$ 664,988
Liabilities		
2027 Asset-Backed Notes, net (principal of $0 and $180,988, respectively) [1]	—	$ 178,812
2028 Asset-Backed Notes, net (principal of $0 and $250,000, respectively) [1]	—	247,647
Total liabilities	$ —	$ 426,459

(1) The Company's 2027 Asset-Backed Notes and 2028 Asset-Backed Notes are presented net of the associated debt issuance costs. See "Note 5 – Debt".

See notes to consolidated financial statements.

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

	For the Year Ended December 31,		
	2021	2020	2019
Investment income:			
Interest and dividend income			
Non-control/Non-affiliate investments	$ 249,341	$ 259,989	$ 241,491
Control investments	4,009	2,857	4,014
Affiliate investments	10	533	2,008
Total interest and dividend income	253,360	263,379	247,513
Fee income			
Non-control/Non-affiliate investments	27,557	23,858	20,157
Control investments	59	21	18
Affiliate investments	—	—	186
Total fee income	27,616	23,879	20,361
Total investment income	280,976	287,258	267,874
Operating expenses:			
Interest	54,447	59,605	54,596
Loan fees	8,657	7,269	7,078
General and administrative	16,111	18,910	19,183
Tax expenses	7,928	4,285	2,226
Employee compensation:			
Compensation and benefits	36,970	28,996	30,993
Stock-based compensation	11,930	11,053	10,526
Total employee compensation	48,900	40,049	41,519
Total gross operating expenses	136,043	130,118	124,602
Expenses allocated to the Adviser Subsidiary	(5,035)	—	—
Total net operating expenses	131,008	130,118	124,602
Net investment income	149,968	157,140	143,272
Net realized gain (loss) and change in unrealized appreciation (depreciation)			
Net realized gain (loss)			
Non-control/Non-affiliate investments	87,438	(41,956)	16,523
Affiliate investments	(62,143)	(14,149)	—
Loss on extinguishment of debt	(4,419)	—	—
Total net realized gain (loss)	20,876	(56,105)	16,523
Net change in unrealized appreciation (depreciation)			
Non-control/Non-affiliate investments	(57,818)	128,238	15,074
Control investments	(2,677)	(2,271)	1,595
Affiliate investments	63,806	259	(2,866)
Total net change in unrealized appreciation (depreciation)	3,311	126,226	13,803
Total net realized gain (loss) and change in unrealized appreciation (depreciation)	24,187	70,121	30,326
Net increase (decrease) in net assets resulting from operations	$ 174,155	$ 227,261	$ 173,598
Net investment income before gains and losses per common share:			
Basic	$ 1.29	$ 1.39	$ 1.41
Change in net assets resulting from operations per common share:			
Basic	$ 1.50	$ 2.02	$ 1.71
Diluted	$ 1.49	$ 2.01	$ 1.71
Weighted average shares outstanding			
Basic	114,742	111,985	101,132
Diluted	115,955	112,267	101,569
Distributions paid per common share:			
Basic	$ 1.55	$ 1.38	$ 1.33

See notes to consolidated financial statements.

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

	Common Stock		Capital in excess	Distributable Earnings	Treasury	Net
	Shares	Par Value	of par value	(loss)	Stock	Assets
Balance at December 31, 2018	96,501	$ 96	$ 1,052,269	$ (92,859)	$ (4,062)	$ 955,444
Net increase in net assets resulting from operations	—	—	—	173,598	—	173,598
Public offering, net of offering expenses	10,377	11	132,525	—	—	132,536
Issuance of common stock due to stock option exercises	72	—	910	—	—	910
Retired shares from net issuance of stock options exercises	(44)	—	(616)	—	—	(616)
Issuance of common stock under restricted stock plan	832	1	(1)	—	—	—
Retirement of common stock under repurchase plan	—	—	(4,062)	—	4,062	—
Retired shares for restricted stock vesting	(554)	—	(5,412)	—	—	(5,412)
Distributions reinvested in common stock	180	—	2,402	—	—	2,402
Distributions	—	—	—	(134,455)	—	(134,455)
Stock-based compensation (1)	—	—	8,642	—	—	8,642
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	—	—	(41,551)	41,551	—	—
Balance at December 31, 2019	107,364	$ 108	$ 1,145,106	$ (12,165)	$ —	$ 1,133,049
Net increase in net assets resulting from operations	—	—	—	227,261	—	227,261
Public offering, net of offering expenses	6,272	6	77,174	—	—	77,180
Issuance of common stock due to stock option exercises	54	—	662	—	—	662
Retired shares from net issuance of stock options exercises	(47)	—	(682)	—	—	(682)
Issuance of common stock under restricted stock plan	862	1	(1)	—	—	—
Retired shares for restricted stock vesting	(59)	—	(1,817)	—	—	(1,817)
Distributions reinvested in common stock	280	—	3,339	—	—	3,339
Distributions	—	—	—	(155,761)	—	(155,761)
Stock-based compensation (1)	—	—	8,473	—	—	8,473
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	—	—	(74,056)	74,056	—	—
Balance at December 31, 2020	114,726	$ 115	$ 1,158,198	$ 133,391	$ —	$ 1,291,704
Net increase in net assets resulting from operations	—	—	—	174,155	—	174,155
Public offering, net of offering expenses	639	1	10,619	—	—	10,620
Issuance of common stock due to stock option exercises	284	—	3,903	—	—	3,903
Retired shares from net issuance of stock options exercises	(69)	—	(1,205)	—	—	(1,205)
Issuance of common stock under restricted stock plan	1,027	1	(1)	—	—	—
Retired shares for restricted stock vesting	(236)	—	(5,514)	—	—	(5,514)
Distributions reinvested in common stock	248	—	4,074	—	—	4,074
Distributions	—	—	—	(179,575)	—	(179,575)
Stock-based compensation (1)	—	—	10,385	—	—	10,385
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	—	—	(88,552)	88,552	—	—
Balance at December 31, 2021	116,619	$ 117	$ 1,091,907	$ 216,523	$ —	$ 1,308,547

(1) Stock-based compensation includes $125, $106, and $78 of restricted stock and option expense related to director compensation for the years ended December 31, 2021, 2020 and 2019, respectively.

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2021	2020	2019
Cash flows from operating activities:			
Net increase in net assets resulting from operations	$ 174,155	$ 227,261	$ 173,598
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investments	(1,467,129)	(761,258)	(1,025,711)
Fundings assigned to Adviser Funds	125,295	—	—
Principal and fee payments received on investments	1,183,014	781,240	600,161
Proceeds from the sale of investments	111,890	32,777	39,573
Net unrealized (appreciation) depreciation	(3,311)	(126,226)	(13,803)
Net realized (gain) loss	(25,295)	56,105	(16,523)
Accretion of paid-in-kind principal	(11,210)	(9,039)	(8,605)
Accretion of loan discounts	(3,842)	(4,356)	(3,532)
Accretion of loan discount on convertible notes	671	671	671
Loss on extinguishment of debt	4,419	—	—
Accretion of loan exit fees	(23,512)	(25,648)	(24,295)
Change in loan income, net of collections	35,045	16,780	18,177
Unearned fees related to unfunded commitments	(2,034)	(291)	1,403
Amortization of debt fees and issuance costs	6,368	5,154	5,899
Depreciation and amortization	317	415	262
Stock-based compensation and amortization of restricted stock grants (1)	10,385	8,473	8,642
Change in operating assets and liabilities:			
Interest receivable	1,712	1,130	(3,248)
Other assets	2,175	802	(10,373)
Accounts payable	—	(16)	(205)
Accrued liabilities	9,508	3,828	17,245
Net cash provided by (used in) operating activities	128,621	207,802	(240,664)
Cash flows from investing activities:			
Purchases of capital equipment	(106)	(137)	(595)
Net cash (used in) investing activities	(106)	(137)	(595)
Cash flows from financing activities:			
Issuance of common stock	10,829	77,478	133,992
Offering expenses	(209)	(298)	(1,456)
Retirement of employee shares, net	(2,816)	(1,837)	(5,118)
Distributions paid	(175,501)	(152,422)	(132,053)
Issuance of debt	1,736,975	824,474	1,042,226
Repayment of debt	(1,787,043)	(827,405)	(719,773)
Debt issuance costs	(5,632)	(1,419)	(4,554)
Fees paid for credit facilities and debentures	(6,475)	(3,610)	(2,866)
Net cash used in financing activities	(229,872)	(85,039)	310,398
Net increase (decrease) in cash, cash equivalents and restricted cash	(101,357)	122,626	69,139
Cash, cash equivalents and restricted cash at beginning of period	237,622	114,996	45,857
Cash, cash equivalents and restricted cash at end of period	$ 136,265	$ 237,622	$ 114,996
Supplemental disclosures of cash flow information and non-cash investing and financing activities:			
Interest paid	$ 51,469	$ 58,274	$ 51,818
Income tax, including excise tax, paid	$ 3,759	$ 2,458	$ 1,430
Distributions reinvested	$ 4,074	$ 3,339	$ 2,402

(1) Stock-based compensation includes $125, $106, and $78 of restricted stock and option expense related to director compensation for the years ended December 31, 2021, 2020, and 2019, respectively.

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

(Dollars in thousands)	For the Year Ended December 31, 2021	2020	2019
Cash and cash equivalents	$ 133,115	$ 198,282	$ 64,393
Restricted cash	3,150	39,340	50,603
Total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows	$ 136,265	$ 237,622	$ 114,996

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

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2021
(dollars in thousands)

Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor [1]	Principal Amount	Cost [2]	Value	Footnotes
Debt Investments							
Communications & Networking							
1-5 Years Maturity							
Cytracom Holdings LLC	Senior Secured	February 2025	3-month LIBOR + 9.31% or Floor rate of 10.31%	$ 9,000	$ 8,802	$ 8,725	(11)(16)(17)
Rocket Lab Global Services, LLC	Senior Secured	June 2024	PRIME + 4.90% or Floor rate of 8.15%, PIK Interest 1.25%, 3.25% Exit Fee	$ 88,542	88,286	90,505	(13)(15)
Subtotal: 1-5 Years Maturity					97,088	99,230	
Subtotal: Communications & Networking (7.58%)*					**97,088**	**99,230**	
Consumer & Business Products							
1-5 Years Maturity							
Grove Collaborative, Inc.	Senior Secured	April 2025	PRIME + 5.50% or Floor rate of 8.75%, 6.75% Exit Fee	$ 23,520	23,162	23,298	(18)
Subtotal: 1-5 Years Maturity					23,162	23,298	
Subtotal: Consumer & Business Products (1.78%)*					**23,162**	**23,298**	
Diversified Financial Services							
Under 1 Year Maturity							
Newfront Insurance Holdings, Inc.	Convertible Note	August 2022	PIK Interest 0.19% or Floor rate of 0.19%	$ 403	403	403	(9)
Subtotal: Under 1 Year Maturity					403	403	
1-5 Years Maturity							
Gibraltar Business Capital, LLC	Unsecured	September 2026	FIXED 14.50%	$ 15,000	14,662	13,818	(7)
	Unsecured	September 2026	FIXED 11.50%	$ 10,000	9,823	9,394	(7)
Total Gibraltar Business Capital, LLC				$ 25,000	24,485	23,212	
Hercules Adviser LLC	Unsecured	May 2023	FIXED 5.00%	$ 8,850	8,850	8,850	(7)
Subtotal: 1-5 Years Maturity					33,335	32,062	
Subtotal: Diversified Financial Services (2.48%)*					**33,738**	**32,465**	
Drug Discovery & Development							
Under 1 Year Maturity							
Chemocentryx, Inc.	Senior Secured	December 2022	PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee	$ 18,951	20,036	20,036	(10)
Subtotal: Under 1 Year Maturity					20,036	20,036	
1-5 Years Maturity							
Albireo Pharma, Inc.	Senior Secured	July 2024	PRIME + 5.90% or Floor rate of 9.15%, 6.95% Exit Fee	$ 10,000	10,229	10,268	(10)(11)
Aldeyra Therapeutics, Inc.	Senior Secured	October 2023	PRIME + 3.10% or Floor rate of 8.60%, 6.95% Exit Fee	$ 15,000	15,639	15,653	
Applied Genetic Technologies Corporation	Senior Secured	April 2024	PRIME + 6.50% or Floor rate of 9.75%, 6.95% Exit Fee	$ 20,000	20,416	20,339	
Aveo Pharmaceuticals, Inc.	Senior Secured	September 2024	PRIME + 6.40% or Floor rate of 9.65%, 6.95% Exit Fee	$ 40,000	40,842	40,776	(11)(14)
Axsome Therapeutics, Inc.	Senior Secured	October 2026	PRIME + 5.70% or Floor rate of 8.95%, 5.82% Exit Fee	$ 50,000	49,542	48,859	(10)(12)
Bicycle Therapeutics PLC	Senior Secured	October 2024	PRIME + 5.60% or Floor rate of 8.85%, 5.00% Exit Fee	$ 24,000	24,271	24,454	(5)(10)(11)(12)(16)
BiomX, INC	Senior Secured	September 2025	PRIME + 5.70% or Floor rate of 8.95%, 6.55% Exit Fee	$ 9,000	8,980	8,980	(5)(10)(11)
BridgeBio Pharma, Inc.	Senior Secured	November 2026	FIXED 9.00%, 2.00% Exit Fee	$ 38,000	37,462	37,462	
Cellarity, Inc.	Senior Secured	June 2026	PRIME + 5.70% or Floor rate of 8.95%, 3.75% Exit Fee	$ 30,000	29,422	29,422	(14)
Center for Breakthrough Medicines Holdings, LLC	Senior Secured	May 2023	PRIME + 5.50% or Floor rate of 8.75%, 7.50% Exit Fee	$ 5,000	5,005	5,005	
Century Therapeutics	Senior Secured	April 2024	PRIME + 6.30% or Floor rate of 9.55%, 3.95% Exit Fee	$ 10,000	10,075	10,361	(11)

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor (1)	Principal Amount	Cost (2)	Value	Footnotes
Chemocentryx, Inc.	Senior Secured	February 2025	PRIME + 3.25% or Floor rate of 8.50%, 7.15% Exit Fee	$ 5,000	$ 5,161	$ 5,070	(10)
Codiak Biosciences, Inc.	Senior Secured	October 2025	PRIME + 5.00% or Floor rate of 8.25%, 5.50% Exit Fee	$ 25,000	25,459	25,316	(11)
Corium, Inc.	Senior Secured	September 2026	PRIME + 5.70% or Floor rate of 8.95%, 7.75% Exit Fee	$ 91,500	90,997	90,997	(15)
Eloxx Pharmaceuticals, Inc.	Senior Secured	April 2025	PRIME + 6.25% or Floor rate of 9.50%, 6.55% Exit Fee	$ 12,500	12,443	12,443	(14)
enGene, Inc.	Senior Secured	July 2025	PRIME + 5.00% or Floor rate of 8.25%, 6.35% Exit Fee	$ 7,000	6,858	6,858	(5)(10)
G1 Therapeutics, Inc.	Senior Secured	November 2026	PRIME + 5.90% or Floor rate of 9.15%, 9.86% Exit Fee	$ 58,125	57,873	57,874	(10)(11)(12)(14)(16)
Geron Corporation	Senior Secured	October 2024	PRIME + 5.75% or Floor rate of 9.00%, 6.55% Exit Fee	$ 32,500	32,704	32,744	(10)(12)
Hibercell, Inc.	Senior Secured	May 2025	PRIME + 5.40% or Floor rate of 8.65%, 4.95% Exit Fee	$ 17,000	17,041	17,014	(14)
Humanigen, Inc.	Senior Secured	March 2025	PRIME + 5.50% or Floor rate of 8.75%, 6.75% Exit Fee	$ 20,000	20,235	19,985	(9)(10)
Kaleido Biosciences, Inc.	Senior Secured	January 2024	PRIME + 6.10% or Floor rate of 9.35%, 7.55% Exit Fee	$ 22,500	23,505	23,384	(12)
Locus Biosciences	Senior Secured	July 2025	PRIME + 6.10% or Floor rate of 9.35%, 4.95% Exit Fee	$ 8,000	7,977	7,900	(14)
Nabriva Therapeutics	Senior Secured	June 2023	PRIME + 4.30% or Floor rate of 9.80%, 6.95% Exit Fee	$ 5,000	5,500	5,459	(5)(10)
Phathom Pharmaceuticals, Inc.	Senior Secured	October 2026	PRIME + 2.25% or Floor rate of 5.50%, PIK Interest 3.35%, 7.50% Exit Fee	$ 87,116	86,075	86,075	(10)(12)(13)(14)(15)(16)
Scynexis, Inc.	Senior Secured	March 2025	PRIME + 5.80% or Floor rate of 9.05%, 3.95% Exit Fee	$ 16,000	15,826	15,778	
Seres Therapeutics, Inc.	Senior Secured	November 2023	PRIME + 4.40% or Floor rate of 9.65%, 4.85% Exit Fee	$ 24,051	24,777	25,183	
Syndax Pharmaceutics Inc.	Senior Secured	April 2024	PRIME + 6.00% or Floor rate of 9.25%, 4.99% Exit Fee	$ 20,000	20,646	20,653	(12)(16)
TG Therapeutics, Inc.	Senior Secured	January 2026	PRIME + 2.15% or Floor rate of 5.40%, PIK Interest 3.45%, 5.95% Exit Fee	$ 51,450	50,470	50,470	(10)
uniQure B.V.	Senior Secured	December 2025	PRIME + 4.70% or Floor rate of 7.95%, 7.28% Exit Fee	$ 77,500	78,755	78,755	(5)(10)(11)(12)(15)
Unity Biotechnology, Inc.	Senior Secured	August 2024	PRIME + 6.10% or Floor rate of 9.35%, 6.25% Exit Fee	$ 22,701	23,293	23,627	(9)
Valo Health, LLC (p.k.a. Integral Health Holdings, LLC)	Senior Secured	May 2024	PRIME + 6.45% or Floor rate of 9.70%, 3.85% Exit Fee	$ 11,500	11,547	11,492	(11)
X4 Pharmaceuticals, Inc.	Senior Secured	July 2024	PRIME + 3.75% or Floor rate of 8.75%, 8.80% Exit Fee	$ 32,500	34,140	34,085	(11)(12)
Yumanity Therapeutics, Inc.	Senior Secured	January 2024	PRIME + 4.00% or Floor rate of 8.75%, 5.92% Exit Fee	$ 12,732	13,256	13,187	
Subtotal: 1-5 Years Maturity					916,421	915,928	
Subtotal: Drug Discovery & Development (71.53%)*					**936,457**	**935,964**	
Healthcare Services, Other							
1-5 Years Maturity							
Better Therapeutics, Inc.	Senior Secured	August 2025	PRIME + 5.70% or Floor rate of 8.95%, 5.95% Exit Fee	$ 8,000	7,966	7,966	(14)(16)
Blue Sprig Pediatrics, Inc.	Senior Secured	November 2026	3-month LIBOR + 5.00% or Floor rate of 6.00%, PIK Interest 4.45%	$ 25,022	24,653	24,653	(13)(16)
Carbon Health Technologies, Inc.	Senior Secured	March 2025	PRIME + 5.60% or Floor rate of 8.85%, 4.61% Exit Fee	$ 46,125	45,964	45,964	(16)(18)
Equality Health, LLC	Senior Secured	February 2026	PRIME + 6.25% or Floor rate of 9.50%, PIK Interest 1.55%	$ 35,444	35,141	35,056	(12)(13)(16)
Subtotal: 1-5 Years Maturity					113,724	113,639	
Subtotal: Healthcare Services, Other (8.68%)*					**113,724**	**113,639**	
Information Services							
1-5 Years Maturity							
Capella Space	Senior Secured	November 2024	PRIME + 5.00% or Floor rate of 8.25%, PIK Interest 1.10%, 4.00% Exit Fee	$ 20,025	19,751	19,424	(13)(14)(18)
Yipit, LLC	Senior Secured	September 2026	1-month LIBOR + 9.08% or Floor rate of 10.08%	$ 45,900	45,022	45,022	(16)(17)
Subtotal: 1-5 Years Maturity					64,773	64,446	
Subtotal: Information Services (4.93%)*					**64,773**	**64,446**	

(dollars in thousands)

Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor [(1)]		Principal Amount		Cost [(2)]		Value	Footnotes
Internet Consumer & Business Services										
Under 1 Year Maturity										
Nextroll, Inc.	Senior Secured	June 2022	PRIME + 3.75% or Floor rate of 7.00%, PIK Interest 2.95%, 3.50% Exit Fee	$	21,555	$	22,164	$	22,164	(12)(13)(18)
Subtotal: Under 1 Year Maturity							22,164		22,164	
1-5 Years Maturity										
AppDirect, Inc.	Senior Secured	August 2024	PRIME + 5.90% or Floor rate of 9.15%, 7.95% Exit Fee	$	30,790		31,416		32,248	
Carwow LTD	Senior Secured	December 2024	PRIME + 4.70% or Floor rate of 7.95%, PIK Interest 1.45%, 4.95% Exit Fee	£	21,250		28,632		28,632	(5)(10)(13)
ePayPolicy Holdings, LLC	Senior Secured	December 2024	3-month LIBOR + 8.50% or Floor rate of 9.50%	$	8,169		8,011		7,967	(11)(16)
Houzz, Inc.	Convertible Debt	May 2028	PIK Interest 5.50%	$	20,676		20,676		20,425	(9)(13)
Rhino Labs, Inc.	Senior Secured	March 2024	PRIME + 5.50% or Floor rate of 8.75%, PIK Interest 2.25%	$	16,136		15,765		15,876	(13)(14)
RVShare, LLC	Senior Secured	December 2026	1-month LIBOR + 5.50% or Floor rate of 6.50%, PIK Interest 4.00%	$	15,000		14,701		14,701	(14)(16)
SeatGeek, Inc.	Senior Secured	June 2023	PRIME + 5.00% or Floor rate of 10.50%, PIK Interest 0.50%	$	60,607		59,983		60,316	(13)
Skyword, Inc.	Senior Secured	September 2024	PRIME + 3.88% or Floor rate of 9.38%, PIK Interest 1.90%, 4.00% Exit Fee	$	12,426		12,665		12,521	(13)
Tectura Corporation	Senior Secured	July 2024	PIK Interest 5.00%	$	10,680		240		—	(7)(8)(13)
	Senior Secured	July 2024	FIXED 8.25%	$	8,250		8,250		8,250	(7)(8)
	Senior Secured	July 2024	PIK Interest 5.00%	$	13,023		13,023		19	(7)(8)(13)
Total Tectura Corporation				$	31,953		21,513		8,269	
Thumbtack, Inc.	Senior Secured	September 2023	PRIME + 3.45% or Floor rate of 8.95%, PIK Interest 1.50%, 3.95% Exit Fee	$	25,618		25,965		26,372	(12)(13)
Zepz (p.k.a. Worldremit Group Limited)	Senior Secured	February 2025	3-month LIBOR + 9.25% or Floor rate of 10.25%, 3.00% Exit Fee	$	103,000		101,674		100,472	(5)(10)(12)(15)(18)
Subtotal: 1-5 Years Maturity							341,001		327,799	
Subtotal: Internet Consumer & Business Services (26.74%)*							**363,165**		**349,963**	
Manufacturing Technology										
Under 1 Year Maturity										
Bright Machines, Inc.	Senior Secured	November 2022	PRIME + 5.70% or Floor rate of 8.95%, 6.95% Exit Fee	$	15,000		14,995		14,995	(18)
Subtotal: Under 1 Year Maturity							14,995		14,995	
Subtotal: Manufacturing Technology (1.15%)*							**14,995**		**14,995**	
Semiconductors										
1-5 Years Maturity										
Fungible Inc.	Senior Secured	December 2024	PRIME + 5.00% or Floor rate of 8.25%, 4.95% Exit Fee	$	20,000		19,072		19,072	(14)(18)
Subtotal: 1-5 Years Maturity							19,072		19,072	
Subtotal: Semiconductors (1.46%)*							**19,072**		**19,072**	
Software										
Under 1 Year Maturity										
Khoros (p.k.a Lithium Technologies)	Senior Secured	October 2022	6-month LIBOR + 8.00% or Floor rate of 9.00%	$	56,208		55,834		55,834	(16)
Pymetrics, Inc.	Senior Secured	October 2022	PRIME + 5.50% or Floor rate of 8.75%, PIK Interest 1.75%, 4.00% Exit Fee	$	9,667		9,845		9,845	(13)
Regent Education	Senior Secured	January 2022	FIXED 10.00%, PIK Interest 2.00%, 7.94% Exit Fee	$	2,951		3,064		2,608	(8)(13)
Subtotal: Under 1 Year Maturity							68,743		68,287	
1-5 Years Maturity										
3GTMS, LLC.	Senior Secured	February 2025	6-Month LIBOR + 9.28% or Floor rate of 10.28%	$	10,000		9,812		9,656	(16)(17)
Agilence, Inc.	Senior Secured	October 2026	1-month LIBOR + 9.00% or Floor rate of 10.00%	$	9,400		9,138		9,138	(16)

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Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor [1]		Principal Amount		Cost [2]		Value	Footnotes
Brain Corporation	Senior Secured	April 2025	PRIME + 3.70% or Floor rate of 6.95%, PIK Interest 1.00%, 3.95% Exit Fee	$	10,016	$	9,943	$	9,943	(13)(14)(16)
Campaign Monitor Limited	Senior Secured	November 2025	6-month LIBOR + 7.90% or Floor rate of 11.15%	$	33,000		32,459		33,000	(18)
Ceros, LLC	Senior Secured	September 2026	3-month LIBOR + 8.89% or Floor rate of 9.89%	$	17,978		17,474		17,474	(16)(17)
Cloud 9 Software	Senior Secured	April 2024	3-month LIBOR + 8.20% or Floor rate of 9.20%	$	9,953		9,856		9,953	(12)
CloudBolt Software, Inc.	Senior Secured	October 2024	PRIME + 6.70% or Floor rate of 9.95%, 2.95% Exit Fee	$	10,000		9,923		10,035	(11)(12)(18)
Cybermaxx Intermediate Holdings, Inc.	Senior Secured	August 2026	6-month LIBOR + 9.28% or Floor rate of 10.28%	$	8,000		7,801		7,801	(16)
Dashlane, Inc.	Senior Secured	July 2025	PRIME + 3.05% or Floor rate of 7.55%, PIK Interest 1.10%, 7.10% Exit Fee	$	20,719		21,807		21,734	(11)(13)(16)(18)
Delphix Corp.	Senior Secured	February 2023	PRIME + 5.50% or Floor rate of 10.25%, 5.00% Exit Fee	$	60,000		61,736		62,345	(12)(15)(18)
Demandbase, Inc.	Senior Secured	August 2025	PRIME + 5.25% or Floor rate of 8.50%, 2.00% Exit Fee	$	16,875		16,463		16,463	(16)(18)
Enmark Systems	Senior Secured	September 2026	6-Month LIBOR + 6.83% or Floor rate of 7.83%, PIK Interest 2.19%	$	8,000		7,798		7,798	(11)(16)(17)
Esentire, Inc.	Senior Secured	May 2024	3-month LIBOR + 9.96% or Floor rate of 10.96%	$	21,000		20,699		20,750	(5)(10)(11)(17)
Gryphon Networks Corp.	Senior Secured	January 2026	3-month LIBOR + 9.69% or Floor rate of 10.69%	$	5,232		5,106		5,088	(11)(16)
Ikon Science Limited	Senior Secured	October 2024	3-month LIBOR + 9.00% or Floor rate of 10.00%	$	6,913		6,719		6,767	(5)(10)(16)(17)
Kazoo, Inc. (p.k.a. YouEarnedIt, Inc.)	Senior Secured	July 2023	3-month LIBOR + 10.14% or Floor rate of 11.14%	$	8,571		8,403		8,375	(17)
Logicworks	Senior Secured	January 2024	PRIME + 7.50% or Floor rate of 10.75%	$	10,000		9,862		9,965	(12)(16)
Mixpanel, Inc.	Senior Secured	August 2024	PRIME + 4.70% or Floor rate of 7.95%, PIK Interest 1.80%, 3.00% Exit Fee	$	20,431		20,292		21,030	(12)(13)(18)
Mobile Solutions Services	Senior Secured	December 2025	6-month LIBOR + 9.87% or Floor rate of 10.87%	$	19,074		18,575		18,834	(16)(17)
Nuvolo Technologies Corporation	Senior Secured	July 2025	PRIME + 7.70% or Floor rate of 10.95%, 1.75% Exit Fee	$	15,000		14,967		15,017	(12)(18)
Pollen, Inc.	Senior Secured	November 2023	PRIME + 4.75% or Floor rate of 8.00%, PIK Interest 0.50%, 4.50% Exit Fee	$	7,457		7,528		7,314	(13)
	Senior Secured	November 2023	PRIME + 5.25% or Floor rate of 8.50%, PIK Interest 1.35%, 4.50% Exit Fee	$	13,041		13,005		13,092	(13)(14)
Total Pollen, Inc.				$	20,498		20,533		20,406	
Reltio, Inc.	Senior Secured	July 2023	PRIME + 5.70% or Floor rate of 8.95%, PIK Interest 1.70%, 4.95% Exit Fee	$	10,248		10,336		10,542	(13)(18)
ShadowDragon, LLC	Senior Secured	December 2026	3-month LIBOR + 9.00% or Floor rate of 10.00%	$	6,000		5,828		5,828	(16)(17)
Tact.ai Technologies, Inc.	Senior Secured	February 2024	PRIME + 4.00% or Floor rate of 8.75%, PIK Interest 2.00%, 5.50% Exit Fee	$	5,185		5,305		5,245	(13)
ThreatConnect, Inc.	Senior Secured	May 2026	3-month LIBOR + 9.00% or Floor rate of 10.00%	$	11,144		10,831		10,859	(12)(16)(17)
Udacity, Inc.	Senior Secured	September 2024	PRIME + 4.50% or Floor rate of 7.75%, PIK Interest 2.00%, 3.00% Exit Fee	$	50,895		50,646		51,722	(12)(13)
Zimperium, Inc.	Senior Secured	July 2024	1-month LIBOR + 8.95% or Floor rate of 9.95%	$	15,633		15,347		15,347	(12)(17)
Subtotal: 1-5 Years Maturity							437,659		441,115	
Greater than 5 Years Maturity										
Imperva, Inc.	Senior Secured	January 2027	3-month LIBOR + 7.75% or Floor rate of 8.75%	$	20,000		19,851		20,000	(18)
Subtotal: Greater than 5 Years Maturity							19,851		20,000	
Subtotal: Software (40.46%)*							**526,253**		**529,402**	

See notes to consolidated financial statements.

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Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor [1]	Principal Amount	Cost [2]	Value	Footnotes
Sustainable and Renewable Technology							
Under 1 Year Maturity							
Impossible Foods, Inc.	Senior Secured	July 2022	PRIME + 3.95% or Floor rate of 8.95%, 9.00% Exit Fee	$ 15,022	$ 19,379	$ 19,378	(12)
Pineapple Energy LLC	Senior Secured	January 2022	FIXED 10.00%	$ 280	280	247	(6)(9)(16)
Subtotal: Under 1 Year Maturity					19,659	19,625	
1-5 Years Maturity							
Pineapple Energy LLC	Senior Secured	December 2023	PIK Interest 10.00%	$ 7,500	7,500	7,500	(6)(8)(13)(16)
Subtotal: 1-5 Years Maturity					7,500	7,500	
Subtotal: Sustainable and Renewable Technology (2.07%)*					**27,159**	**27,125**	
Total: Debt Investments (168.86%)*					**$ 2,219,586**	**$ 2,209,599**	

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Portfolio Company	Type of Investment	Acquisition Date [4]	Series [3]	Shares	Cost [2]	Value	Footnotes
Equity Investments							
Communications & Networking							
Peerless Network Holdings, Inc.	Equity	10/21/2020	Common Stock	3,328	$ —	$ 18	
	Equity	4/11/2008	Preferred Series A	1,135,000	1,230	6,242	
Total Peerless Network Holdings, Inc.				1,138,328	1,230	6,260	
Subtotal: Communications & Networking (0.48%)*					**1,230**	**6,260**	
Consumer & Business Products							
TechStyle, Inc. (p.k.a. Just Fabulous, Inc.)	Equity	4/30/2010	Common Stock	42,989	128	447	
Subtotal: Consumer & Business Products (0.03%)*					**128**	**447**	
Diversified Financial Services							
Gibraltar Business Capital, LLC	Equity	3/1/2018	Common Stock	830,000	1,884	1,225	(7)
	Equity	3/1/2018	Preferred Series A	10,602,752	26,122	19,393	(7)
Total Gibraltar Business Capital, LLC				11,432,752	28,006	20,618	
Hercules Adviser LLC	Equity	3/26/2021	Member Units	1	35	11,990	(7)
Subtotal: Diversified Financial Services (2.49%)*					**28,041**	**32,608**	
Drug Delivery							
AcelRx Pharmaceuticals, Inc.	Equity	12/10/2018	Common Stock	176,730	1,329	99	(4)
Aytu BioScience, Inc. (p.k.a. Neos Therapeutics, Inc.)	Equity	3/28/2014	Common Stock	13,600	1,500	18	(4)
BioQ Pharma Incorporated	Equity	12/8/2015	Preferred Series D	165,000	500	168	
PDS Biotechnology Corporation (p.k.a. Edge Therapeutics, Inc.)	Equity	4/6/2015	Common Stock	2,498	309	20	(4)
Subtotal: Drug Delivery (0.02%)*					**3,638**	**305**	
Drug Discovery & Development							
Albireo Pharma, Inc.	Equity	9/14/2020	Common Stock	25,000	1,000	582	(4)(10)
Applied Molecular Transport	Equity	4/6/2021	Common Stock	1,000	42	14	(4)(10)
Avalo Therapeutics, Inc. (p.k.a. Cerecor, Inc.)	Equity	8/19/2014	Common Stock	119,087	1,000	202	(4)
Aveo Pharmaceuticals, Inc.	Equity	7/31/2011	Common Stock	190,179	1,715	892	(4)
Bicycle Therapeutics PLC	Equity	10/5/2020	Common Stock	98,100	1,871	5,971	(4)(5)(10)
BridgeBio Pharma, Inc.	Equity	6/21/2018	Common Stock	231,329	2,255	3,859	(4)
Chemocentryx, Inc.	Equity	6/15/2020	Common Stock	17,241	1,000	628	(4)(10)
Concert Pharmaceuticals, Inc.	Equity	2/13/2019	Common Stock	70,796	1,367	223	(4)(10)
Dare Biosciences, Inc.	Equity	1/8/2015	Common Stock	13,550	1,000	27	(4)
Dynavax Technologies	Equity	7/22/2015	Common Stock	20,000	550	281	(4)(10)
Genocea Biosciences, Inc.	Equity	11/20/2014	Common Stock	27,933	2,000	32	(4)
Hibercell, Inc.	Equity	5/7/2021	Preferred Series B	3,466,840	4,250	3,264	(14)
Humanigen, Inc.	Equity	3/31/2021	Common Stock	43,243	800	161	(4)(10)
Kaleido Biosciences, Inc.	Equity	2/10/2021	Common Stock	86,585	1,000	207	(4)
NorthSea Therapeutics	Equity	12/15/2021	Preferred Series C	983	2,000	2,000	(5)(10)
Paratek Pharmaceuticals, Inc.	Equity	2/26/2007	Common Stock	76,362	2,744	343	(4)
Rocket Pharmaceuticals, Ltd.	Equity	8/22/2007	Common Stock	944	1,500	21	(4)
Savara, Inc.	Equity	8/11/2015	Common Stock	11,119	202	14	(4)
Sio Gene Therapies, Inc. (p.k.a. Axovant Gene Therapies Ltd.)	Equity	2/2/2017	Common Stock	16,228	1,269	21	(4)(10)
Tricida, Inc.	Equity	2/28/2018	Common Stock	68,816	863	658	(4)
uniQure B.V.	Equity	1/31/2019	Common Stock	17,175	332	356	(4)(5)(10)(15)
Valo Health, LLC (p.k.a. Integral Health Holdings, LLC)	Equity	12/11/2020	Preferred Series B	510,308	3,000	4,650	
X4 Pharmaceuticals, Inc.	Equity	11/26/2019	Common Stock	198,277	1,641	454	(4)
Subtotal: Drug Discovery & Development (1.90%)*					**33,401**	**24,860**	
Healthcare Services, Other							
23andMe, Inc.	Equity	3/11/2019	Common Stock	825,732	5,094	5,500	(4)
Carbon Health Technologies, Inc.	Equity	3/30/2021	Preferred Series C	217,880	1,687	1,864	
Subtotal: Healthcare Services, Other (0.56%)*					**6,781**	**7,364**	
Information Services							
Planet Labs, Inc.	Equity	6/21/2019	Common Stock	547,880	615	3,369	(4)
Yipit, LLC	Equity	12/30/2021	Preferred Series E	41,021	3,825	3,825	
Zeta Global Corp.	Equity	11/20/2007	Common Stock	295,861	—	2,220	(4)(19)
Subtotal: Information Services (0.72%)*					**4,440**	**9,414**	

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Type of Investment	Acquisition Date [4]	Series [3]	Shares	Cost [2]	Value	Footnotes
Internet Consumer & Business Services							
Black Crow AI, Inc.	Equity	3/24/2021	Preferred Series Seed	872,797	$ 1,000	$ 1,120	(6)
Black Crow AI, Inc. affiliates	Equity	3/24/2021	Preferred Note	3	3,000	3,000	(20)
Brigade Group, Inc.	Equity	3/1/2013	Common Stock	9,023	93	—	
Carwow LTD	Equity	12/15/2021	Preferred Series D-4	199,742	1,151	608	(5)(10)
Contentful Global, Inc. (p.k.a. Contentful, Inc.)	Equity	12/22/2020	Preferred Series C	41,000	138	506	(5)(10)
	Equity	11/20/2018	Preferred Series D	108,500	500	1,388	(5)(10)
Total Contentful Global, Inc. (p.k.a. Contentful, Inc.)				149,500	638	1,894	
DoorDash, Inc.	Equity	12/20/2018	Common Stock	81,996	945	12,209	(4)
Lyft, Inc.	Equity	12/26/2018	Common Stock	100,738	5,263	4,305	(4)
Nerdy Inc.	Equity	9/17/2021	Common Stock	100,000	1,000	450	(4)
Nextdoor.com, Inc.	Equity	8/1/2018	Common Stock	1,019,255	4,854	6,624	(4)(19)
OfferUp, Inc.	Equity	10/25/2016	Preferred Series A	286,080	1,663	1,791	
	Equity	10/25/2016	Preferred Series A-1	108,710	632	680	
Total OfferUp, Inc.				394,790	2,295	2,471	
Oportun	Equity	6/28/2013	Common Stock	48,365	577	980	(4)
Reischling Press, Inc. (p.k.a. Blurb, Inc.)	Equity	7/31/2020	Common Stock	1,163	15	—	
Savage X Holding, LLC	Equity	4/30/2010	Class A Units	42,137	13	71	
Tectura Corporation	Equity	5/23/2018	Common Stock	414,994,863	900	—	(7)
	Equity	6/6/2016	Preferred Series BB	1,000,000	—	—	(7)
Total Tectura Corporation				415,994,863	900	—	
TFG Holding, Inc.	Equity	4/30/2010	Common Stock	42,989	89	216	
Uber Technologies, Inc. (p.k.a. Postmates, Inc.)	Equity	12/1/2020	Common Stock	32,991	318	1,383	(4)
Subtotal: Internet Consumer & Business Services (2.70%)*					**22,151**	**35,331**	
Medical Devices & Equipment							
Coronado Aesthetics, LLC	Equity	10/15/2021	Common Units	180,000	—	65	(7)
	Equity	10/15/2021	Preferred Series A-2	5,000,000	250	500	(7)
Total Coronado Aesthetics, LLC				5,180,000	250	565	
Flowonix Medical Incorporated	Equity	11/3/2014	Preferred Series AA	221,893	1,500	—	
Gelesis, Inc.	Equity	11/30/2009	Common Stock	227,013	—	3,351	
	Equity	12/30/2011	Preferred Series A-1	243,432	503	3,593	
	Equity	12/31/2011	Preferred Series A-2	191,626	500	2,828	
Total Gelesis, Inc.				662,071	1,003	9,772	
Medrobotics Corporation	Equity	9/12/2013	Preferred Series E	136,798	250	—	
	Equity	10/22/2014	Preferred Series F	73,971	155	—	
	Equity	10/16/2015	Preferred Series G	163,934	500	—	
Total Medrobotics Corporation				374,703	905	—	
ViewRay, Inc.	Equity	12/16/2013	Common Stock	36,457	333	201	(4)
Subtotal: Medical Devices & Equipment (0.81%)*					**3,991**	**10,538**	
Semiconductors							
Achronix Semiconductor Corporation	Equity	7/1/2011	Preferred Series C	277,995	160	725	
Subtotal: Semiconductors (0.06%)*					**160**	**725**	
Software							
3GTMS, LLC.	Equity	8/9/2021	Common Stock	1,000,000	1,000	985	
CapLinked, Inc.	Equity	10/26/2012	Preferred Series A-3	53,614	51	65	

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Portfolio Company	Type of Investment	Acquisition Date (4)	Series (3)	Shares	Cost (2)	Value	Footnotes
Docker, Inc.	Equity	11/29/2018	Common Stock	20,000	$ 4,284	$ 3	
Druva Holdings, Inc. (p.k.a. Druva, Inc.)	Equity	10/22/2015	Preferred Series 2	458,841	1,000	2,387	
	Equity	8/24/2017	Preferred Series 3	93,620	300	529	
Total Druva Holdings, Inc. (p.k.a. Druva, Inc.)				552,461	1,300	2,916	
HighRoads, Inc.	Equity	1/18/2013	Common Stock	190	307	—	
Lightbend, Inc.	Equity	12/4/2020	Common Stock	38,461	265	5	
Palantir Technologies	Equity	9/23/2020	Common Stock	1,418,337	8,670	25,828	(4)
SingleStore, Inc. (p.k.a. memsql, Inc.)	Equity	11/25/2020	Preferred Series E	580,983	2,000	2,239	
	Equity	8/12/2021	Preferred Series F	52,956	279	240	
Total SingleStore, Inc. (p.k.a. memsql, Inc.)				633,939	2,279	2,479	
Sprinklr, Inc.	Equity	3/22/2017	Common Stock	700,000	3,749	11,109	(4)
Verana Health, Inc.	Equity	7/8/2021	Preferred Series E	952,562	2,000	1,697	
Subtotal: Software (3.45%)*					**23,905**	**45,087**	
Surgical Devices							
Gynesonics, Inc.	Equity	1/18/2007	Preferred Series B	219,298	250	9	
	Equity	6/16/2010	Preferred Series C	656,538	282	26	
	Equity	2/8/2013	Preferred Series D	1,991,157	712	81	
	Equity	7/14/2015	Preferred Series E	2,786,367	429	131	
	Equity	12/18/2018	Preferred Series F	1,523,693	118	123	
	Equity	12/18/2018	Preferred Series F-1	2,418,125	150	173	
Total Gynesonics, Inc.				9,595,178	1,941	543	
Subtotal: Surgical Devices (0.04%)*					**1,941**	**543**	
Sustainable and Renewable Technology							
Impossible Foods, Inc.	Equity	5/10/2019	Preferred Series E-1	188,611	2,000	3,430	
Modumetal, Inc.	Equity	6/1/2015	Common Stock	1,035	500	—	
NantEnergy, LLC (p.k.a. Fluidic, Inc.)	Equity	8/31/2013	Common Units	59,665	102	—	
Pineapple Energy LLC	Equity	12/10/2020	Class A Units	3,000,000	4,767	591	(6)
Pivot Bio, Inc.	Equity	6/28/2021	Preferred Series D	593,080	4,500	3,164	
Proterra, Inc.	Equity	5/28/2015	Common Stock	457,841	543	4,043	(4)
Subtotal: Sustainable and Renewable Technology (0.86%)*					**12,412**	**11,228**	
Total: Equity Investments (14.12%)*					**$ 142,219**	**$ 184,710**	
Warrant Investments							
Communications & Networking							
Spring Mobile Solutions, Inc.	Warrant	4/19/2013	Common Stock	2,834,375	$ 418	$ —	
Subtotal: Communications & Networking (0.00%)*					**418**	**—**	
Consumer & Business Products							
Grove Collaborative, Inc.	Warrant	4/30/2021	Common Stock	83,625	433	326	
Penumbra Brands, LLC (p.k.a. Gadget Guard)	Warrant	6/3/2014	Common Stock	1,662,441	228	—	
TechStyle, Inc. (p.k.a. Just Fabulous, Inc.)	Warrant	7/16/2013	Preferred Series B	206,185	1,101	2,181	
The Neat Company	Warrant	8/13/2014	Common Stock	54,054	365	—	
Whoop, Inc.	Warrant	6/27/2018	Preferred Series C	686,270	18	1,847	
Subtotal: Consumer & Business Products (0.33%)*					**2,145**	**4,354**	
Drug Delivery							
Aerami Therapeutics (p.k.a. Dance Biopharm, Inc.)	Warrant	9/30/2015	Common Stock	110,882	74	—	
BioQ Pharma Incorporated	Warrant	10/27/2014	Common Stock	459,183	1	62	
PDS Biotechnology Corporation (p.k.a. Edge Therapeutics, Inc.)	Warrant	8/28/2014	Common Stock	3,929	390	1	(4)
Subtotal: Drug Delivery (0.00%)*					**465**	**63**	
Drug Discovery & Development							
Acacia Pharma Inc.	Warrant	6/29/2018	Common Stock	201,330	305	6	(4)(5)(10)
ADMA Biologics, Inc.	Warrant	12/21/2012	Common Stock	89,750	295	1	(4)

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
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December 31, 2021
(dollars in thousands)

Portfolio Company	Type of Investment	Acquisition Date (4)	Series (3)	Shares	Cost (2)	Value	Footnotes
Albireo Pharma, Inc.	Warrant	6/8/2020	Common Stock	5,311	$ 61	$ 42	(4)(10)
Axsome Therapeutics, Inc.	Warrant	9/25/2020	Common Stock	15,541	681	142	(4)(10)
Brickell Biotech, Inc.	Warrant	2/18/2016	Common Stock	9,005	119	—	(4)
Cellarity, Inc.	Warrant	12/8/2021	Preferred Series B	100,000	287	287	(14)
Century Therapeutics	Warrant	9/14/2020	Common Stock	16,112	37	64	(4)
Concert Pharmaceuticals, Inc.	Warrant	6/8/2017	Common Stock	61,273	178	3	(4)(10)
Dermavant Sciences Ltd.	Warrant	5/31/2019	Common Stock	223,642	101	354	(10)(12)
enGene, Inc.	Warrant	12/30/2021	Preferred Series 3 Class C	84,714	64	64	(5)(10)
Evofem Biosciences, Inc.	Warrant	6/11/2014	Common Stock	7,806	266	—	(4)
Genocea Biosciences, Inc.	Warrant	4/24/2018	Common Stock	41,176	165	1	(4)
Motif Bio PLC	Warrant	1/27/2020	Common Stock	121,337,041	282	—	(10)
Myovant Sciences, Ltd.	Warrant	10/16/2017	Common Stock	73,710	460	267	(4)(10)
Paratek Pharmaceuticals, Inc.	Warrant	6/27/2017	Common Stock	432,240	546	427	(4)
Phathom Pharmaceuticals, Inc.	Warrant	9/17/2021	Common Stock	64,687	848	307	(4)(10)(14)(15)
Scynexis, Inc.	Warrant	5/14/2021	Common Stock	90,887	188	142	(4)
Stealth Bio Therapeutics Corp.	Warrant	6/30/2017	Common Stock	500,000	158	—	(4)(10)
TG Therapeutics, Inc.	Warrant	2/28/2019	Common Stock	231,613	1,033	2,172	(4)(10)(12)
Tricida, Inc.	Warrant	3/27/2019	Common Stock	31,352	280	20	(4)
Valo Health, LLC (p.k.a. Integral Health Holdings, LLC)	Warrant	6/15/2020	Common Units	102,216	256	441	
X4 Pharmaceuticals, Inc.	Warrant	3/18/2019	Common Stock	108,334	673	2	(4)
Yumanity Therapeutics, Inc.	Warrant	12/20/2019	Common Stock	15,414	110	3	(4)
Subtotal: Drug Discovery & Development (0.36%)*					**7,393**	**4,745**	
Electronics & Computer Hardware							
908 Devices, Inc.	Warrant	3/15/2017	Common Stock	49,078	101	618	(4)
Skydio, Inc.	Warrant	11/8/2021	Common Stock	124,451	557	422	
Subtotal: Electronics & Computer Hardware (0.08%)*					**658**	**1,040**	
Information Services							
Capella Space	Warrant	10/21/2021	Common Stock	176,200	207	139	(14)
InMobi Inc.	Warrant	11/19/2014	Common Stock	65,587	82	—	(10)
Netbase Solutions, Inc.	Warrant	8/22/2017	Preferred Series 1	60,000	356	418	
Subtotal: Information Services (0.04%)*					**645**	**557**	
Internet Consumer & Business Services							
Aria Systems, Inc.	Warrant	5/22/2015	Preferred Series G	231,535	74	—	
Carwow LTD	Warrant	12/14/2021	Common Stock	174,163	164	160	(5)(10)
Cloudpay, Inc.	Warrant	4/10/2018	Preferred Series B	6,763	54	348	(5)(10)
First Insight, Inc.	Warrant	5/10/2018	Preferred Series B	75,917	96	105	
Houzz, Inc.	Warrant	10/29/2019	Common Stock	529,661	20	116	
Interactions Corporation	Warrant	6/16/2015	Preferred Series G-3	68,187	204	505	
Landing Holdings Inc.	Warrant	3/12/2021	Common Stock	11,806	116	141	(14)
Lendio, Inc.	Warrant	3/29/2019	Preferred Series D	127,032	39	84	
LogicSource	Warrant	3/21/2016	Preferred Series C	79,625	30	210	
Rhino Labs, Inc.	Warrant	3/12/2021	Common Stock	13,106	470	77	(14)
RumbleON, Inc.	Warrant	4/30/2018	Common Stock	5,139	88	33	(4)
SeatGeek, Inc.	Warrant	6/12/2019	Common Stock	1,379,761	842	1,140	
ShareThis, Inc.	Warrant	12/14/2012	Preferred Series C	493,502	547	—	
Skyword, Inc.	Warrant	8/23/2019	Preferred Series B	444,444	83	7	
Snagajob.com, Inc.	Warrant	4/20/2020	Common Stock	600,000	16	121	(12)
	Warrant	6/30/2016	Preferred Series A	1,800,000	782	171	(12)
	Warrant	8/1/2018	Preferred Series B	1,211,537	62	90	(12)
Total Snagajob.com, Inc.				3,611,537	860	382	
Tapjoy, Inc.	Warrant	7/1/2014	Preferred Series D	748,670	317	443	
The Faction Group LLC	Warrant	11/3/2014	Preferred Series AA	8,076	234	650	

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(dollars in thousands)

Portfolio Company	Type of Investment	Acquisition Date (4)	Series (3)	Shares	Cost (2)	Value	Footnotes
Thumbtack, Inc.	Warrant	5/1/2018	Common Stock	190,953	$ 552	$ 786	
Xometry, Inc.	Warrant	5/9/2018	Common Stock	87,784	47	3,038	(4)
Zepz (p.k.a. Worldremit Group Limited)	Warrant	2/11/2021	Preferred Series D	77,215	129	1,962	(5)(10)(15)
	Warrant	8/27/2021	Preferred Series E	1,868	26	25	(5)(10)(15)
Total Zepz (p.k.a. Worldremit Group Limited)				79,083	155	1,987	
Subtotal: Internet Consumer & Business Services (0.78%)*					**4,992**	**10,212**	
Media/Content/Info							
Zoom Media Group, Inc.	Warrant	12/21/2012	Preferred Series A	1,204	348	—	
Subtotal: Media/Content/Info (0.00%)*					**348**	**—**	
Medical Devices & Equipment							
Aspire Bariatrics, Inc.	Warrant	1/28/2015	Common Stock	22,572	455	—	
Flowonix Medical Incorporated	Warrant	11/3/2014	Preferred Series AA	155,325	363	—	(12)
	Warrant	9/21/2018	Preferred Series BB	725,806	351	—	
Total Flowonix Medical Incorporated				881,131	714	—	
Intuity Medical, Inc.	Warrant	12/29/2017	Preferred Series B-1	3,076,323	294	264	
Medrobotics Corporation	Warrant	3/13/2013	Preferred Series E	455,539	370	—	
Outset Medical, Inc.	Warrant	9/27/2013	Common Stock	62,794	401	1,797	(4)
SonaCare Medical, LLC	Warrant	9/28/2012	Preferred Series A	6,464	188	—	
Tela Bio, Inc.	Warrant	3/31/2017	Common Stock	15,712	61	13	(4)
Subtotal: Medical Devices & Equipment (0.16%)*					**2,483**	**2,074**	
Semiconductors							
Achronix Semiconductor Corporation	Warrant	6/26/2015	Preferred Series D-2	750,000	99	1,950	
Fungible Inc.	Warrant	12/16/2021	Common Stock	800,000	751	751	(14)
Subtotal: Semiconductors (0.21%)*					**850**	**2,701**	
Software							
Bitsight Technologies, Inc.	Warrant	11/18/2020	Common Stock	29,691	284	1,272	
Brain Corporation	Warrant	10/4/2021	Common Stock	194,629	165	132	(14)
CloudBolt Software, Inc.	Warrant	9/30/2020	Common Stock	211,342	117	85	
Cloudian, Inc.	Warrant	11/6/2018	Common Stock	477,454	71	33	
Couchbase, Inc.	Warrant	4/25/2019	Common Stock	105,350	462	1,343	(4)(19)
Dashlane, Inc.	Warrant	3/11/2019	Common Stock	560,536	404	415	
Delphix Corp.	Warrant	10/8/2019	Common Stock	718,898	1,594	3,275	(15)
Demandbase, Inc.	Warrant	8/2/2021	Common Stock	483,248	404	443	
DNAnexus, Inc.	Warrant	3/21/2014	Preferred Series C	909,091	97	102	
Evernote Corporation	Warrant	9/30/2016	Common Stock	62,500	106	65	
Fuze, Inc.	Warrant	6/30/2017	Preferred Series F	256,158	89	—	
Lightbend, Inc.	Warrant	2/14/2018	Preferred Series D	89,685	131	—	
Mixpanel, Inc.	Warrant	9/30/2020	Common Stock	82,362	252	906	
Nuvolo Technologies Corporation	Warrant	3/29/2019	Common Stock	50,000	88	283	
Poplicus, Inc.	Warrant	5/28/2014	Common Stock	132,168	—	—	
Pymetrics, Inc.	Warrant	9/15/2020	Common Stock	150,943	77	218	
RapidMiner, Inc.	Warrant	11/28/2017	Preferred Series C-1	4,982	24	54	
Reltio, Inc.	Warrant	6/30/2020	Common Stock	69,120	215	637	
Signpost, Inc.	Warrant	1/13/2016	Series Junior 1 Preferred	474,019	314	—	
SingleStore, Inc. (p.k.a. memsql, Inc.)	Warrant	4/28/2020	Preferred Series D	312,596	103	704	
Tact.ai Technologies, Inc.	Warrant	2/13/2020	Common Stock	1,041,667	206	162	
Udacity, Inc.	Warrant	9/25/2020	Common Stock	486,359	218	345	
ZeroFox, Inc.	Warrant	5/7/2020	Preferred Series C-1	648,350	101	603	
Zimperium, Inc.	Warrant	7/2/2021	Common Stock	20,563	72	56	
Subtotal: Software (0.85%)*					**5,594**	**11,133**	

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HERCULES CAPITAL, INC.
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(dollars in thousands)

Portfolio Company	Type of Investment	Acquisition Date (4)	Series (3)	Shares	Cost (2)	Value	Footnotes
Surgical Devices							
Gynesonics, Inc.	Warrant	2/8/2012	Preferred Series C	151,123	$ 67	$ 6	
TransMedics Group, Inc. (p.k.a Transmedics, Inc.)	Warrant	11/7/2012	Common Stock	64,440	139	480	(4)
Subtotal: Surgical Devices (0.04%)*					**206**	**486**	
Sustainable and Renewable Technology							
Agrivida, Inc.	Warrant	6/20/2013	Preferred Series D	471,327	120	—	
Fulcrum Bioenergy, Inc.	Warrant	9/13/2012	Preferred Series C-1	280,897	274	699	
Halio, Inc. (p.k.a. Kinestral Technologies, Inc.)	Warrant	4/22/2014	Preferred Series A	325,000	155	249	
	Warrant	4/7/2015	Preferred Series B	131,883	63	86	
Total Halio, Inc. (p.k.a. Kinestral Technologies, Inc.)				456,883	218	335	
Polyera Corporation	Warrant	12/11/2012	Preferred Series C	311,609	338	—	
Subtotal: Sustainable and Renewable Technology (0.08%)*					**950**	**1,034**	
Total: Warrant Investments (2.93%)*					**$ 27,147**	**$ 38,399**	
Total: Investments in Securities (185.91%)*					**$ 2,388,952**	**$ 2,432,708**	
Investment Funds & Vehicles							
Forbion Growth Opportunities Fund I C.V.	Investment Funds & Vehicles	11/16/2020			2,032	1,814	(5)(10)(16)
Total: Investments in Investment Funds & Vehicles (0.14%)*					**$ 2,032**	**$ 1,814**	
Total: Investments (186.05%)*					**$ 2,390,984**	**$ 2,434,522**	

* Value as a percent of net assets. All amounts are stated in U.S. Dollars unless otherwise noted. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(1) Interest rate PRIME represents 3.25% as of December 31, 2021. 1-month LIBOR, 3-month LIBOR, and 6-month LIBOR represent, 0.14%, 0.24%, and 0.26%, respectively, as of December 31, 2021.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $121.0 million, $75.7 million, and $45.3 million, respectively. The tax cost of investments is $2.4 billion.

(3) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(4) Except for warrants in 26 publicly traded companies and common stock in 36 publicly traded companies, all investments are restricted as of December 31, 2021 and were valued at fair value using Level 3 significant unobservable inputs as determined in good faith by the Company's Board.

(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 as of December 31, 2021, and is therefore considered non-income producing. Note that only the PIK portion is on non-accrual for the Company's debt investment in Tectura Corporation and Pineapple Energy LLC.

(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 is pledged as collateral under the SMBC Facility (as defined in "Note 5 — Debt").

(12) Denotes that all or a portion of the investment is pledged as collateral under the Union Bank Facility (as defined in "Note 5 — Debt").

(13) Denotes that all or a portion of the debt investment principal includes accumulated PIK interest and is net of repayments.

(14) Denotes that all or a portion of the investment in this portfolio company is held by HC IV, the Company's wholly owned SBIC subsidiary.

(15) Denotes that the fair value of the Company's total investments in this portfolio company represent greater than 5% of the Company's total net assets as of December 31, 2021.

(16) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company as of December 31, 2021. Refer to "Note 11 — Commitments and Contingencies".

(17) 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.

(18) Denotes second lien senior secured debt.

(19) Denotes all or a portion of the public equity or warrant investment was acquired in a transaction exempt from registration under the Securities Act of 1933 ("Securities Act") and may be deemed to be "restricted securities" under the Securities Act.

(20) Denotes investment in a non-voting security in the form of a promissory note. The terms of the notes provide the Company with a lien on the issuers' shares of Common Stock in portfolio company Black Crow AI, Inc., subject to release upon repayment of the outstanding balance of the notes. As of September 30, 2021, the Black Crow AI, Inc. affiliates promissory notes had an outstanding balance of $3.0 million.

See notes to consolidated financial statements.

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(dollars in thousands)

Portfolio Company	Type of Investment [1]	Maturity Date	Interest Rate and Floor [2]	Principal Amount	Cost [3]	Value [4]
Debt Investments						
Communications & Networking						
1-5 Years Maturity						
Cytracom Holdings LLC [11][17][18]	Senior Secured	February 2025	3-month LIBOR + 9.25% or Floor rate of 10.25%	$ 7,000	$ 6,819	$ 6,955
Subtotal: 1-5 Years Maturity					6,819	6,955
Subtotal: Communications & Networking (0.59%)*					**6,819**	**6,955**
Diversified Financial Services						
1-5 Years Maturity						
Gibraltar Business Capital, LLC [7]	Unsecured	March 2023	FIXED 14.50%	$ 15,000	14,838	14,970
Subtotal: 1-5 Years Maturity					14,838	14,970
Subtotal: Diversified Financial Services (1.28%)*					**14,838**	**14,970**
Drug Delivery						
1-5 Years Maturity						
Antares Pharma Inc. [10][11][15]	Senior Secured	July 2022	PRIME + 4.50% or Floor rate of 4.50%, 4.14% Exit Fee	$ 40,000	41,104	41,242
Subtotal: 1-5 Years Maturity					41,104	41,242
Subtotal: Drug Delivery (3.52%)*					**41,104**	**41,242**
Drug Discovery & Development						
Under 1 Year Maturity						
Genocea Biosciences, Inc. [11]	Senior Secured	May 2021	PRIME + 3.00% or Floor rate of 8.00%, 5.90% Exit Fee	$ 12,922	13,892	13,892
Petros Pharmaceuticals, Inc. (p.k.a. Metuchen Pharmaceuticals LLC)	Senior Secured	December 2021	PRIME + 7.25% or Floor rate of 11.50%, 3.05% Exit Fee	$ 6,653	7,167	7,156
Stealth Bio Therapeutics Corp. [10][11]	Senior Secured	July 2021	PRIME + 5.50% or Floor rate of 9.50%, 7.69% Exit Fee	$ 9,027	10,463	10,463
Subtotal: Under 1 Year Maturity					31,522	31,511
1-5 Years Maturity						
Acacia Pharma Inc. [5][10][11]	Senior Secured	January 2022	PRIME + 4.50% or Floor rate of 9.25%, 3.95% Exit Fee	$ 5,452	5,775	5,754
Albireo Pharma, Inc. [10][11]	Senior Secured	July 2024	PRIME + 5.90% or Floor rate of 9.15%, 6.95% Exit Fee	$ 10,000	9,995	10,106
Aldeyra Therapeutics, Inc. [11]	Senior Secured	October 2023	PRIME + 3.10% or Floor rate of 9.10%, 6.95% Exit Fee	$ 15,000	15,349	15,623
Applied Genetic Technologies Corporation [11]	Senior Secured	December 2023	PRIME + 6.50% or Floor rate of 9.75%, 6.95% Exit Fee	$ 10,000	10,025	10,163
Aveo Pharmaceuticals, Inc. [11]	Senior Secured	September 2023	PRIME + 6.40% or Floor rate of 9.65%, 6.95% Exit Fee	$ 15,000	15,069	15,069
Axsome Therapeutics, Inc. [10][17]	Senior Secured	October 2025	PRIME + 5.90% or Floor rate of 9.15%, 4.85% Exit Fee	$ 50,000	49,023	49,023
Bicycle Therapeutics PLC [5][10][11][17]	Senior Secured	October 2024	PRIME + 5.60% or Floor rate of 8.85%, 5.00% Exit Fee	$ 15,000	14,984	14,984
BridgeBio Pharma LLC [12][13][16]	Senior Secured	November 2023	PRIME + 3.85% or Floor rate of 8.75%, 6.35% Exit Fee	$ 35,000	36,163	36,930
	Senior Secured	November 2023	PRIME + 2.85% or Floor rate of 8.60%, 5.75% Exit Fee	$ 20,000	20,541	20,977
	Senior Secured	November 2023	PRIME + 3.10% or Floor rate of 8.85%, 5.75% Exit Fee	$ 20,000	20,400	20,822
Total BridgeBio Pharma LLC				$ 75,000	77,104	78,729
Century Therapeutics [11]	Senior Secured	April 2024	PRIME + 6.30% or Floor rate of 9.55%, 3.95% Exit Fee	$ 10,000	9,897	9,897
Chemocentryx, Inc. [10][11][15]	Senior Secured	December 2022	PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee	$ 20,000	20,704	21,031
	Senior Secured	February 2024	PRIME + 3.25% or Floor rate of 8.50%, 7.15% Exit Fee	$ 5,000	5,039	5,332
Total Chemocentryx, Inc.				$ 25,000	25,743	26,363
Codiak Biosciences, Inc. [11][17]	Senior Secured	October 2024	PRIME + 3.75% or Floor rate of 9.00%, 5.50% Exit Fee	$ 25,000	25,099	25,223
Dermavant Sciences Ltd. [10][13]	Senior Secured	June 2023	PRIME + 4.45% or Floor rate of 9.95%, 6.95% Exit Fee	$ 20,000	20,615	20,553
Eidos Therapeutics, Inc. [10][13]	Senior Secured	October 2023	PRIME + 3.25% or Floor rate of 8.50%, 5.95% Exit Fee	$ 8,750	8,905	9,182
G1 Therapeutics, Inc. [10][11][17]	Senior Secured	June 2024	PRIME + 6.40% or Floor rate of 9.65%, 6.95% Exit Fee	$ 20,000	20,053	20,404
Geron Corporation [10][17]	Senior Secured	October 2024	PRIME + 5.75% or Floor rate of 9.00%, 6.55% Exit Fee	$ 16,250	16,158	16,158
Kaleido Biosciences, Inc. [13]	Senior Secured	January 2024	PRIME + 6.10% or Floor rate of 9.35%, 7.55% Exit Fee	$ 22,500	22,916	23,135
Mesoblast [5][10][11][13]	Senior Secured	March 2022	PRIME + 4.95% or Floor rate of 9.70%, 8.70% Exit Fee	$ 50,000	53,043	53,086
Nabriva Therapeutics [5][10]	Senior Secured	June 2023	PRIME + 4.30% or Floor rate of 9.80%, 7.01% Exit Fee	$ 5,000	5,259	5,251
Seres Therapeutics, Inc. [11]	Senior Secured	November 2023	PRIME + 4.40% or Floor rate of 9.65%, 4.85% Exit Fee	$ 25,000	25,238	25,990

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Portfolio Company	Type of Investment [1]	Maturity Date	Interest Rate and Floor [2]		Principal Amount		Cost [3]		Value [4]
Syndax Pharmaceutics Inc. [13]	Senior Secured	September 2023	PRIME + 5.10% or Floor rate of 9.85%, 4.99% Exit Fee	$	20,000	$	20,221	$	20,582
TG Therapeutics, Inc. [10][13]	Senior Secured	March 2022	PRIME + 4.75% or Floor rate of 10.25%, 3.25% Exit Fee	$	30,000		30,423		30,820
Tricida, Inc. [11][13][15][16]	Senior Secured	April 2023	PRIME + 2.35% or Floor rate of 8.35%, 11.04% Exit Fee	$	75,000		78,266		79,452
uniQure B.V. [5][10][11]	Senior Secured	June 2023	PRIME + 3.35% or Floor rate of 8.85%, 4.95% Exit Fee	$	35,000		35,660		36,849
Unity Biotechnology, Inc. [10]	Senior Secured	August 2024	PRIME + 6.10% or Floor rate of 9.35%, 6.25% Exit Fee	$	25,000		24,938		24,938
Valo Health, LLC (p.k.a. Integral Health Holdings, LLC) [11]	Senior Secured	May 2024	PRIME + 6.45% or Floor rate of 9.70%, 3.85% Exit Fee	$	11,500		11,279		11,394
X4 Pharmaceuticals, Inc. [11]	Senior Secured	July 2024	PRIME + 3.75% or Floor rate of 8.75%, 8.80% Exit Fee	$	32,500		33,082		33,097
Yumanity Therapeutics, Inc. [11]	Senior Secured	January 2024	PRIME + 4.00% or Floor rate of 8.75%, 7.25% Exit Fee	$	15,000		15,129		15,350
Subtotal: 1-5 Years Maturity							679,248		687,175
Subtotal: Drug Discovery & Development (61.26%)*							**710,770**		**718,686**
Electronics & Computer Hardware									
Under 1 Year Maturity									
Glo AB [8][10][14]	Senior Secured	February 2021	PRIME + 6.20% or Floor rate of 10.45%, PIK Interest 1.75%, 5.03% Exit Fee	$	1,631		2,145		2,145
Subtotal: Under 1 Year Maturity							2,145		2,145
Subtotal: Electronics & Computer Hardware (0.18%)*							**2,145**		**2,145**
Healthcare Services, Other									
1-5 Years Maturity									
The CM Group LLC [17]	Senior Secured	June 2024	1-month LIBOR + 9.35% or Floor rate of 10.35%	$	10,358		10,229		10,086
Velocity Clinical Research, Inc. [13][17][18]	Senior Secured	November 2024	1-month LIBOR + 9.08% or Floor rate of 10.08%	$	9,823		9,511		9,887
Subtotal: 1-5 Years Maturity							19,740		19,973
Subtotal: Healthcare Services, Other (1.70%)*							**19,740**		**19,973**
Information Services									
Under 1 Year Maturity									
Sapphire Digital, Inc. (p.k.a. MDX Medical, Inc.) [14][15][19]	Senior Secured	December 2021	PRIME + 6.25% or Floor rate of 9.50%, PIK Interest 1.70%, 5.30% Exit Fee	$	15,825		16,216		16,216
Subtotal: Under 1 Year Maturity							16,216		16,216
1-5 Years Maturity									
Planet Labs, Inc. [11]	Senior Secured	June 2022	PRIME + 5.50% or Floor rate of 11.00%, 3.00% Exit Fee	$	25,000		24,902		24,957
Yipit, LLC [11][17][18]	Senior Secured	May 2024	1-month LIBOR + 8.88% or Floor rate of 9.88%	$	12,000		11,782		12,000
Subtotal: 1-5 Years Maturity							36,684		36,957
Subtotal: Information Services (4.53%)*							**52,900**		**53,173**
Internet Consumer & Business Services									
Under 1 Year Maturity									
Black Crow AI, Inc. [8][9]	Convertible Debt	October 2021	PIK Interest 1.00%	$	3,000		2,993		1,565
	Convertible Debt	October 2021	PIK Interest 1.00%	$	1,000		1,000		643
Total Black Crow AI, Inc.				$	4,000		3,993		2,208
Intent (p.k.a. Intent Media, Inc.) [8][14]	Senior Secured	September 2021	PIK Interest 10.13%, 1.20% Exit Fee	$	4,125		4,150		1,413
Snagajob.com, Inc. [13]	Senior Secured	June 2021	PRIME + 6.90% or Floor rate of 10.15%, 3.05% Exit Fee	$	43,005		43,917		43,754
	Senior Secured	June 2021	PRIME + 7.80% or Floor rate of 11.05%, 3.05% Exit Fee	$	5,173		5,281		5,255
Total Snagajob.com, Inc.				$	48,178		49,198		49,009
Tectura Corporation [7][8][14]	Senior Secured	March 2021	PIK Interest 5.00%	$	10,680		240		—
	Senior Secured	March 2021	FIXED 8.25%	$	8,250		8,250		8,250
	Senior Secured	March 2021	PIK Interest 5.00%	$	13,023		13,023		350
Total Tectura Corporation				$	31,953		21,513		8,600
Subtotal: Under 1 Year Maturity							78,854		61,230
1-5 Years Maturity									
AppDirect, Inc. [11]	Senior Secured	August 2024	PRIME + 5.90% or Floor rate of 9.15%, 7.95% Exit Fee	$	30,790		30,712		30,712
ePayPolicy Holdings, LLC [11][17]	Senior Secured	December 2024	3-month LIBOR + 9.00% or Floor rate of 10.00%	$	8,000		7,799		8,080
EverFi, Inc. [13][14][16]	Senior Secured	May 2022	PRIME + 3.90% or Floor rate of 9.15%, PIK Interest 2.30%	$	84,081		83,900		84,987
Houzz, Inc. [13][14]	Senior Secured	November 2022	PRIME + 3.20% or Floor rate of 8.45%, PIK Interest 2.50%, 4.50% Exit Fee	$	51,403		51,854		52,151

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
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December 31, 2020
(dollars in thousands)

Portfolio Company	Type of Investment (1)	Maturity Date	Interest Rate and Floor (2)	Principal Amount	Cost (3)	Value (4)
Nextroll, Inc. (14)(19)	Senior Secured	June 2022	PRIME + 3.85% or Floor rate of 9.35%, PIK Interest 2.95%, 3.50% Exit Fee	$ 20,921	$ 21,240	$ 21,526
SeatGeek, Inc. (14)	Senior Secured	June 2023	PRIME + 5.00% or Floor rate of 10.50%, PIK Interest 0.50%	$ 60,301	59,292	57,561
Skyword, Inc. (14)	Senior Secured	September 2024	PRIME + 3.88% or Floor rate of 9.38%, PIK Interest 1.90%, 4.00% Exit Fee	$ 12,196	12,291	12,021
Thumbtack, Inc. (13)(14)	Senior Secured	September 2023	PRIME + 3.45% or Floor rate of 8.95%, PIK Interest 1.50%, 3.95% Exit Fee	$ 25,231	25,096	25,348
Varsity Tutors LLC (13)(14)(17)	Senior Secured	August 2023	PRIME + 5.25% or Floor rate of 10.75%, PIK Interest 0.55%, 3.00% Exit Fee	$ 39,264	39,438	40,272
Wheels Up Partners LLC (11)	Senior Secured	July 2022	3-month LIBOR + 8.55% or Floor rate of 9.55%	$ 13,436	13,387	13,337
Xometry, Inc. (13)	Senior Secured	May 2022	PRIME + 3.95% or Floor rate of 8.70%, 6.18% Exit Fee	$ 11,000	11,431	11,556
	Senior Subordinate	May 2022	PRIME + 3.95% or Floor rate of 8.70%, 6.25% Exit Fee	$ 4,000	4,157	4,219
Total Xometry, Inc.				$ 15,000	15,588	15,775
Subtotal: 1-5 Years Maturity					360,597	361,770
Subtotal: Internet Consumer & Business Services (36.06%)*					**439,451**	**423,000**
Media/Content/Info						
1-5 Years Maturity						
Bustle (14)(15)	Senior Secured	June 2023	PRIME + 4.35% or Floor rate of 9.35%, PIK Interest 1.95%, 4.45% Exit Fee	$ 21,045	21,279	21,555
Subtotal: 1-5 Years Maturity					21,279	21,555
Subtotal: Media/Content/Info (1.84%)*					**21,279**	**21,555**
Medical Devices & Equipment						
Under 1 Year Maturity						
Intuity Medical, Inc. (11)(15)	Senior Secured	June 2021	PRIME + 5.00% or Floor rate of 9.25%, 6.95% Exit Fee	$ 11,217	12,365	12,365
Quanterix Corporation (11)	Senior Secured	October 2021	PRIME + 2.75% or Floor rate of 8.00%, 0.96% Exit Fee	$ 7,688	7,752	7,752
Sebacia, Inc. (8)	Senior Secured	January 2021	PRIME + 4.35% or Floor rate of 8.85%	$ 1,000	1,000	—
Subtotal: Under 1 Year Maturity					21,117	20,117
Subtotal: Medical Devices & Equipment (1.71%)*					**21,117**	**20,117**
Software						
Under 1 Year Maturity						
ZocDoc (11)(19)	Senior Secured	August 2021	PRIME + 6.20% or Floor rate of 10.95%, 2.00% Exit Fee	$ 30,000	30,509	30,509
Subtotal: Under 1 Year Maturity					30,509	30,509
1-5 Years Maturity						
3GTMS, LLC. (11)(17)(18)	Senior Secured	February 2025	3-Month LIBOR + 9.28% or Floor rate of 10.28%	$ 10,000	9,762	9,754
Abrigo (18)	Senior Secured	March 2023	3-month LIBOR + 7.88% or Floor rate of 8.88%	$ 38,457	37,993	38,264
	Senior Secured	March 2023	3-month LIBOR + 5.96% or Floor rate of 6.96%	$ 2,312	2,273	2,296
Total Abrigo				$ 40,769	40,266	40,560
Bitsight Technologies, Inc. (19)	Senior Secured	November 2025	PRIME + 6.75% or Floor rate of 10.00%, 3.50% Exit Fee	$ 12,500	12,289	12,289
Businessolver.com, Inc. (11)(17)	Senior Secured	May 2023	6-month LIBOR + 7.50% or Floor rate of 8.50%	$ 33,650	33,248	33,640
	Senior Secured	May 2023	6-month LIBOR + 7.50% or Floor rate of 8.50%	$ 7,650	7,532	7,579
Total Businessolver.com, Inc.				$ 41,300	40,780	41,219
Campaign Monitor Limited (11)(19)	Senior Secured	November 2025	6-month LIBOR + 8.90% or Floor rate of 9.90%	$ 33,000	32,348	33,304
Clarabridge, Inc. (12)(13)(14)(17)	Senior Secured	May 2024	PRIME + 5.30% or Floor rate of 8.55%, PIK Interest 2.25%	$ 55,823	55,359	56,940
Cloud 9 Software (13)	Senior Secured	April 2024	3-month LIBOR + 8.20% or Floor rate of 9.20%	$ 10,000	9,867	10,030
CloudBolt Software Inc. (17)(19)	Senior Secured	October 2024	PRIME + 6.70% or Floor rate of 9.95%, 2.95% Exit Fee	$ 5,000	4,867	4,867
Cloudian, Inc. (11)	Senior Secured	November 2022	PRIME + 3.25% or Floor rate of 8.25%, 9.75% Exit Fee	$ 15,000	15,883	15,883

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Portfolio Company	Type of Investment (1)	Maturity Date	Interest Rate and Floor (2)		Principal Amount		Cost (3)		Value (4)
Couchbase, Inc. (11)(15)(19)	Senior Secured	June 2024	PRIME + 5.25% or Floor rate of 10.75%, 3.75% Exit Fee	$	25,000	$	25,167	$	25,761
Dashlane, Inc. (11)(14)(17)(19)	Senior Secured	April 2022	PRIME + 4.05% or Floor rate of 8.55%, PIK Interest 1.10%, 8.50% Exit Fee	$	10,294		10,808		10,838
	Senior Secured	March 2023	PRIME + 4.05% or Floor rate of 8.55%, PIK Interest 1.10%, 4.95% Exit Fee	$	10,195		10,312		10,343
Total Dashlane, Inc.				$	20,489		21,120		21,181
Delphix Corp. (13)(19)	Senior Secured	February 2023	PRIME + 5.50% or Floor rate of 10.25%, 5.00% Exit Fee	$	60,000		59,932		61,159
Envisage Technologies, LLC (13)(18)	Senior Secured	March 2025	3-month LIBOR + 9.00% or Floor rate of 10.00%	$	9,750		9,525		9,750
ExtraHop Networks, Inc. (19)	Senior Secured	September 2023	PRIME + 7.00% or Floor rate of 10.25%, 2.50% Exit Fee	$	15,000		14,745		14,745
FreedomPay, Inc. (13)(19)	Senior Secured	June 2023	PRIME + 7.70% or Floor rate of 10.95%, 3.55% Exit Fee	$	10,000		9,972		10,126
Ikon Science Limited (5)(10)(11)(17)(18)	Senior Secured	October 2024	3-month LIBOR + 9.00% or Floor rate of 10.00%	$	7,000		6,744		6,724
Jolt Software, Inc. (14)	Senior Secured	October 2022	PRIME + 3.00% or Floor rate of 8.50%, PIK Interest 1.75%, 4.50% Exit Fee	$	7,639		7,725		7,828
Kazoo, Inc. (p.k.a. YouEarnedIt, Inc.) (11)(18)	Senior Secured	July 2023	3-month LIBOR + 10.15% or Floor rate of 11.15%	$	8,695		8,477		8,509
Khoros (p.k.a Lithium Technologies) (11)	Senior Secured	October 2022	6-month LIBOR + 8.00% or Floor rate of 9.00%	$	56,208		55,585		56,207
Logicworks (17)	Senior Secured	January 2024	PRIME + 7.50% or Floor rate of 10.75%	$	10,000		9,801		9,801
Mixpanel, Inc. (14)(19)	Senior Secured	August 2024	PRIME + 4.70% or Floor rate of 7.95%, PIK Interest 1.80%, 3.00% Exit Fee	$	20,062		19,703		19,703
Mobile Solutions Services (17)(18)	Senior Secured	December 2025	6-month LIBOR + 9.87% or Floor rate of 10.87%	$	5,500		5,323		5,400
	Senior Secured	December 2025	6-month LIBOR + 9.87% or Floor rate of 10.87%	$	13,150		12,731		12,672
Total Mobile Solutions Services				$	18,650		18,054		18,072
Nuvolo Technologies Corporation (13)(17)(19)	Senior Secured	April 2023	PRIME + 7.25% or Floor rate of 11.50%	$	15,000		14,867		14,993
Optimizely Mergerco, Inc. (17)(18)	Senior Secured	October 2025	6-month LIBOR + 10.00% or Floor rate of 11.00%	$	50,000		48,561		48,559
Pollen, Inc. (14)(15)(17)	Senior Secured	November 2023	PRIME + 4.75% or Floor rate of 8.00%, PIK Interest 0.50%, 4.50% Exit Fee	$	7,420		7,366		7,366
Pymetrics, Inc. (14)	Senior Secured	October 2022	PRIME + 5.50% or Floor rate of 8.75%, PIK Interest 1.75%, 4.00% Exit Fee	$	9,497		9,409		9,409
Regent Education (14)	Senior Secured	January 2022	FIXED 10.00%, PIK Interest 2.00%, 7.94% Exit Fee	$	3,220		3,315		3,316
Reltio, Inc. (13)(14)(17)(19)	Senior Secured	July 2023	PRIME + 5.70% or Floor rate of 8.95%, PIK Interest 1.70%, 4.95% Exit Fee	$	10,073		9,928		10,136
SingleStore, Inc. (p.k.a. memsql, Inc.) (11)(14)(17)	Senior Secured	May 2023	PRIME + 4.70% or Floor rate of 7.95%, PIK Interest 0.75%, 3.95% Exit Fee	$	5,021		5,012		5,137
Tact.ai Technologies, Inc. (11)(14)	Senior Secured	February 2023	PRIME + 4.00% or Floor rate of 8.75%, PIK Interest 2.00%, 5.50% Exit Fee	$	5,081		4,995		4,970
ThreatConnect, Inc. (13)(17)(18)	Senior Secured	May 2024	3-month LIBOR + 8.26% or Floor rate of 9.26%	$	4,500		4,391		4,441
Udacity, Inc. (14)(17)	Senior Secured	September 2024	PRIME + 4.50% or Floor rate of 7.75%, PIK Interest 2.00%, 3.00% Exit Fee	$	35,130		34,700		34,700
Vela Trading Technologies (11)(14)(18)	Senior Secured	July 2022	3-month LIBOR + 12.00% or Floor rate of 11.50%, PIK Interest 2.50%	$	18,131		17,826		14,505
ZeroFox, Inc. (13)	Senior Secured	January 2023	PRIME + 4.75% or Floor rate of 10.25%, 3.00% Exit Fee	$	20,000		20,118		20,118
Subtotal: 1-5 Years Maturity							668,459		672,062

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HERCULES CAPITAL, INC.
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(dollars in thousands)

Portfolio Company	Type of Investment [1]	Maturity Date	Interest Rate and Floor [2]		Principal Amount		Cost [3]		Value [4]
Greater than 5 Years Maturity									
Imperva, Inc. [19]	Senior Secured	January 2027	3-month LIBOR + 7.75% or Floor rate of 8.75%	$	20,000	$	19,828	$	20,000
Subtotal: Greater than 5 Years Maturity							19,828		20,000
Subtotal: Software (61.60%)*							**718,796**		**722,571**
Sustainable and Renewable Technology									
Under 1 Year Maturity									
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) [6][8][14]	Senior Secured	January 2021	PIK Interest 10.00%	$	681		681		—
Subtotal: Under 1 Year Maturity							681		—
1-5 Years Maturity									
Impossible Foods, Inc. [12][13]	Senior Secured	July 2022	PRIME + 3.95% or Floor rate of 8.95%, 9.00% Exit Fee	$	38,868		42,285		42,548
Pineapple Energy LLC [6][8][9]	Senior Secured	December 2023	PIK Interest 10.00%	$	7,500		7,500		7,500
Subtotal: 1-5 Years Maturity							49,785		50,048
Subtotal: Sustainable and Renewable Technology (4.27%)*							**50,466**		**50,048**
Total: Debt Investments (178.54%)*						**$**	**2,099,425**	**$**	**2,094,435**

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HERCULES CAPITAL, INC.
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(dollars in thousands)

Portfolio Company	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
Equity Investments					
Communications & Networking					
Peerless Network Holdings, Inc.	Equity	Common Stock	3,328	$ —	$ 8
	Equity	Preferred Series A	1,135,000	1,230	3,800
Total Peerless Network Holdings, Inc.			1,138,328	1,230	3,808
Subtotal: Communications & Networking (0.29%)*				**1,230**	**3,808**
Consumer & Business Products					
Intelligent Beauty, Inc.	Equity	Preferred Series B	111,156	230	743
Subtotal: Consumer & Business Products (0.06%)*				**230**	**743**
Diversified Financial Services					
Gibraltar Business Capital, LLC (7)	Equity	Common Stock	830,000	1,884	2,276
	Equity	Preferred Series A	10,602,752	26,122	31,554
Total Gibraltar Business Capital, LLC			11,432,752	28,006	33,830
Subtotal: Diversified Financial Services (2.62%)*				**28,006**	**33,830**
Drug Delivery					
AcelRx Pharmaceuticals, Inc. (4)	Equity	Common Stock	176,730	1,329	219
BioQ Pharma Incorporated (15)	Equity	Preferred Series D	165,000	500	504
Kaleo, Inc.	Equity	Preferred Series B	82,500	1,007	4,117
Neos Therapeutics, Inc. (4)(15)	Equity	Common Stock	125,000	1,500	78
PDS Biotechnology Corporation (p.k.a. Edge Therapeutics, Inc.) (4)	Equity	Common Stock	2,498	309	5
Subtotal: Drug Delivery (0.38%)*				**4,645**	**4,923**
Drug Discovery & Development					
Albireo Pharma, Inc. (4)(10)	Equity	Common Stock	25,000	1,000	938
Aveo Pharmaceuticals, Inc. (4)(15)	Equity	Common Stock	190,175	1,715	1,097
Bicycle Therapeutics PLC (4)(5)(10)	Equity	Common Stock	98,100	1,871	1,761
BridgeBio Pharma LLC (4)(16)	Equity	Common Stock	203,579	2,000	14,476
Cerecor, Inc. (4)	Equity	Common Stock	119,087	1,000	314
Chemocentryx, Inc. (4)(10)(15)	Equity	Common Stock	17,241	1,000	1,068
Concert Pharmaceuticals, Inc. (4)(10)	Equity	Common Stock	70,796	1,367	895
Dare Biosciences, Inc. (4)	Equity	Common Stock	13,550	1,000	18
Dynavax Technologies (4)(10)	Equity	Common Stock	20,000	550	89
Eidos Therapeutics, Inc. (4)(10)	Equity	Common Stock	15,000	255	1,974
Genocea Biosciences, Inc. (4)	Equity	Common Stock	27,932	2,000	67
Paratek Pharmaceuticals, Inc. (4)	Equity	Common Stock	76,362	2,744	478
Rocket Pharmaceuticals, Ltd. (4)	Equity	Common Stock	944	1,500	52
Savara, Inc. (4)(15)	Equity	Common Stock	11,119	203	13
Sio Gene Therapies, Inc. (p.k.a. Axovant Gene Therapies Ltd.) (4)(10)	Equity	Common Stock	16,228	1,269	45
Tricida, Inc. (4)(15)(16)	Equity	Common Stock	68,816	863	485
uniQure B.V. (4)(5)(10)	Equity	Common Stock	17,175	332	621
Valo Health, LLC (p.k.a. Integral Health Holdings, LLC)	Equity	Preferred Series B	510,308	3,000	3,000
X4 Pharmaceuticals, Inc. (4)	Equity	Common Stock	83,334	641	536
Subtotal: Drug Discovery & Development (2.16%)*				**24,310**	**27,927**
Healthcare Services, Other					
23andMe, Inc.	Equity	Common Stock	360,000	5,094	7,546
Subtotal: Healthcare Services, Other (0.58%)*				**5,094**	**7,546**
Internet Consumer & Business Services					
Contentful, Inc. (5)(10)	Equity	Preferred Series C	82	138	270
	Equity	Preferred Series D	217	500	785
Total Contentful, Inc.			299	638	1,055
Countable Corporation (p.k.a. Brigade Group, Inc.)	Equity	Common Stock	9,023	93	—
DoorDash, Inc. (4)	Equity	Common Stock	525,000	6,051	58,706
Fastly, Inc. (4)	Equity	Common Stock	6,238	8	545
Lyft, Inc. (4)	Equity	Common Stock	200,738	10,487	9,862
Nextdoor.com, Inc.	Equity	Common Stock	328,190	4,854	8,994
OfferUp, Inc.	Equity	Preferred Series A	286,080	1,663	1,867
	Equity	Preferred Series A-1	108,710	632	709
Total OfferUp, Inc.			394,790	2,295	2,576

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Type of Investment [1]	Series	Shares	Cost [3]	Value [4]
Oportun [4]	Equity	Common Stock	48,365	$ 577	$ 937
Reischling Press, Inc. (p.k.a. Blurb, Inc.)	Equity	Common Stock	1,163	15	—
Tectura Corporation [7]	Equity	Common Stock	414,994,863	900	—
	Equity	Preferred Series BB	1,000,000	—	—
Total Tectura Corporation			415,994,863	900	—
Uber Technologies, Inc. (p.k.a. Postmates, Inc.) [4]	Equity	Common Stock	32,991	317	1,683
Subtotal: Internet Consumer & Business Services (6.53%)*				**26,235**	**84,358**
Medical Devices & Equipment					
Flowonix Medical Incorporated	Equity	Preferred Series AA	221,893	1,500	—
Gelesis, Inc.	Equity	Common Stock	227,013	—	626
	Equity	Preferred Series A-1	191,210	425	554
	Equity	Preferred Series A-2	191,626	500	540
Total Gelesis, Inc.			609,849	925	1,720
Medrobotics Corporation [15]	Equity	Preferred Series E	136,798	250	—
	Equity	Preferred Series F	73,971	155	—
	Equity	Preferred Series G	163,934	500	—
Total Medrobotics Corporation			374,703	905	—
Outset Medical, Inc. [4]	Equity	Common Stock	38,243	527	1,947
ViewRay, Inc. [4][15]	Equity	Common Stock	36,457	333	139
Subtotal: Medical Devices & Equipment (0.29%)*				**4,190**	**3,806**
Software					
CapLinked, Inc.	Equity	Preferred Series A-3	53,614	51	78
Docker, Inc.	Equity	Common Stock	20,000	4,284	24
Druva Holdings, Inc. (p.k.a. Druva, Inc.)	Equity	Preferred Series 2	458,841	1,000	3,644
	Equity	Preferred Series 3	93,620	300	777
Total Druva Holdings, Inc. (p.k.a. Druva, Inc.)			552,461	1,300	4,421
HighRoads, Inc.	Equity	Common Stock	190	307	—
Lightbend, Inc.	Equity	Preferred Series D	384,616	265	165
Palantir Technologies [4]	Equity	Common Stock	1,668,337	10,198	36,015
SingleStore, Inc. (p.k.a. memsql, Inc.)	Equity	Preferred Series E	580,983	2,000	2,153
Sprinklr, Inc.	Equity	Common Stock	700,000	3,749	7,088
Subtotal: Software (3.87%)*				**22,154**	**49,944**
Surgical Devices					
Gynesonics, Inc. [15]	Equity	Preferred Series B	219,298	250	14
	Equity	Preferred Series C	656,538	282	44
	Equity	Preferred Series D	1,991,157	712	137
	Equity	Preferred Series E	2,786,367	429	213
	Equity	Preferred Series F	1,523,693	118	181
	Equity	Preferred Series F-1	2,418,125	150	259
Total Gynesonics, Inc.			9,595,178	1,941	848
TransMedics Group, Inc. (p.k.a Transmedics, Inc.) [4]	Equity	Common Stock	162,617	2,550	3,236
Subtotal: Surgical Devices (0.32%)*				**4,491**	**4,084**
Sustainable and Renewable Technology					
Impossible Foods, Inc.	Equity	Preferred Series E-1	188,611	2,000	2,540
Modumetal, Inc.	Equity	Preferred Series A-1	103,584	500	1
Pineapple Energy LLC [6]	Equity	Class A Units	17,647	4,767	840

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(dollars in thousands)

Portfolio Company	Type of Investment [(1)]	Series	Shares	Cost [(3)]	Value [(4)]
Proterra, Inc.	Equity	Preferred Series 5	99,280	$ 500	$ 329
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) [(6)]	Equity	Common Stock	488	61,502	—
Subtotal: Sustainable and Renewable Technology (0.29%)*				**69,269**	**3,710**
Total: Equity Investments (17.39%)*				**$ 189,854**	**$ 224,679**
Warrant Investments					
Communications & Networking					
Spring Mobile Solutions, Inc.	Warrant	Common Stock	2,834,375	418	—
Subtotal: Communications & Networking (0.00%)*				**418**	**—**
Consumer & Business Products					
Gadget Guard [(15)]	Warrant	Common Stock	1,662,441	228	—
The Neat Company	Warrant	Common Stock	54,054	365	—
Whoop, Inc.	Warrant	Preferred Series C	68,627	18	1,152
Subtotal: Consumer & Business Products (0.09%)*				**611**	**1,152**
Drug Delivery					
Aerami Therapeutics (p.k.a. Dance Biopharm, Inc.) [(15)]	Warrant	Common Stock	110,882	74	—
BioQ Pharma Incorporated	Warrant	Common Stock	459,183	1	579
Neos Therapeutics, Inc. [(4)(15)]	Warrant	Common Stock	70,833	285	—
PDS Biotechnology Corporation (p.k.a. Edge Therapeutics, Inc.) [(4)]	Warrant	Common Stock	3,929	390	—
Subtotal: Drug Delivery (0.04%)*				**750**	**579**
Drug Discovery & Development					
Acacia Pharma Inc. [(4)(5)(10)]	Warrant	Common Stock	201,330	304	184
ADMA Biologics, Inc. [(4)]	Warrant	Common Stock	89,750	295	5
Albireo Pharma, Inc. [(4)(10)]	Warrant	Common Stock	5,310	61	97
Axsome Therapeutics, Inc. [(4)(10)]	Warrant	Common Stock	15,541	681	682
Brickell Biotech, Inc. [(4)]	Warrant	Common Stock	9,005	119	—
Century Therapeutics	Warrant	Common Units	40,540	37	43
Concert Pharmaceuticals, Inc. [(4)(10)(15)]	Warrant	Common Stock	61,273	178	183
CytRx Corporation [(15)]	Warrant	Common Stock	105,694	160	—
Dermavant Sciences Ltd. [(10)]	Warrant	Common Stock	223,642	101	460
Evofem Biosciences, Inc. [(4)(15)]	Warrant	Common Stock	7,806	266	3
Genocea Biosciences, Inc. [(4)]	Warrant	Common Stock	41,176	165	20
Motif BioSciences Inc. [(10)]	Warrant	Common Stock	121,337,041	282	—
Myovant Sciences, Ltd. [(4)(10)]	Warrant	Common Stock	73,710	460	1,031
Ology Bioservices, Inc. [(15)]	Warrant	Common Stock	171,389	838	—
Paratek Pharmaceuticals, Inc. [(4)(15)]	Warrant	Common Stock	469,388	644	960
Stealth Bio Therapeutics Corp. [(4)(10)]	Warrant	Common Stock	500,000	158	—
TG Therapeutics, Inc. [(4)(10)]	Warrant	Common Stock	147,058	563	5,307
Tricida, Inc. [(4)(15)(16)]	Warrant	Common Stock	31,353	280	8
Urovant Sciences, Ltd. [(4)(10)]	Warrant	Common Stock	99,777	383	744
Valo Health, LLC (p.k.a. Integral Health Holdings, LLC)	Warrant	Common Units	102,216	257	296
X4 Pharmaceuticals, Inc. [(4)]	Warrant	Common Stock	108,334	673	87
Yumanity Therapeutics, Inc. [(4)]	Warrant	Common Stock	15,414	110	98
Subtotal: Drug Discovery & Development (0.79%)*				**7,015**	**10,208**
Electronics & Computer Hardware					
908 Devices, Inc. [(4)(15)]	Warrant	Common Stock	49,078	101	1,215
Subtotal: Electronics & Computer Hardware (0.09%)*				**101**	**1,215**
Information Services					
InMobi Inc. [(10)]	Warrant	Common Stock	65,587	82	—
NetBase Solutions, Inc.	Warrant	Preferred Series 1	60,000	356	498
Planet Labs, Inc.	Warrant	Common Stock	357,752	615	273
Sapphire Digital, Inc. (p.k.a. MDX Medical, Inc.) [(15)]	Warrant	Common Stock	2,812,500	283	566
Subtotal: Information Services (0.10%)*				**1,336**	**1,337**
Internet Consumer & Business Services					
Aria Systems, Inc.	Warrant	Preferred Series G	231,535	73	—
Cloudpay, Inc. [(5)(10)]	Warrant	Preferred Series B	6,763	54	126
First Insight, Inc. [(15)]	Warrant	Preferred Series B	75,917	96	91
Houzz, Inc.	Warrant	Common Stock	529,661	20	150
Intent (p.k.a. Intent Media, Inc.)	Warrant	Common Stock	140,077	168	—
Interactions Corporation	Warrant	Preferred Series G-3	68,187	204	549
Just Fabulous, Inc.	Warrant	Preferred Series B	206,184	1,102	2,791

See notes to consolidated financial statements.

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2020
(dollars in thousands)

Portfolio Company	Type of Investment [1]	Series	Shares	Cost [3]	Value [4]
Lendio, Inc.	Warrant	Preferred Series D	127,032	$ 39	$ 32
LogicSource	Warrant	Preferred Series C	79,625	30	104
RumbleON, Inc. [4]	Warrant	Common Stock	5,139	87	32
SeatGeek, Inc.	Warrant	Common Stock	1,379,761	842	1,548
ShareThis, Inc.	Warrant	Preferred Series C	493,502	547	—
Skyword, Inc.	Warrant	Preferred Series B	444,444	83	78
Snagajob.com, Inc.	Warrant	Common Stock	600,000	16	53
	Warrant	Preferred Series A	1,800,000	782	58
	Warrant	Preferred Series B	1,211,537	62	27
Total Snagajob.com, Inc.			3,611,537	860	138
Tapjoy, Inc.	Warrant	Preferred Series D	748,670	316	16
The Faction Group LLC	Warrant	Preferred Series AA	8,076	234	736
Thumbtack, Inc.	Warrant	Common Stock	190,953	553	262
Xometry, Inc.	Warrant	Preferred Series B	87,784	47	527
Subtotal: Internet Consumer & Business Services (0.56%)*				**5,355**	**7,180**
Media/Content/Info					
WP Technology, Inc. (Wattpad, Inc.) [5][10]	Warrant	Common Stock	255,818	3	—
Zoom Media Group, Inc.	Warrant	Preferred Series A	1,204	348	—
Subtotal: Media/Content/Info (0.00%)*				**351**	**—**
Medical Devices & Equipment					
Aspire Bariatrics, Inc. [15]	Warrant	Preferred Series B-1	112,858	455	—
Flowonix Medical Incorporated	Warrant	Preferred Series AA	155,325	362	—
	Warrant	Preferred Series BB	725,806	351	—
Total Flowonix Medical Incorporated			881,131	713	—
Gelesis, Inc.	Warrant	Preferred Series A-1	74,784	78	156
InspireMD, Inc. [4][5][10]	Warrant	Common Stock	23	0	—
Intuity Medical, Inc. [15]	Warrant	Preferred Series B-1	3,076,323	294	394
Medrobotics Corporation [15]	Warrant	Preferred Series E	455,539	370	—
NinePoint Medical, Inc.	Warrant	Preferred Series A-1	587,840	170	—
Outset Medical, Inc. [4]	Warrant	Common Stock	62,794	402	1,982
Sebacia, Inc.	Warrant	Preferred Series D	778,301	133	—
SonaCare Medical, LLC	Warrant	Preferred Series A	6,464	188	—
Tela Bio, Inc. [4]	Warrant	Common Stock	15,712	61	9
Subtotal: Medical Devices & Equipment (0.20%)*				**2,864**	**2,541**
Semiconductors					
Achronix Semiconductor Corporation	Warrant	Preferred Series C	360,000	160	175
	Warrant	Preferred Series D-2	750,000	99	717
Total Achronix Semiconductor Corporation			1,110,000	259	892
Subtotal: Semiconductors (0.07%)*				**259**	**892**
Software					
Bitsight Technologies, Inc.	Warrant	Common Stock	29,691	208	208
CloudBolt Software Inc.	Warrant	Common Stock	158,506	91	132
Cloudian, Inc.	Warrant	Common Stock	477,454	72	29
Couchbase, Inc.	Warrant	Common Stock	263,377	462	1,023
Dashlane, Inc.	Warrant	Common Stock	346,747	303	297
Delphix Corp.	Warrant	Common Stock	718,898	1,594	1,857
DNAnexus, Inc.	Warrant	Preferred Series C	909,091	97	153
Evernote Corporation	Warrant	Common Stock	62,500	106	70

See notes to consolidated financial statements.

(dollars in thousands)

Portfolio Company	Type of Investment (1)	Series	Shares	Cost (3)	Value (4)
ExtraHop Networks, Inc.	Warrant	Common Stock	154,784	$ 191	$ 265
Fuze, Inc. (15)	Warrant	Preferred Series F	256,158	89	—
Lightbend, Inc. (15)	Warrant	Preferred Series C-1	854,787	130	169
Mixpanel, Inc.	Warrant	Common Stock	82,362	252	516
Nuvolo Technologies Corporation	Warrant	Common Stock	50,000	88	192
OneLogin, Inc. (15)	Warrant	Common Stock	381,620	305	610
Poplicus, Inc.	Warrant	Common Stock	132,168	—	—
Pymetrics, Inc.	Warrant	Common Stock	150,943	77	182
RapidMiner, Inc.	Warrant	Preferred Series C-1	4,982	24	46
Reltio, Inc.	Warrant	Common Stock	69,120	215	216
SignPost, Inc.	Warrant	Series Junior 1 Preferred	474,019	314	—
SingleStore, Inc. (p.k.a. memsql, Inc.)	Warrant	Preferred Series D	312,596	103	714
Tact.ai Technologies, Inc.	Warrant	Common Stock	1,041,667	206	204
Udacity, Inc.	Warrant	Common Stock	486,359	218	284
ZeroFox, Inc.	Warrant	Preferred Series C-1	648,350	100	363
Subtotal: Software (0.58%)*				**5,245**	**7,530**
Specialty Pharmaceuticals					
Alimera Sciences, Inc. (4)	Warrant	Common Stock	30,581	132	5
Subtotal: Specialty Pharmaceuticals (0.00%)*				**132**	**5**
Surgical Devices					
Gynesonics, Inc. (15)	Warrant	Preferred Series C	151,123	67	10
TransMedics Group, Inc. (p.k.a Transmedics, Inc.) (4)	Warrant	Common Stock	64,441	139	487
Subtotal: Surgical Devices (0.04%)*				**206**	**497**
Sustainable and Renewable Technology					
Agrivida, Inc.	Warrant	Preferred Series D	471,327	120	—
Fulcrum Bioenergy, Inc.	Warrant	Preferred Series C-1	280,897	274	744
Kinestral Technologies, Inc.	Warrant	Preferred Series A	325,000	155	261
	Warrant	Preferred Series B	131,883	63	91
Total Kinestral Technologies, Inc.			456,883	218	352
NantEnergy, Inc. (p.k.a. Fluidic, Inc.)	Warrant	Preferred Series D	61,804	102	—
Polyera Corporation (15)	Warrant	Preferred Series C	311,609	338	—
Proterra, Inc.	Warrant	Common Stock	36,630	1	14
	Warrant	Preferred Series 4	477,517	41	376
Total Proterra, Inc.			514,147	42	390
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) (6)	Warrant	Class A Units	1	—	—
Subtotal: Sustainable and Renewable Technology (0.12%)*				**1,094**	**1,486**
Total: Warrant Investments (2.68%)*				**$ 25,737**	**$ 34,622**
Total: Investments in Securities (182.22%)*				**$ 2,315,016**	**$ 2,353,736**
Investment Funds & Vehicles					
Forbion Growth Opportunities Fund I C.V. (5)(10)(17)	Investment Funds & Vehicles			342	342
Total: Investments in Investment Funds & Vehicles (0.03%)*				**$ 342**	**$ 342**
Total: Investments before Cash and Cash Equivalents (182.25%)*				**$ 2,315,358**	**$ 2,354,078**
Cash & Cash Equivalents					
GS Financial Square Government Fund	Cash & Cash Equivalents			96,000	96,000
Total: Investments in Cash & Cash Equivalents (7.43%)*				**$ 96,000**	**$ 96,000**
Total: Investments after Cash and Cash Equivalents (189.68%)*				**$ 2,411,358**	**$ 2,450,078**

See notes to consolidated financial statements.

* Value as a percent of net assets. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(2) Interest rate PRIME represents 3.25% as of December 31, 2020. 1-month LIBOR, 3-month LIBOR, and 6-month LIBOR represent, 0.14%, 0.24%, and 0.36%, respectively, as of December 31, 2020.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $166.2 million, $126.1 million, and $40.1 million, respectively. The tax cost of investments is $2.3 billion.

(4) Except for warrants in 27 publicly traded companies and common stock in 30 publicly traded companies, all investments are restricted as of December 31, 2020, and were valued at fair value using Level 3 significant unobservable inputs as determined in good faith by the Company's Board. No unrestricted securities of the same issuer are outstanding.

(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 as of December 31, 2020, and is therefore considered non-income producing. Note that only the PIK portion is on non-accrual for the Company's debt investments in Glo AB and 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 2027 Asset-Backed Notes or 2028 Asset-Backed Notes (as defined in "Note 5 — Debt").

(12) Denotes that all or a portion of the debt investment is pledged as collateral under the Wells Facility (as defined in "Note 5 — Debt").

(13) Denotes that all or a portion of the debt investment is pledged as collateral under the Union Bank Facility (as defined in "Note 5 — Debt").

(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 III, the Company's wholly owned small business investment company, or SBIC, subsidiary.

(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 net assets as of December 31, 2020.

(17) Denotes that there is an unfunded contractual commitment available at the request of this portfolio company as of December 31, 2020. Refer to "Note 11 — Commitments and Contingencies".

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Hercules Capital, Inc. (the “Company”) is a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed and institutional-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, Bethesda, MD, San Diego, CA, and London, United Kingdom. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a Business Development Company (“BDC”) under the 1940 Act. From incorporation through December 31, 2005, the Company was subject to tax as a corporation under Subchapter C of the Code of 1986. Effective January 1, 2006, the Company elected to be treated for tax purposes as a RIC under Subchapter M of the Code (see “Note 6 – Income Taxes”).

The Company does not currently use Commodity Futures Trading Commission (“CFTC”) derivatives however to the extent that it uses CFTC derivatives in the future, it intends to do so below prescribed levels and will not market itself as a “commodity pool” or a vehicle for trading such instruments. The Company has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act (“CEA”), pursuant to Rule 4.5 under the CEA. The Company is not, therefore, subject to registration or regulation as a “commodity pool operator” under the CEA.

Hercules Technology III, L.P. (“HT III”) and Hercules Capital IV, L.P. (“HC IV”) are our wholly owned Delaware limited partnerships that were formed in September 2009 and December 2010, respectively. HT III, and HC IV were licensed to operate as Small Business Investment Companies (“SBICs” or "SBIC") under the authority of the Small Business Administration (“SBA”) on May 26, 2010, and October 27, 2020, respectively. SBICs are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. During the year, the Company wound down HT III, and surrendered its SBA license for HT III on June 15, 2021. As such, HT III is no longer operating as an SBIC. HC IV continues to maintain its SBA license and operate as an SBIC. The Company 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 general partner of HC IV (see “Note 5 - Debt”).

The Company has also established certain wholly owned subsidiaries, all of which are structured as Delaware corporations or Limited Liability Companies (“LLCs”), to hold portfolio companies organized as LLCs (or other forms of pass-through entities). These subsidiaries are consolidated for financial reporting purposes and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). 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.

In May 2020, Hercules Adviser LLC (the “Adviser Subsidiary”) was formed as a wholly owned Delaware limited liability subsidiary of the Company to provide investment advisory and related services to investment vehicles (“Adviser Funds”) owned by one or more unrelated third-party investors (“External Parties”). The Adviser Subsidiary receives fee income for the services provided to the Adviser Funds. The Company was granted no-action relief by the staff of the Securities and Exchange Commission (“SEC”) to allow the Adviser Subsidiary to register as a registered investment adviser under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S GAAP and pursuant to Regulation S-X. The Company’s functional currency is U.S. dollars (“USD”) and these consolidated financial statements have been prepared in that currency.

As an investment company, the Company follows accounting and reporting guidance as set forth in Topic 946, Financial Services – Investment Companies (“ASC Topic 946”) of the FASB Accounting Standards Codification, as amended (“ASC”). As provided under Regulation S-X and ASC Topic 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 Adviser Subsidiary is not an investment company as defined in ASC Topic 946 and further, the Adviser Subsidiary provides investment advisory services exclusively to the Adviser Funds which are owned by External Parties. As such pursuant to ASC Topic 946, the Adviser Subsidiary is accounted for as a portfolio investment of the Company held at fair value and is not consolidated.

Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income, expenses, gains and losses during the reported periods. Changes in the economic and regulatory environment, financial markets, the credit worthiness of our portfolio companies, the continued development and impact of the global outbreak of the COVID-19, and any other parameters used in determining these estimates and assumptions could cause actual results to differ from these estimates and assumptions.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company, its consolidated subsidiaries, and all Variable Interest Entities ("VIE") 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 December 31, 2021, the Company held no interests in a VIE.

Fair Value Measurements

The Company follows guidance in ASC Topic 820, Fair Value Measurement ("ASC Topic 820"), where fair value is defined 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. ASC Topic 820 establishes a framework for measuring the fair value of assets and liabilities and outlines a three-tier hierarchy which maximizes the use of observable market data input and minimizes the use of unobservable inputs to establish a classification of fair value measurements. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities. 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.

The Company categorizes 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.

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.

As of December 31, 2021, approximately 93.6% of the Company's total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board. 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. 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. The Company's debt securities are primarily invested in venture capital-backed and institutional-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 generally 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 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 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.

In accordance with procedures established by its Board, the Company values investments on a quarterly basis following a multistep valuation process. Investments purchased within the preceding two calendar quarters before the valuation date and debt investments with remaining maturities within 12 months or less may each be valued at cost with interest accrued or discount accreted/premium amortized to the date of maturity, unless such valuation, in the judgment of the Company, does not represent fair value. In this case such investments shall be valued at fair value as determined in good faith by or under the direction of the Board. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board.

As part of the overall process, the Company engages one or more independent valuation firm(s) to provide management with assistance in determining the fair value of selected portfolio investments each quarter. In selecting which portfolio investments to engage an independent valuation firm, the Company considers 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 scope of services rendered by the independent valuation firm is at the discretion of the Board, and the Company may engage an independent valuation firm to value all or some of our portfolio investments. The Board is ultimately, and solely, responsible for determining the fair value of the Company's investments in good faith. In determining the fair value of a portfolio investment in good faith, the Company recognizes these determinations are made using the best available information that is knowable or reasonably knowable. In addition, changes in the market environment, portfolio company performance and other events that may occur over the duration of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. The Company determines the fair value of each individual investment and records changes in fair value as unrealized appreciation or depreciation.

The Company's quarterly multi-step valuation process each quarter, which the Board has approved, is 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 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(s) as applicable; and

(4) The Board, 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.

Debt Investments

The Company’s debt securities are primarily invested in venture capital-backed and institutional-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 generally is no known or accessible market or market indexes for debt instruments for these investment securities to be traded or exchanged. The Company may, from time to time, invest in public debt of companies that meet the Company’s investment objectives, and to the extent market quotations or other pricing indicators (i.e. broker quotes) are available, these investments are considered Level 1 or 2 assets in line with ASC Topic 820.

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 assumes the sale of each debt security 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 calibrate 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 and assess market-based movements for reasonableness. As part of determining the fair value, 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 debt securities that are traded on a public exchange at the prevailing market price as of the valuation date. For syndicated debt investments, for which sufficient market data is available and liquidity, the Company values debt securities 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 securities from the borrower. The Company determines the cost basis of the warrants or other equity 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 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.

Equity 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.

At each reporting date, privately held warrant and equity securities are valued based on an analysis of various factors including, but not limited to, the portfolio company's operating performance and financial condition, 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 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. Absent a qualifying external event, the Company estimates the fair value of warrants using a Black Scholes OPM. For certain privately held equity securities, the income approach is used, in which the Company converts future amounts (for example, cash flows or earnings) to a net present value. The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that the Company may take into account include, as relevant: applicable market yields and multiples, the portfolio company's capital structure, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, and enterprise value among other factors.

Investment Funds & Vehicles

The Company applies the practical expedient provided by the ASC Topic 820 relating to investments in certain entities that calculate net asset value ("NAV") per share (or its equivalent). ASC Topic 820 permits an entity holding investments in certain entities that either are investment companies, or have attributes similar to an investment company, and calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. Investments which are valued using NAV per share as a practical expedient are not categorized within the fair value hierarchy as per ASC Topic 820.

Cash, Cash Equivalents, and Restricted Cash

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. As of December 31, 2021, the Company held $95 thousand (Cost basis $93 thousand) of foreign cash. No foreign cash was held as of December 31, 2020. Restricted cash includes amounts that are held as collateral securing certain of the Company's financing transactions.

Other Assets

Other assets generally consist of prepaid expenses, debt issuance costs on our Credit Facilities net of accumulated amortization, fixed assets net of accumulated depreciation, deferred revenues and deposits and other assets, including escrow receivables.

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 both December 31, 2021 and December 31, 2020, there were no material past due escrow receivables. The approximate fair value in accordance with ASC Topic 820 of the escrow receivable balance as of December 31, 2021 and December 31, 2020 was approximately $0.6 million and $65 thousand, respectively.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, and operating lease liability obligations in our Consolidated Statements of Assets and Liabilities. The Company recognizes a ROU asset and an operating lease liability for all leases, with the exception of short-term leases which have a term of 12 months or less. ROU assets represent the right to use an underlying asset for the lease term and operating lease liability obligations represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. The Company has lease agreements with lease and non-lease components and has separated these components when determining the ROU assets and the related lease liabilities. As most of the Company's leases do not provide an implicit rate, the Company estimated its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives and lease direct costs. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. See "Note 11 – Commitments and Contingencies".

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. Debt investments are placed on non-accrual status when it is probable that principal, interest or fees will not be collected according to contractual terms. When a debt investment is placed on non-accrual status, the Company ceases to recognize interest and fee income until the portfolio company has paid all principal and interest due or demonstrated the ability to repay its current and future contractual obligations to the Company. The Company may not apply the non-accrual status to a loan where the investment has sufficient collateral value to collect all of the contractual amount due and is in the process of collection. Interest collected on non-accrual investments are generally applied to principal.

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 the Company to portfolio companies and other third parties. Loan commitment and facility 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 $42.9 million of unamortized fees as of December 31, 2021, of which approximately $36.5 million was included as an offset to the cost basis of its current debt investments and approximately $6.4 million was deferred contingent upon the occurrence of a funding or milestone. As of December 31, 2020, the Company had approximately $39.2 million of unamortized fees, of which approximately $32.2 million was included as an offset to the cost basis of the Company's current debt investments and approximately $7.0 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 $8.5 million and $8.3 million in one-time fee income during the years ended December 31, 2021 and December 31, 2020, 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. As of December 31, 2021, the Company had approximately $35.0 million in exit fees receivable, of which approximately $29.6 million was included as a component of the cost basis of its current debt investments and approximately $5.4 million was a deferred receivable related to expired commitments. As of December 31, 2020, the Company had approximately $40.9 million in exit fees receivable, of which approximately $37.6 million was included as a component of the cost basis of its current debt investments and approximately $3.3 million was a deferred receivable 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 $11.2 million and $9.0 million in PIK income in the years ended December 31, 2021 and 2020, respectively.

To maintain the Company's RIC status for taxation purposes, 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 years ended December 31, 2021 and December 31, 2020.

Equity Offering Expenses

The Company's offering expenses are charged against the proceeds from equity offerings when received as a reduction of capital upon completion of an offering of registered securities.

Debt

The debt of the Company is carried at amortized cost which is comprised of the principal amount borrowed net of any unamortized discount and debt issuance costs. Discounts and issuance costs are accreted to interest expense and loan fees, respectively, using the straight-line method, which closely approximates the effective yield method, over the remaining life of the underlying debt obligations (see "Note 5 - Debt"). Accrued but unpaid interest is included within Accounts payable and accrued liabilities on the Consolidated Statements of Assets and Liabilities. In the event that the debt is extinguished, either partially or in full, before maturity, the Company recognizes the gain or loss in the Consolidated Statement of Operations within net realized gains (losses) as a "Loss on debt extinguishment".

Debt Issuance Costs

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 Statements of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements.

Stock-Based Compensation

The Company has issued and may, from time to time, issue stock options, restricted stock, and other stock based compensation awards to employees and directors. Management follows the guidance set forth under ASC Topic 718, to account for stock-based compensation awards 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. This includes certain assumptions such as stock price volatility, forfeiture rate, expected outcome probability, and expected option life, as applicable to each award. In accordance with ASC Topic 480, certain stock awards are classified as a liability. The compensation expense associated with these awards is recognized in the same manner as all other stock-based compensation. The award liability is recorded as deferred compensation and included in Accounts payable and accrued liabilities.

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 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.

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 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 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 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.

We account for income taxes in accordance with the provisions of ASC Topic 740 Income Taxes, under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. We intend to timely distribute to our stockholders substantially all of our annual taxable income for each year, except that we may retain certain net capital gains for reinvestment and, depending upon the level of taxable income earned in a year, we may choose to carry forward taxable income for distribution in the following year and pay any applicable U.S. federal excise tax.

The Company intends to timely distribute to its stockholders substantially all of its annual taxable income for each year, except that it may retain certain net capital gains for reinvestment and, depending upon the level of taxable income earned in a year, the Company may choose to carry forward taxable income for distribution in the following year and pay any applicable U.S. federal excise tax.

Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment income and net realized securities gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. Permanent differences may also result from the change in the classification of certain items, such as the treatment of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Also, tax legislation requires that income be recognized for tax purposes no later than when recognized for financial reporting purposes, with certain exceptions.

Earnings Per Share ("EPS")

Basic EPS is calculated by dividing net earnings applicable to common stockholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and restricted stock for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable pursuant to stock options and to restricted stock for which future service is required as a condition to the delivery of the underlying common stock. In accordance with ASC 260-10-45-60A, the Company uses the two-class method in the computation of basic EPS and diluted EPS, if applicable.

Comprehensive Income

The Company reports all changes in comprehensive income in the Consolidated Statements of Operations. The Company did not have other comprehensive income in 2021, 2020, or 2019. The Company's comprehensive income is equal to its net increase in net assets resulting from operations.

Distributions

Distributions to common stockholders are approved by the Board on a quarterly basis and the distribution payable is recorded on the ex-dividend date. The Company maintains an "opt out" dividend reinvestment plan that provides for reinvestment of the Company's distribution on behalf of the Company's stockholders, unless a stockholder elects to receive cash. As a result, if the Company declares a distribution, cash distributions will be automatically reinvested in additional shares of its common stock unless the stockholder specifically "opts out" of the dividend reinvestment plan and chooses to receive cash distributions. During 2021, 2020, and 2019, the Company issued 248,041, 280,690, and 180,135 shares, respectively, of common stock to stockholders in connection with the dividend reinvestment plan.

Segments

The Company lends to and invests in portfolio companies in various technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single reportable segment.

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. Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of December 31, 2021 and December 31, 2020.

(in thousands) Description	Balance as of December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets				
Escrow Receivables	$ 561	$ —	$ —	$ 561
Investments				
Senior Secured Debt	$ 2,156,709	$ —	$ —	$ 2,156,709
Unsecured Debt	52,890	—	—	52,890
Preferred Stock	69,439	—	—	69,439
Common Stock	115,271	84,460	8,843	21,968
Warrants	38,399	—	10,922	27,477
	$ 2,432,708	$ 84,460	$ 19,765	$ 2,328,483
Investment Funds & Vehicles measured at Net Asset Value (2)	1,814			
Total Investments before cash and cash equivalents	$ 2,434,522			
Total Investments after cash and cash equivalents	$ 2,434,522			

(in thousands) Description	Balance as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents				
Money Market Fund (1)	$ 96,000	$ 96,000	$ —	$ —
Other assets				
Escrow Receivables	$ 65	$ —	$ —	$ 65
Investments				
Senior Secured Debt	$ 2,079,465	$ —	$ —	$ 2,079,465
Unsecured Debt	14,970	—	—	14,970
Preferred Stock	58,981	—	—	58,981
Common Stock	165,698	138,300	—	27,398
Warrants	34,622	—	13,139	21,483
	$ 2,353,736	$ 138,300	$ 13,139	$ 2,202,297
Investment Funds & Vehicles measured at Net Asset Value (2)	342			
Total Investments before cash and cash equivalents	$ 2,354,078			
Total Investments after cash and cash equivalents	$ 2,450,078			

(1) This investment is included in Cash and cash equivalents in the accompanying Consolidated Statement of Assets and Liabilities.

(2) In accordance with U.S. GAAP, certain investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient and are not categorized within the fair value hierarchy as per ASC 820. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying Consolidated Statement of Assets and Liabilities.

The table below presents a reconciliation of changes for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the years ended December 31, 2021 and December 31, 2020.

(in thousands)	Balance as of January 1, 2021	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 as of December 31, 2021
Investments									
Senior Secured Debt	$ 2,079,465	$ (3,744)	$ (2,834)	$ 1,294,669	$ —	$ (1,208,548)	$ —	$ (2,299)	$ 2,156,709
Unsecured Debt	14,970	—	(1,655)	39,575	—	—	—	—	52,890
Preferred Stock	58,981	158	53,284	21,180	(62,897)	—	—	(1,267)	69,439
Common Stock	27,398	(60,904)	15,663	4,371	60,900	—	—	(25,460)	21,968
Warrants	21,483	7,091	6,961	4,050	(10,339)	—	—	(1,769)	27,477
Other Assets									
Escrow Receivable	65	585	(1,540)	2,494	(1,043)	—	—	—	561
Total	$ 2,202,362	$ (56,814)	$ 69,879	$ 1,366,339	$ (13,379)	$ (1,208,548)	$ —	$ (30,795)	$ 2,329,044

(in thousands)	Balance as of January 1, 2020	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 as of December 31, 2020
Investments									
Senior Secured Debt	$ 2,133,812	$ (53,642)	$ 16,426	$ 781,341	$ —	$ (793,705)	$ —	$ (4,767)	$ 2,079,465
Unsecured Debt	14,780	(408)	132	466	—	—	—	—	14,970
Preferred Stock	69,717	(13,286)	11,124	5,648	(40)	—	—	(14,182)	58,981
Common Stock	33,547	1,240	9,587	—	(1,240)	—	4,767	(20,503)	27,398
Warrants	13,722	(5,917)	13,603	3,659	(2,603)	—	—	(981)	21,483
Other Assets									
Escrow Receivable	955	194	—	1,440	(2,524)	—	—	—	65
Total	$ 2,266,533	$ (71,819)	$ 50,872	$ 792,554	$ (6,407)	$ (793,705)	$ 4,767	$ (40,433)	$ 2,202,362

(1) Included in net realized gains (losses) in the accompanying Consolidated Statements of Operations.

(2) Included in net change in unrealized appreciation (depreciation) in the accompanying Consolidated Statements of Operations.

(3) Transfers out of Level 3 during the year ended December 31, 2021 relate to the initial public offerings of Proterra, Inc., 23andMe, Inc., Sprinklr, Inc., Century Therapeutics, Couchbase, Inc., Xometry, Inc., and Nextdoor.com, Inc. and the conversion of Level 3 debt investments into common stock investments. There were no transfers into Level 3 during the year ended December 31, 2021 related to the conversion of Level 3 debt investments into equity investments and other assets.

(4) Transfers out of Level 3 during the year ended December 31, 2020 relate to the initial public offerings of Palantir Technologies, Outset Medical, Doordash, Inc., 908 Devices, Inc. and Yumanity Therapeutics, Inc., the acquisition of Postmates, Inc. by Uber, Inc., and the conversion of Level 3 debt investments into Level 3 common stock investments. Transfers into Level 3 during the year ended December 31, 2020 related to the conversion of Level 3 debt investments into Level 3 common stock investments.

(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. Amounts are net of purchases assigned to the Adviser Funds.

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

For the year ended December 31, 2021, approximately $8.7 million net unrealized depreciation and $15.7 million net unrealized appreciation relating to assets still held at the reporting date was recorded for preferred stock and common stock Level 3 investments, respectively. For the same period, approximately $5.0 million and $6.1 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, 2020, approximately $6.8 million and $9.6 million in net unrealized appreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately $6.7 million and $6.2 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

The following tables provide quantitative information about the Company's Level 3 fair value measurements as of December 31, 2021 and December 31, 2020. 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. 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 – Summary of Significant Accounting Policies". 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 3 Debt Investments	Fair Value as of December 31, 2021 (in thousands)	Valuation Techniques/Methodologies	Unobservable Input (1)	Range	Weighted Average (2)
Pharmaceuticals	$ 206,461	Originated Within 4-6 Months	Origination Yield	11.23% - 12.84%	11.40%
	451,587	Market Comparable Companies	Hypothetical Market Yield	9.69% - 13.89%	11.34%
			Premium/(Discount)	(0.50%) - 0.75%	0.06%
Technology	109,904	Originated Within 4-6 Months	Origination Yield	11.12% - 11.68%	11.39%
	654,320	Market Comparable Companies	Hypothetical Market Yield	8.98% - 14.54%	11.64%
			Premium/(Discount)	(0.50%) - 0.75%	0.12%
	2,608	Liquidation (3)	Probability weighting of alternative outcomes	20.00% - 50.00%	40.48%
	20,425	Convertible Note Analysis	Probability weighting of alternative outcomes	1.00% - 35.00%	32.95%
Sustainable and Renewable Technology	247	Convertible Note Analysis	Probability weighting of alternative outcomes	40.00% - 60.00%	51.84%
	7,500	Expected Realizable Value (4)	Probability weighting of alternative outcomes	100% - 100%	100.00%
Lower Middle Market	3,100	Originated Within 4-6 Months	Origination Yield	5.17% - 5.17%	5.17%
	81,566	Market Comparable Companies	Hypothetical Market Yield	12.23% - 16.01%	13.22%
			Premium/(Discount)	0.00% - 1.50%	0.43%
	90,504	Expected Realizable Value (4)	Probability weighting of alternative outcomes	30.00% - 70.00%	57.74%
			Hypothetical Market Yield	10.64% - 10.64%	10.64%
			Premium/(Discount)	(1.00%) - (1.00%)	(1.00%)
	8,269	Liquidation (3)	Probability weighting of alternative outcomes	20.00% - 80.00%	80.00%
		Debt Investments Where Fair Value Approximates Cost			
	441,524	Debt Investments originated within 3 months			
	131,584	Debt Investments Maturing in Less than One Year			
	$ 2,209,599	**Total Level 3 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 "Drug Discovery & Development" and "Healthcare Services, Other" industries.
- Technology, above, is comprised of debt investments in the "Communications & Networking", "Information Services", "Internet Consumer & Business Services", "Media/Content/Info" and "Software" industries.
- 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.

(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) Expected realizable value 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 3 Debt Investments	Fair Value as of December 31, 2020 (in thousands)	Valuation Techniques/Methodologies	Unobservable Input [(1)]	Range	Weighted Average [(2)]
Pharmaceuticals	$ 130,068	Originated Within 4-6 Months	Origination Yield	10.94% - 13.56%	11.84%
	574,149	Market Comparable Companies	Hypothetical Market Yield	8.43% - 14.66%	10.87%
			Premium/(Discount)	(0.50%) - 1.50%	
Technology	114,136	Originated Within 4-6 Months	Origination Yield	11.49% - 13.78%	12.05%
	867,892	Market Comparable Companies	Hypothetical Market Yield	7.61% - 17.71%	11.67%
			Premium/(Discount)	(0.25%) - 2.50%	
	18,126	Liquidation [(3)]	Probability weighting of alternative outcomes	10.00% - 75.00%	
Sustainable and Renewable Technology	15,775	Market Comparable Companies	Hypothetical Market Yield	9.61% - 10.04%	9.72%
			Premium/(Discount)	0.00%	
	7,500	Liquidation [(3)]	Probability weighting of alternative outcomes	0.00% - 100.00%	
Medical Devices	41,242	Market Comparable Companies	Hypothetical Market Yield	9.52% - 9.52%	9.52%
			Premium/(Discount)	(0.25%)	
	—	Liquidation [(3)]	Probability weighting of alternative outcomes	0.00%	
Lower Middle Market	106,877	Market Comparable Companies	Hypothetical Market Yield	10.26% - 15.86%	11.81%
			Premium/(Discount)	(1.00%) - 1.00%	
	8,600	Liquidation [(3)]	Probability weighting of alternative outcomes	20.00% - 80.00%	
		Debt Investments Where Fair Value Approximates Cost			
	78,016	Debt Investments originated within 3 months			
	38,148	Imminent Payoffs [(4)]			
	93,906	Debt Investments Maturing in Less than One Year			
	$ 2,094,435	**Total Level 3 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 "Drug Discovery & Development" and "Healthcare Services, Other" industries.
- Technology, above, is comprised of debt investments in the "Communications & Networking", "Information Services", "Internet Consumer & Business Services", "Media/Content/Info" and "Software" industries.
- 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.
- Medical Devices, above, is comprised of debt investments in the "Drug Delivery", and "Medical Devices & Equipment" industries.
- 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.

(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 3 Equity and Warrant Investments		Fair Value as of December 31, 2021 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input [(1)]	Range	Weighted Average [(5)]
Equity Investments	$	26,587	Market Comparable Companies	EBITDA Multiple [(2)]	20.6x - 20.6x	20.6x
				Revenue Multiple [(2)]	1.0x - 18.4x	11.8x
				Tangible Book Value Multiple [(2)]	2.5x - 2.5x	2.5x
				Discount for Lack of Marketability [(3)]	18.81% - 34.69%	25.53%
		24,910	Market Adjusted OPM Backsolve	Market Equity Adjustment [(4)]	(88.67%) - 47.22%	0.81%
		11,990	Discounted Cash Flow	Discount Rate [(7)]	15.93% - 25.30%	20.46%
		—	Liquidation	Revenue Multiple [(2)]	2.1x - 2.1x	2.1x
				Discount for Lack of Marketability [(3)]	84.00% - 84.00%	84.00%
		27,920	Other [(6)]			
Warrant Investments		14,517	Market Comparable Companies	EBITDA Multiple [(2)]	20.6x - 26.0x	20.7x
				Revenue Multiple [(2)]	0.6x - 9.5x	4.5x
				Discount for Lack of Marketability [(3)]	18.81% - 37.35%	26.93%
		11,914	Market Adjusted OPM Backsolve	Market Equity Adjustment [(4)]	(88.67%) - 47.22%	(7.76%)
		1,046	Other[(6)]			
Total Level 3 Warrant and Equity Investments	$	118,884				

(1) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity securities are revenue and/or earnings multiples (e.g. EBITDA, EBT, ARR), market equity adjustment factors, and discounts for lack of marketability. 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 changes in industry valuations since the portfolio company's last external valuation event.

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

(6) The fair market value of these investments is derived based on recent market transactions.

(7) The discount rate used is based on current portfolio yield adjusted for uncertainty of actual performance and timing in capital deployments.

Investment Type - Level 3 Equity and Warrant Investments		Fair Value as of December 31, 2020 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input [(1)]	Range	Weighted Average [(6)]
Level 3 Equity Investments	$	46,669	Market Comparable Companies	EBITDA Multiple [(2)]	5.0x - 9.8x	7.5x
				Revenue Multiple [(2)]	2.0x - 19.5x	4.5x
				Tangible Book Value Multiple [(2)]	4.1x	4.1x
				Discount for Lack of Marketability [(3)]	22.59% - 27.53%	24.56%
		12,666	Market Adjusted OPM Backsolve	Market Equity Adjustment [(5)]	(79.34%) - 53.87%	(12.70%)
		—	Liquidation	Revenue Multiple [(2)]	1.4x - 1.4x	1.4x
				Discount for Lack of Marketability [(3)]	75%	75%
		27,044	Other [(7)]			
Level 3 Warrant Investments		10,284	Market Comparable Companies	EBITDA Multiple [(2)]	4.1x - 19.2x	16.4x
				Revenue Multiple [(2)]	0.6x - 10.7x	6.0x
				Discount for Lack of Marketability [(3)]	21.56% - 34.61%	28.02%
		11,199	Market Adjusted OPM Backsolve	Market Equity Adjustment [(5)]	(45.5%) - 57.42%	(12.27%)
Total Level 3 Warrant and Equity Investments	$	107,862				

(1) The significant unobservable inputs used in the fair value measurement of the Company’s warrant and equity securities are revenue and/or earnings multiples (e.g. EBITDA, EBT, ARR), market equity adjustment factors, and discounts for lack of marketability. 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 market transactions.

The Company believes that the carrying amounts of its financial instruments, other than investments and debt, which consist 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 debt obligations of the Company is recorded at amortized cost and not at fair value on the Consolidated Statements of Assets and Liabilities. The fair value of the Company’s outstanding debt obligations are based on observable market trading prices or quotations and unobservable market rates as applicable for each instrument.

Based on market quotations on or around December 31, 2021, the 2022 Notes and 2022 Convertible Notes were quoted for 1.019 and 1.026 per dollar at par value, respectively. As of December 31, 2021, the 2033 Notes were trading on the NYSE for $26.67 per unit at par value. The par value at underwriting for the 2033 Notes was $25.00 per unit. The fair values of the SBA debentures, July 2024 Notes, February 2025 Notes, June 2025 Notes, March 2026 A Notes, March 2026 B Notes, and September 2026 Notes are 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 values of the outstanding borrowings under the Union Bank Facility and SMBC Facility are equal to their outstanding principal balances as of December 31, 2021.

The following tables provide additional information about the approximate fair value and level in the fair value hierarchy of the Company's outstanding borrowings as of December 31, 2021 and December 31, 2020:

	December 31, 2021				
(in thousands) Description	**Carrying Value**	**Approximate Fair Value**	**Identical Assets (Level 1)**	**Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
SBA Debentures	$ 145,498	$ 151,471	$ —	$ —	$ 151,471
2022 Notes	149,563	152,906	—	152,906	—
July 2024 Notes	104,238	110,496	—	—	110,496
February 2025 Notes	49,637	51,983	—	—	51,983
June 2025 Notes	69,433	72,031	—	—	72,031
March 2026 A Notes	49,605	52,646	—	—	52,646
March 2026 B Notes	49,570	52,751	—	—	52,751
September 2026 Notes	320,376	315,495	—	—	315,495
2033 Notes	38,718	42,672	—	42,672	—
2022 Convertible Notes	229,740	236,049	—	236,049	—
Union Bank Facility	—	—	—	—	—
SMBC Facility	29,925	29,925	—	—	29,925
Total	$ 1,236,303	$ 1,268,425	$ —	$ 431,627	$ 836,798

	December 31, 2020				
(in thousands) Description	**Carrying Value**	**Approximate Fair Value**	**Identical Assets (Level 1)**	**Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
SBA Debentures	$ 98,716	$ 102,815	$ —	$ —	$ 102,815
2022 Notes	149,039	152,490	—	152,490	—
April 2025 Notes	73,351	76,500	—	76,500	—
July 2024 Notes	103,942	106,061	—	—	106,061
February 2025 Notes	49,522	49,664	—	—	49,664
June 2025 Notes	69,272	69,592	—	—	69,592
March 2026 A Notes	49,550	50,092	—	—	50,092
2027 Asset-Backed Notes	178,812	181,087	—	181,087	—
2028 Asset-Backed Notes	247,647	250,469	—	250,469	—
2033 Notes	38,610	42,880	—	42,880	—
2022 Convertible Notes	228,177	236,164	—	236,164	—
Wells Facility	—	—	—	—	—
Union Bank Facility	—	—	—	—	—
Total	$ 1,286,638	$ 1,317,814	$ —	$ 939,590	$ 378,224

4. Investments

Control and Affiliate Investments

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. For purposes of determining the classification of its investments, the Company has included consideration of any voting securities or board appointment rights held by the Adviser Funds.

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 years ended December 31, 2021, 2020, and 2019.

(in thousands)			For the Year Ended December 31, 2021			
Portfolio Company	Type	Fair Value as of December 31, 2021	Interest Income	Fee Income	Net Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)
Control Investments						
Coronado Aesthetics, LLC	Control	$ 565	$ —	$ —	$ 315	$ —
Gibraltar Business Capital, LLC	Control	43,830	3,178	54	(14,616)	—
Hercules Adviser LLC	Control	20,840	141	—	11,955	—
Tectura Corporation	Control	8,269	690	5	(331)	—
Total Control Investments		$ 73,504	$ 4,009	$ 59	$ (2,677)	$ —
Affiliate Investments						
Black Crow AI, Inc.	Affiliate	$ 1,120	$ —	$ —	$ 1,905	$ —
Pineapple Energy LLC	Affiliate	8,338	10	—	(282)	—
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	—	—	—	62,183	(62,143)
Total Affiliate Investments		$ 9,458	$ 10	$ —	$ 63,806	$ (62,143)
Total Control & Affiliate Investments		$ 82,962	$ 4,019	$ 59	$ 61,129	$ (62,143)

(in thousands)			For the Year Ended December 31, 2020			
Portfolio Company	Type	Fair Value as of December 31, 2020	Interest Income	Fee Income	Net Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)
Control Investments						
Gibraltar Business Capital, LLC	Control	$ 48,800	$ 2,249	$ 21	$ (1,419)	$ —
Tectura Corporation	Control	8,600	608	—	(852)	—
Total Control Investments		$ 57,400	$ 2,857	$ 21	$ (2,271)	$ —
Affiliate Investments						
Optiscan BioMedical, Corp.	Affiliate	$ —	$ 13	$ —	$ 4,532	$ (14,146)
Pineapple Energy LLC	Affiliate	8,340	—	—	(3,927)	—
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	—	520	—	(346)	(3)
Total Affiliate Investments		$ 8,340	$ 533	$ —	$ 259	$ (14,149)
Total Control & Affiliate Investments		$ 65,740	$ 3,390	$ 21	$ (2,012)	$ (14,149)

(in thousands)			For the Year Ended December 31, 2019			
Portfolio Company	Type	Fair Value at December 31, 2019	Interest Income	Fee Income	Net Change in Unrealized Appreciation/ (Depreciation)	Realized Gain/(Loss)
Control Investments						
Gibraltar Business Capital, LLC	Control	$ 50,160	$ 2,238	$ 18	$ 10,619	$ —
Tectura Corporation	Control	9,586	1,776	—	(9,024)	—
Total Control Investments		$ 59,746	$ 4,014	$ 18	$ 1,595	$ —
Affiliate Investments						
Optiscan BioMedical, Corp.	Affiliate	$ 9,193	$ —	$ —	$ 585	$ —
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	12,615	2,008	186	(3,451)	—
Total Affiliate Investments		$ 21,808	$ 2,008	$ 186	$ (2,866)	$ —
Total Control & Affiliate Investments		$ 81,554	$ 6,022	$ 204	$ (1,271)	$ —

Portfolio Composition

The following table shows the fair value of the Company's portfolio of investments by asset class as of December 31, 2021 and December 31, 2020:

	December 31, 2021		December 31, 2020	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt	$ 2,156,709	88.6 %	$ 2,079,465	88.4 %
Unsecured Debt	52,890	2.2 %	14,970	0.6 %
Preferred Stock	69,439	2.8 %	58,981	2.5 %
Common Stock	115,271	4.7 %	165,698	7.0 %
Warrants	38,399	1.6 %	34,622	1.5 %
Investment Funds & Vehicles	1,814	0.1 %	342	0.0 %
Total	$ 2,434,522	100.0 %	$ 2,354,078	100.0 %

A summary of the Company's investment portfolio, at value, by geographic location as of December 31, 2021 and December 31, 2020 is shown as follows:

(in thousands)	December 31, 2021 Investments at Fair Value	December 31, 2021 Percentage of Total Portfolio	December 31, 2020 Investments at Fair Value	December 31, 2020 Percentage of Total Portfolio
United States	$ 2,138,184	87.8 %	$ 2,227,341	94.6 %
United Kingdom	169,407	7.0 %	29,533	1.3 %
Netherlands	82,925	3.4 %	37,812	1.6 %
Canada	27,673	1.1 %	—	0.0 %
Israel	8,980	0.4 %	—	0.0 %
Ireland	5,459	0.2 %	5,251	0.2 %
Germany	1,894	0.1 %	1,055	0.0 %
Australia	—	0.0 %	53,086	2.3 %
Total	$ 2,434,522	100.0 %	$ 2,354,078	100.0 %

The following table shows the fair value of the Company's portfolio by industry sector at December 31, 2021 and December 31, 2020:

(in thousands)	December 31, 2021 Investments at Fair Value	December 31, 2021 Percentage of Total Portfolio	December 31, 2020 Investments at Fair Value	December 31, 2020 Percentage of Total Portfolio
Drug Discovery & Development	$ 967,383	39.7 %	$ 757,163	32.2 %
Software	585,622	24.1 %	780,045	33.1 %
Internet Consumer & Business Services	395,506	16.3 %	514,538	21.9 %
Healthcare Services, Other	121,003	5.0 %	27,519	1.2 %
Communications & Networking	105,490	4.3 %	10,763	0.4 %
Information Services	74,417	3.1 %	54,510	2.3 %
Diversified Financial Services	65,073	2.7 %	48,800	2.1 %
Sustainable and Renewable Technology	39,387	1.6 %	55,244	2.4 %
Consumer & Business Products	28,099	1.2 %	1,895	0.1 %
Semiconductors	22,498	0.9 %	892	0.0 %
Manufacturing Technology	14,995	0.6 %	—	0.0 %
Medical Devices & Equipment	12,612	0.5 %	26,464	1.1 %
Electronics & Computer Hardware	1,040	0.0 %	3,360	0.1 %
Surgical Devices	1,029	0.0 %	4,581	0.2 %
Drug Delivery	368	0.0 %	46,744	2.0 %
Media/Content/Info	—	0.0 %	21,555	0.9 %
Specialty Pharmaceuticals	—	0.0 %	5	0.0 %
Total	$ 2,434,522	100.0 %	$ 2,354,078	100.0 %

No single portfolio investment represents more than 10% of the fair value of the Company's total investments as of December 31, 2021 or December 31, 2020.

Unconsolidated Subsidiaries

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X ("Rule 3-09" and "Rule 4-08(g)," respectively), the Company must determine if its unconsolidated subsidiaries are considered "significant subsidiaries." As of December 31, 2021 and December 31, 2020, there were no unconsolidated subsidiaries that were considered "significant subsidiaries".

Concentrations of Credit Risk

The Company's customers are primarily privately held companies and public companies which are active in the "Drug Discovery & Development", "Software", "Internet Consumer & Business Services", "Healthcare Services, Other", and "Communications & Networking" 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.

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

For the years ended December 31, 2021 and December 31, 2020, the Company's ten largest portfolio companies represented approximately 30.5% and 27.9% of the total fair value of the Company's investments in portfolio companies, respectively. As of December 31, 2021 and December 31, 2020, the Company had six and three portfolio companies, respectively, that represented 5% or more of the Company's net assets. As of December 31, 2021, the Company had six equity investments representing approximately 49.6% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of the Company's equity investments. As of December 31, 2020, the Company had four equity investments which represented approximately 63.7% of the total fair value of the Company's equity investments, and each represented 5% or more of the total fair value of such investments.

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. As of December 31, 2021, approximately 77.0% of the Company's debt investments at fair value were in a senior secured first lien position, with 37.5% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, 31.6% 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, and 7.9% of the Company's debt investments at fair value 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 20.6% of the Company's debt investments at fair value were secured by a second priority security interest in the portfolio company's assets, and 2.4% were unsecured.

As of December 31, 2020, approximately 84.2% of the Company's debt investments at fair value were in a senior secured first lien position, with 43.5% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, 31.0% 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, 0.6% of the Company's debt investments at fair value were senior secured by the equipment of the portfolio company, and 9.1% of the Company's debt investments at fair value 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 15.1% of the Company's debt investments at fair value were secured by a second priority security interest in the portfolio company's assets, and 0.7% were unsecured.

5. Debt

As of December 31, 2021 and December 31, 2020, the Company had the following available and outstanding debt:

(in thousands)	December 31, 2021			December 31, 2020		
	Total Available	Principal	Carrying Value (1)	Total Available	Principal	Carrying Value (1)
SBA Debentures (2)	$ 175,000	$ 150,500	$ 145,498	$ 99,000	$ 99,000	$ 98,716
2022 Notes	150,000	150,000	149,563	150,000	150,000	149,039
July 2024 Notes	105,000	105,000	104,238	105,000	105,000	103,942
February 2025 Notes	50,000	50,000	49,637	50,000	50,000	49,522
April 2025 Notes	—	—	—	75,000	75,000	73,351
June 2025 Notes	70,000	70,000	69,433	70,000	70,000	69,272
March 2026 A Notes	50,000	50,000	49,605	50,000	50,000	49,550
March 2026 B Notes	50,000	50,000	49,570	—	—	—
September 2026 Notes	325,000	325,000	320,376	—	—	—
2033 Notes	40,000	40,000	38,718	40,000	40,000	38,610
2027 Asset-Backed Notes	—	—	—	180,988	180,988	178,812
2028 Asset-Backed Notes	—	—	—	250,000	250,000	247,647
2022 Convertible Notes	230,000	230,000	229,740	230,000	230,000	228,177
Wells Facility (3) (4)	—	—	—	75,000	—	—
Union Bank Facility (3)	400,000	—	—	400,000	—	—
SMBC Facility (3) (4)	100,000	29,925	29,925	—	—	—
Total	$ 1,745,000	$ 1,250,425	$ 1,236,303	$ 1,774,988	$ 1,299,988	$ 1,286,638

(1) Except for the SMBC Facility, Union Bank Facility, and Wells 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 debt as of the balance sheet date.
(2) As of December 31, 2021, the total available debt under the SBA Debentures was $175.0 million, all of which was available to HC IV. The availability of the full amount of debt is subject to regulatory requirements and regulatory acknowledgement of contributed capital of $87.5 million. As of December 31, 2021, the Company has contributed and received regulatory acknowledgement for $87.5 million of capital to HC IV. As of December 31, 2020, the total available debt under the SBA debentures was $99.0 million, all of which was drawn by HT III.
(3) Availability subject to the Company meeting the borrowing base requirements.
(4) From time to time, the Company may guarantee certain unfunded commitments through its credit facility.

Debt issuance costs, net of accumulated amortization, were as follows as of December 31, 2021 and December 31, 2020:

(in thousands)	December 31, 2021	December 31, 2020
SBA Debentures	$ 5,002	$ 284
2022 Notes	300	660
July 2024 Notes	762	1,058
February 2025 Notes	363	478
April 2025 Notes	—	1,649
June 2025 Notes	567	728
March 2026 A Notes	395	450
March 2026 B Notes	430	—
September 2026 Notes	4,624	—
2033 Notes	1,282	1,390
2027 Asset-Backed Notes	—	2,176
2028 Asset-Backed Notes	—	2,353
2022 Convertible Notes	149	1,040
Wells Facility (1)	—	198
Union Bank Facility (1)	1,239	2,485
SMBC Facility (1)	922	—
Total	$ 16,035	$ 14,949

(1) The SMBC Facility, Union Bank Facility and Wells Facility are line-of-credit arrangements. The debt issuance costs associated with these instruments are included within Other assets on the Consolidated Statements of Assets and Liabilities in accordance with ASC Subtopic 835-30.

For the year ended December 31, 2021, the components of interest expense, related fees, losses on debt extinguishment and cash paid for interest expense for debt were as follows:

	Year ended December 31, 2021				
(in thousands) Description	Interest expense[1]	Amortization of debt issuance cost (loan fees)[2]	Unused facility and other fees (loan fees)	Total interest expense and fees	Cash paid for interest expense
SBA Debentures	$ 1,580	$ 452	$ —	$ 2,032	$ 2,272
2022 Notes	7,102	360	—	7,462	6,938
July 2024 Notes	5,009	295	—	5,304	5,008
February 2025 Notes	2,140	115	—	2,255	2,140
April 2025 Notes	1,969	1,667	—	3,636	2,635
June 2025 Notes	3,017	162	—	3,179	3,017
March 2026 A Notes	2,250	93	—	2,343	1,875
March 2026 B Notes	1,877	85	—	1,962	1,138
September 2026 Notes	2,513	236	—	2,749	—
2033 Notes	2,500	108	—	2,608	2,500
2027 Asset-Backed Notes	4,888	2,176	—	7,064	4,972
2028 Asset-Backed Notes	8,139	2,351	—	10,490	8,240
2022 Convertible Notes	10,734	892	—	11,626	10,062
Wells Facility	—	198	675	873	—
Union Bank Facility	672	1,228	1,906	3,806	672
SMBC Facility	57	33	44	134	—
Total	$ 54,447	$ 10,451	$ 2,625	$ 67,523	$ 51,469

(1) Interest expense includes amortization of original issue discounts for the year ended December 31, 2021, of $165 thousand, $671 thousand, and $48 thousand for the 2022 Notes, 2022 Convertible Notes, and September 2026 Notes, respectively.

(2) "Amortization of debt issuance cost (loan fees)" includes $1,477 thousand, $1,272 thousand, and $1,670 thousand related to debt extinguishment costs for the April 2025 Notes, 2027 Asset-Backed Notes, and 2028 Asset-Backed Notes, respectively for the year ended December 31, 2021 disclosed as a "Loss on debt extinguishment" in the Consolidated Statement of Operations.

For the year ended December 31, 2020, the components of interest expense, related fees, and cash paid for interest expense for debt were as follows:

	Year ended December 31, 2020				
(in thousands) Description	Interest expense[1]	Amortization of debt issuance cost (loan fees)	Unused facility and other fees (loan fees)	Total interest expense and fees	Cash paid for interest expense
SBA Debentures	$ 3,464	$ 551	—	$ 4,015	$ 4,285
2022 Notes	7,307	360	—	7,667	6,938
July 2024 Notes	5,009	294	—	5,303	5,009
February 2025 Notes	1,938	103	—	2,041	1,070
April 2025 Notes	3,938	381	—	4,319	3,938
June 2025 Notes	1,743	92	—	1,835	1,509
March 2026 A Notes	356	14	—	370	—
2033 Notes	2,500	108	—	2,608	2,500
2027 Asset-Backed Notes	9,116	512	—	9,628	9,139
2028 Asset-Backed Notes	11,758	257	—	12,015	11,756
2022 Convertible Notes	10,733	892	—	11,625	10,062
Wells Facility	25	175	519	719	26
Union Bank Facility	1,718	1,266	1,745	4,729	2,042
Total	$ 59,605	$ 5,005	$ 2,264	$ 66,874	$ 58,274

(1) Interest expense includes amortization of original issue discounts for the year ended December 31, 2020, of $165 thousand, $671 thousand, for the 2022 Notes, and 2022 Convertible Notes, respectively.

For the year ended December 31, 2019, the components of interest expense, related fees, and cash paid for interest expense for debt were as follows:

(in thousands)	Year ended December 31, 2019				
Description	Interest expense(1)	Amortization of debt issuance cost (loan fees)	Unused facility and other fees (loan fees)	Total interest expense and fees	Cash paid for interest expense
SBA Debentures	$ 5,107	$ 510	$ —	$ 5,617	$ 5,080
2022 Notes	7,103	360	—	7,463	6,938
2024 Notes	320	1,686	—	2,006	1,305
July 2024 Notes	2,302	115	—	2,417	—
April 2025 Notes	3,938	381	—	4,319	3,938
2033 Notes	2,500	108	—	2,608	2,500
2027 Asset-Backed Notes	9,209	279	—	9,488	9,210
2028 Asset-Backed Notes	11,071	253	—	11,324	10,744
2022 Convertible Notes	10,734	892	—	11,626	10,062
Wells Facility	435	263	628	1,326	449
Union Bank Facility	1,877	834	769	3,480	1,592
Total	$ 54,596	$ 5,681	$ 1,397	$ 61,674	$ 51,818

(1) Interest expense includes amortization of original issue discounts for the year ended December 31, 2019, of $165 thousand, $671 thousand, and $110 thousand for the 2022 Notes, 2022 Convertible Notes, and July 2024 Notes, respectively.

As of December 31, 2021, December 31, 2020, and December 31, 2019, the Company was in compliance with the terms of all borrowing arrangements. There are no sinking fund requirements for any of the Company's debt.

SBA Debentures

The Company reported the following SBA debentures outstanding principal balances as of December 31, 2021 and December 31, 2020:

(in thousands) Issuance/Pooling Date	Maturity Date	Interest Rate (1)	December 31, 2021	December 31, 2020
September 21, 2011	September 1, 2021	3.16%	$ —	$ 25,000
March 21, 2012	March 1, 2022	3.28%	—	25,000
September 19, 2012	September 1, 2022	3.05%	—	24,250
March 27, 2013	March 1, 2023	3.16%	—	24,750
March 26, 2021	September 1, 2031	1.58%	37,500	—
June 25, 2021	September 1, 2031	1.58%	16,200	—
July 28, 2021	September 1, 2031	1.58%	5,400	—
August 20, 2021	September 1, 2031	1.58%	5,400	—
October 21, 2021(2)	March 1, 2032	0.91%	14,000	—
November 1, 2021(2)	March 1, 2032	0.91%	21,000	—
November 15, 2021(2)	March 1, 2032	0.91%	5,200	—
November 30, 2021(2)	March 1, 2032	0.91%	20,800	—
December 20, 2021(2)	March 1, 2032	0.90%	10,000	—
December 23, 2021(2)	March 1, 2032	0.91%	10,000	—
December 28, 2021(2)	March 1, 2032	0.92%	5,000	
Total SBA Debentures			$ 150,500	$ 99,000

(1) Interest rates are determined initially at issuance and reset to a fixed rate at the debentures pooling date. The rates are inclusive of annual SBA charges.
(2) As of December 31, 2021, $86.00 million of drawn SBA Debentures are scheduled to be pooled on March 22, 2022. The interest rate disclosed is the current effective interim interest rate.

Our SBICs are periodically examined and audited by the SBA's staff to determine its compliance with SBA regulations. Our SBICs were in compliance with the terms of the SBIC's leverage as of December 31, 2021 and December 31, 2020, as a result of having sufficient capital as defined under the SBA regulations.

HT III

On May 26, 2010, HT III received a license to operate as an SBIC. As an SBIC, HT III could borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. During the year ended December 31, 2021, the Company paid down $99.0 million of SBA debentures. During the year ended December 31, 2020, the Company paid down $50.0 million of SBA debentures. As of December 31, 2021, HT III had no SBA guaranteed debentures outstanding. As of December 31, 2020, HT III had a total of $99.0 million of SBA guaranteed debentures outstanding. As of December 31, 2021 and December 31, 2020, HT III has paid the SBA commitment fees and facility fees of approximately $5.1 million and $5.1 million, respectively.

As noted in "Note 1 - Description of Business", the Company has wound down HT III, and on June 15, 2021 surrendered its SBA license and is no longer operating as an SBIC. All assets have been transferred to an affiliated entity as part of the wind down. As of December 31, 2020, the Company held investments through HT III in 29 companies with a fair value of approximately $137.4 million, accounting for approximately 5.8% of the Company's total investment portfolio. As of December 31, 2020, HT III held approximately $201.2 million in tangible assets which accounted for approximately 7.7% of the Company's total assets as of December 31, 2020.

HC IV

On October 27, 2020, HC IV was licensed to operate as an SBIC under the SBA. The license has a 10-year term. With the license, HC IV has access to $175.0 million of capital through the SBA debenture program, in addition to the Company's regulatory capital commitment of $87.5 million to HC IV which will be used for investment purposes. As of December 31, 2021, HC IV has the capacity to issue a total of $175.0 million in SBA guaranteed debentures, subject to SBA approval, of which $150.5 million was outstanding as of December 31, 2021. As of December 31, 2020, HC IV had no outstanding SBA debentures.

As of December 31, 2021, HC IV has paid the SBA commitment fees and facility fees of approximately $1.8 million and $3.7 million, respectively. As of December 31, 2021, the Company held investments in HC IV in 15 companies with a fair value of approximately $244.5 million, accounting for approximately 10.0% of the Company's total investment portfolio. HC IV held approximately $245.7 million in tangible assets which accounted for approximately 9.5% of the Company's total assets as of December 31, 2021. As of December 31, 2020, HC IV had no material assets other than $19.1 million of cash from the regulatory capital committed.

2022 Notes

On October 23, 2017, the Company issued $150.0 million in aggregate principal amount of 4.625% interest-bearing unsecured notes that mature on October 23, 2022 (the "2022 Notes"), unless repurchased in accordance with their terms. Interest on the 2022 Notes is due semiannually in arrears on April 23 and October 23 of each year, commencing on April 23, 2018. 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 2022 Notes are not guaranteed by any of the Company's current or future subsidiaries.

The Company was permitted to 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. On February 22, 2022, pursuant to the redemption terms of the 2025 Notes indenture, the Company fully repaid the aggregate outstanding $150.0 million of principal and $2.3 million of accrued interest. In addition, the Company paid $3.3 million of prepayment premium fees, which together with the accelerated recognition of $0.3 million of debt issuance costs will be recognized as a realized loss on extinguishment of the debt.

2022 Convertible Notes

On January 25, 2017, the Company issued $230.0 million in aggregate principal amount of 4.375% interest-bearing unsecured notes due on February 1, 2022 (the "2022 Convertible Notes"), unless previously converted or caused to repurchase the notes in accordance with their terms by the holders of the 2022 Convertible Notes. The Company may not redeem the 2022 Convertible Notes at its option prior to maturity. The $230.0 million issued aggregate principal of the 2022 Convertible Notes includes an additional $30.0 million aggregate principal amount issued pursuant to the initial purchaser's exercise in full of its overallotment option. Interest on the 2022 Convertible Notes is due semiannually in arrears on February 1 and August 1 of each year. The 2022 Convertible Notes are unsecured obligations of the Company and rank pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

Prior to the close of business on the business day immediately preceding August 1, 2021, holders were permitted to convert their 2022 Convertible Notes under certain circumstances set forth in the terms of the 2022 Convertible Notes. 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 is required to 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 was 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 is 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.

In May 2021 and November 2021, the Company provided notice of adjustment in the conversion rate to give effect to the dividends distributed in 2021. As of December 31, 2021, the conversion rate was 62.2621 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately $16.06 per share of common stock). 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 are accounted for in accordance with ASC Subtopic 470-20, Debt 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 Statements 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%.

On July 26, 2021, the Company provided notice to the 2022 Convertible Notes holders by which the Company irrevocably elected to settle conversions using the combination settlement method as provided within the 2022 Convertible Note Indenture. Accordingly, the 2022 Convertible Notes holders will receive a cash payment of up to $1,000 for each $1,000 principal amount of 2022 Convertible Notes converted and the balance, if any, to be settled in shares of common stock of the Company. The Company will not issue fractional shares of common stock upon the conversion of the Notes. In lieu of issuing fractional shares, the Company will pay cash.

On February 1, 2022, the Company fully repaid the aggregate outstanding $230.0 million principal, $5.0 million of accrued interest and fees, and issued 981,169 shares related to noteholders who elected to convert pursuant to the redemption terms of the 2022 Convertible Notes indenture.

July 2024 Notes

On July 16, 2019, the Company issued $105.0 million in aggregate principal amount of 4.77% interest-bearing unsecured notes due on July 16, 2024 (the "July 2024 Notes"), unless repurchased in accordance with their terms, to qualified institutional investors in a private placement notes offering. Interest on the July 2024 Notes is due semiannually. The July 2024 Notes are general unsecured obligations of the Company that rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

February 2025 Notes

On February 5, 2020, the Company issued $50.0 million in aggregate principal amount of 4.28% interest-bearing unsecured notes due February 5, 2025 (the "February 2025 Notes"), unless repurchased in accordance with their terms, to qualified institutional investors in a private placement notes offering. Interest on the February 2025 Notes is due semiannually. The February 2025 Notes are general unsecured obligations of the Company that rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

April 2025 Notes

On April 26, 2018, the Company issued $75.0 million in aggregate principal amount of 5.25% interest-bearing unsecured notes due April 30, 2025 (the “April 2025 Notes”), unless repurchased in accordance with the terms of the Fifth Supplemental Indenture to the Base Indenture, dated April 26, 2018. Interest on the April 2025 Notes was payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year. The April 2025 Notes traded on the NYSE under the symbol “HCXZ”. The April 2025 Notes were general unsecured obligations and ranked pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

On July 1, 2021, the Company fully redeemed the aggregate outstanding $75.0 million of principal and $0.6 million of accrued interest pursuant to the redemption terms of the April 2025 Notes Indenture. The Company accelerated recognition of $1.5 million of debt issuance costs associated with the extinguishment of the debt.

June 2025 Notes

On June 3, 2020, the Company issued $70.0 million in aggregate principal amount of 4.31% interest-bearing unsecured notes due June 3, 2025 (the “June 2025 Notes”), unless repurchased in accordance with their terms, to qualified institutional investors in a private placement notes offering pursuant to the 2025 Note Purchase Agreement. Interest on the June 2025 Notes is due semiannually. The June 2025 Notes are general unsecured obligations of the Company that rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

March 2026 A Notes

On November 4, 2020, the Company issued $50.0 million in aggregate principal amount of 4.5% interest-bearing unsecured notes due March 4, 2026 (the “March 2026 A Notes”), unless repurchased in accordance with their terms, to qualified institutional investors in a private placement notes offering. Interest on the March 2026 A Notes is due semiannually. The March 2026 A Notes are general unsecured obligations of the Company that rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

March 2026 B Notes

On March 4, 2021, the Company issued $50.0 million in aggregate principal amount of 4.55% interest-bearing unsecured notes due March 4, 2026 (the “March 2026 B Notes”), unless repurchased in accordance with their terms, to qualified institutional investors in a private placement pursuant note offering. The sale of the March 2026 B Notes generated net proceeds of approximately $49.5 million. Aggregate offering expenses in connection with the transaction, including fees and commissions, were approximately $0.5 million. Interest on the March 2026 B Notes is due semiannually. The March 2026 B Notes are general unsecured obligations of the Company that rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

September 2026 Notes

On September 16, 2021, the Company issued $325.0 million in aggregate principal amount of 2.625% interest-bearing unsecured notes due September 16, 2026 (the “September 2026 Notes”), unless repurchased in accordance with the terms of the Seventh Supplemental Indenture, dated September 16, 2021. The issuance of the September 2026 Notes generated net proceeds of approximately $320.1 million. The aggregate offering expenses in connection with the transaction, including the underwriter’s discount and commissions, were approximately $4.1 million of costs and $0.8 million related to the discount. Interest on the September 2026 Notes is payable semi-annually in arrears on March 16 and September 16 of each year, commencing on March 16, 2022. The September 2026 Notes are general unsecured obligations and rank pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by the Company. The Company may redeem some or all of the September 2026 Notes at any time, or from time to time, at the redemption price set forth under the terms of the September 2026 Notes Indenture.

2033 Notes

On September 24, 2018, the Company issued $40.0 million in aggregate principal amount of 6.25% interest-bearing unsecured notes due October 30, 2033 (the “2033 Notes”), unless repurchased in accordance with the terms of the Sixth Supplemental Indenture to the Base Indenture, dated September 24, 2018. Interest on the 2033 Notes is payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year. The 2033 Notes trade on the NYSE under the symbol “HCXY.” The 2033 Notes are general unsecured obligations and rank pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by the Company. 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 2033 Notes indenture after October 30, 2023.

2027 Asset-Backed Notes

On November 1, 2018, the Company completed a term debt securitization in connection with which an affiliate of the Company issued $200.0 million in aggregate principal amount of 4.605% interest-bearing asset-backed notes due on November 22, 2027 (the "2027 Asset-Backed Notes"). The 2027 Asset-Backed Notes were issued by Hercules Capital Funding Trust 2018-1 (the "2018 Securitization Issuer") 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 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. As of October 21, 2020, the securitization was past its reinvestment period, and it was no longer able to reinvest principal collections into additional eligible loans. Accordingly, available funds from principal collections were used to pay $65.6 million and $19.0 million of the outstanding principal balance on the 2027 Asset-Backed Notes during the year ended December 31, 2021 and the year ended December 31, 2020, respectively. Interest on the 2027 Asset-Backed Notes will be paid, to the extent of funds available.

On October 20, 2021, the Company fully repaid the aggregate outstanding $115.4 million of principal and repaid $0.4 million of accrued interest and fees pursuant to the redemption terms of the 2027 Asset-Backed Notes agreement. The Company accelerated recognition of $1.2 million of debt issuance costs associated with the extinguishment of the debt, and all restricted cash previously held back was released to the Company.

2028 Asset-Backed Notes

On January 22, 2019, the Company completed a term debt securitization in connection with which an affiliate of the Company issued $250.0 million in aggregate principal amount of 4.703% interest-bearing asset-backed notes due on February 22, 2028 (the "2028 Asset-Backed Notes"). The 2028 Asset-Backed Notes were issued by Hercules Capital Funding Trust 2019-1 (the "2019 Securitization Issuer") pursuant to a note purchase agreement, dated as of January 14, 2019, by and among the Company, Hercules Capital Funding 2019-1 LLC, as trust depositor, the 2019 Securitization Issuer, and Guggenheim Securities, LLC, as initial purchaser, MUFG Securities Americas Inc., as a co-manager, and Wells Fargo Securities, LLC., as a co-manager, 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. As of January 21, 2021, the securitization was past its reinvestment period, and it was no longer able to reinvest principal collections into additional eligible loans. Accordingly, available funds from principal collections were used to pay $76.2 million of the outstanding principal balance on the 2028 Asset-Backed Notes during the year ended December 31, 2021. There were no payments on the outstanding principal balance for the year ended December 31, 2020. Interest on the 2028 Asset-Backed Notes will be paid, to the extent of funds available.

On October 20, 2021, the Company fully repaid the aggregate outstanding $173.8 million of principal and repaid $0.7 million of accrued interest and fees pursuant to the redemption terms of the 2028 Asset-Backed Notes agreement. The Company accelerated recognition of $1.5 million of debt issuance costs associated with the extinguishment of the debt, and all restricted cash previously held back was released to the Company.

Credit Facilities

As of December 31, 2021, the Company had two available credit facilities, the Union Bank Facility and SMBC Facility. As of December 31, 2020, the Company had two available credit facilities, the Union Bank Facility and Wells Facility. For the year ended December 31, 2021 and 2020, the weighted average interest rate was 2.54% and 3.15%, respectively, and the average debt outstanding under the Credit Facilities was $28.8 million and $55.4 million, respectively.

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.

On January 11, 2019, Hercules Funding II entered into the Seventh Amendment to the Wells Facility (the "Wells Facility Seventh Amendment"). Among other changes, the Wells Facility Seventh Amendment amends certain key provisions of the Wells Facility to reduce the current interest rate to LIBOR plus 3.00% with an interest rate floor of 3.00% and extends the maturity date to January 2023, unless terminated earlier in accordance with its terms. In addition, the Wells Fargo Capital Finance, LLC has committed

$75.0 million in credit capacity with an accordion feature, in which the Company can increase the credit line up to an aggregate of $125.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Wells Facility has an advance rate of 55% against eligible debt investments, and it is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee of up to 0.375% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time.

On July 2, 2019, Hercules Funding II entered into the Eighth Amendment to the Wells Facility (the “Wells Facility Eighth Amendment”). The Wells Facility Eighth Amendment amends certain provisions of the Wells Facility to, among other things, revise certain provisions thereof to further permit a third party special servicer to act as servicer after an event of default instead of the Company with respect to split-funded notes receivable owned by Hercules Funding II and an affiliate thereof (including Hercules Funding IV LLC).

On November 29, 2021, the Company terminated the Wells Facility and voluntarily prepaid all amounts outstanding under the Wells Facility. Pursuant to the termination, the Company paid approximately $0.1 million in fees and expenses. No loans were or remain outstanding. As a result of the termination, all of the Company’s security interests and other liens granted by the Company to secure the Company’s obligations under the Wells Facility have been terminated and released, with the exception of $3.2 million of cash, which has been pledged as collateral for a letter of credit issued on behalf of a portfolio company of the Company. As of December 31, 2021, $3.2 million is included within Restricted Cash on the Company's Consolidated Statement of Assets and Liabilities.

Union Bank Facility

On February 20, 2020, the Company, through a special purpose wholly owned subsidiary, Hercules Funding IV LLC (“Hercules Funding IV”), 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 “2019 Union Bank Facility”) entered into on February 20, 2019 with MUFG Union Bank, as the arranger and administrative agent, and the lenders party thereto. The 2019 Union Bank Facility replaced the Company’s credit facility (the “Prior Union Bank Facility”) entered into on May 5, 2016 with MUFG Union Bank, as the arranger and administrative agent, and the lenders party thereto. Any references to amounts related to the Union Bank Facility prior to February 20, 2020 were incurred and relate to the Prior Union Bank Facility or the 2019 Union Bank Facility, as applicable.

Under the Union Bank Facility, the lenders have made commitments of $400.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of $200.0 million, funded by existing or 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. Debt under the Union Bank Facility generally bears interest at a rate per annum equal to LIBOR plus 2.50%. The Union Bank Facility matures on February 22, 2024, unless sooner terminated in accordance with its terms. The Union Bank Facility is secured by all of the assets of Hercules Funding IV. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period as follows: (i) 0.50% if less than or equal to 50% utilization; (ii) 0.375% if more than 50% utilization but less than or equal to 80% utilization; and (iii) 0.20% if more than 80% is utilized.

The Union Bank Facility also includes financial and other covenants applicable to the Company and the Company’s subsidiaries, in addition to those applicable to Hercules Funding IV, including covenants relating to certain changes of control of Hercules Funding IV. Among other things, these covenants require the Company to maintain certain financial ratios, including a minimum interest coverage ratio with respect to Hercules Funding IV and a minimum tangible net worth in an amount that is in excess of $723.0 million.

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.

SMBC Facility

On November 9, 2021, the Company entered into a revolving credit agreement with Sumitomo Mitsui Banking Corporation (the “SMBC Facility”), as administrative agent, and the lenders and issuing banks to the SMBC Facility. The SMBC Facility provides for borrowings in U.S. dollars and certain agreed upon foreign currencies in an initial aggregate amount of up to $100.0 million. The SMBC Facility also has an accordion feature that allows for an increase in the total commitments of up to $150.0 million, subject to certain conditions. Additionally, the SMBC Facility provides for the issuance of letters of credit on the account of the Company or its designee in U.S. dollars and certain agreed upon foreign currencies in an aggregate face amount not to exceed $15.0 million. The

Company's obligations under the SMBC Facility may in the future be guaranteed by certain of the Company's subsidiaries and primarily secured by a first priority security interest (subject to certain exceptions) in only certain specified property and assets of the Company and the subsidiary guarantors thereunder. Availability under the SMBC Facility will terminate on November 7, 2025, and the outstanding loans under the SMBC Facility will mature on November 9, 2026.

Borrowings under the SMBC Facility are subject to compliance with a borrowing base and an aggregate portfolio balance. Interest under the SMBC Facility for (i) loans for which the Company elects the base rate option, (A) if the borrowing base is equal to or greater than the product of 1.60 and the revolving credit exposure, is payable at an "alternate base rate" (which is the greater of (x) zero and (y) the highest of (a) the prime rate as published in the print edition of The Wall Street Journal, Money Rates Section, (b) the federal funds effective rate plus 0.5% and (c) the one-month Eurocurrency rate plus 1% per annum) plus 0.875% per annum and (B) if the borrowing base is less than the product of 1.60 and the revolving credit exposure, the alternate base rate plus 1.00% per annum; (ii) loans for which the Company elects the Eurocurrency option, (A) if the borrowing base is equal to or greater than the product of 1.60 and the revolving credit exposure, is payable at a rate equal to the Eurocurrency rate plus 1.875% per annum and (B) if the borrowing base is less than the product of 1.60 and the revolving credit exposure, is payable at a rate equal to the Eurocurrency rate plus 2.00% per annum; and (iii) loans for which the Company elects the RFR option, (A) if the borrowing base is equal to or greater than the product of 1.60 and the revolving credit exposure, is payable at a rate equal to RFR plus 1.9934% per annum and (B) if the borrowing base is less than the product of 1.60 and the revolving credit exposure, is payable at a rate equal to RFR plus 2.1193% per annum. The SMBC Facility will be subject to a non-usage fee of 0.375% per annum (based on the immediately preceding period's average usage) on the unused portion of the commitment under the SMBC Facility during the revolving period. The Company will be required to pay letter of credit participation fees and a fronting fee on the average daily amount of any lender's exposure with respect to any letters of credit issued under the SMBC Facility.

The SMBC Facility contains customary events of default with customary cure and notice provisions, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default and cross-acceleration to other indebtedness and bankruptcy. The SMBC Facility also includes financial and other covenants applicable to the Company and the Company's subsidiaries, including covenants relating to minimum stockholders' equity, asset coverage ratios, and our status as a RIC.

6. Income Taxes

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 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.

As previously noted, federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Permanent differences are reclassified among capital accounts in the financial statements to reflect their appropriate tax character. During the year ended December 31, 2021, the Company reclassified $63.3 million from accumulated realized gains (losses) to additional paid-in capital for book purposes primarily related to realized losses from portfolio companies which are held in taxable subsidiaries and are not consolidated with the Company for income tax purposes.

During the year ended December 31, 2020, the Company reclassified $67.7 million from accumulated realized gains (losses) to additional paid-in capital for book purposes primarily related to realized losses from portfolio companies which are held in taxable subsidiaries and are not consolidated with the Company for income tax purposes. In addition, the Company reclassified $6.6 million from undistributed ordinary income to additional paid-in capital for book purposes during the year ended December 31, 2020 relating to accelerated revenue recognition for the tax years prior to December 31, 2017, which are closed tax years.

During the year ended December 31, 2019, the Company reclassified $25.3 million from accumulated realized gains (losses) to additional paid-in capital for book purposes primarily related to realized losses from exited portfolio companies which were held in taxable subsidiaries and were not consolidated with the Company for income tax purposes.

During the years ended December 31, 2021, 2020 and 2019, the Company reclassified amounts from undistributed ordinary income or accumulated realized gains (losses) to additional paid-in capital for book purposes, as follows:

	Year Ended December 31,		
(in thousands)	**2021**	**2020**	**2019**
Undistributed net investment income (distributions in excess of investment income)	$ 19,486	$ (26,297)	$ 11,831
Accumulated realized gains (losses)	69,066	100,353	29,720
Additional paid-in capital	(88,552)	(74,056)	(41,551)

For income tax purposes, distributions paid to stockholders are reported as ordinary income, return of capital, long-term capital gains, or a combination thereof. The tax character of distributions paid for the year ended December 31, 2021 was ordinary income in the amount of $122.6 million and long-term capital gains in the amount of $55.2 million. The tax character of distributions paid for the year ended December 31, 2020 was ordinary income in the amount of $118.0 million and long-term capital gains in the amount of $36.7 million. The tax character of distributions paid for the year ended December 31, 2019 was ordinary income in the amount of $122.2 million and long-term capital gains in the amount of $12.0 million.

The aggregate gross unrealized appreciation of the Company's investments over cost for U.S. federal income tax purposes was $121.0 million, $166.2 million, and $70.3 million, as of December 31, 2021, 2020, and 2019, respectively. The aggregate gross unrealized depreciation of the Company's investments under cost for U.S. federal income tax purposes was $75.7 million, $126.1 million, and $144.1 million, as of December 31, 2021, 2020, 2019, respectively. The net unrealized appreciation over cost for U.S. federal income tax purposes was $45.3 million and $40.1 million as of December 31, 2021 and 2020, respectively. The net unrealized depreciation over cost for U.S. federal income tax purposes was $73.8 million as December 31, 2019. The aggregate cost of securities for U.S. federal income tax purposes was $2.4 billion and $2.3 billion as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, 2020 and 2019, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Statements of Assets and Liabilities by temporary book or tax differences primarily arising from the treatment of loan related yield enhancements.

	Year Ended December 31,		
(in thousands)	**2021**	**2020**	**2019**
Accumulated capital gains	$ 43,005	$ 9,923	$ 4,722
Other temporary differences	(16,206)	(11,711)	(6,728)
Undistributed ordinary income	149,069	97,401	63,271
Unrealized appreciation (depreciation)	40,655	37,778	(73,430)
Components of distributable earnings	$ 216,523	$ 133,391	$ (12,165)

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 its ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of its 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.

For the year ended December 31, 2021, the Company paid approximately $3.8 million of income tax, including excise tax, and had $7.2 million accrued, including $7.0 million of excise tax, but unpaid tax expense as of December 31, 2021. For the year ended December 31, 2020, the Company paid approximately $2.5 million of income tax, including excise tax, and had $3.0 million accrued relating to unpaid excise tax expense as of the balance sheet date. For the year ended December 31, 2019, the Company paid approximately $1.4 million of income tax, including excise tax, and had $1.3 million accrued relating to unpaid excise tax expense as of the balance sheet date.

The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes.

Based on an analysis of the Company's tax position, there are no uncertain tax positions that met the recognition or measurement criteria. The Company is currently not undergoing any tax examinations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The 2018 - 2020 federal tax years for the Company remain subject to examination by the Internal Revenue Service. The 2017 – 2020 state tax years for the Company remain subject to examination by the state taxing authorities.

7. Stockholders' Equity

On May 6, 2019, the Company entered into an At-The-Market ("ATM") equity distribution agreement with JMP Securities LLC ("JMP") (the "2019 Equity Distribution Agreement"). The 2019 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.

On July 2, 2020, the Company terminated the 2019 Equity Distribution Agreement and entered into a new ATM equity distribution agreement with JMP (the "2020 Equity Distribution Agreement"). As a result, the remaining shares that were available under the 2019 Equity Distribution Agreement are no longer available for issuance. The 2020 Equity Distribution Agreement provides that the Company may offer and sell up to 16.5 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 of 1933, as amended (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 year ended December 31, 2021, the Company sold 0.6 million shares of common stock under the 2020 Equity Distribution Agreement. For the same period, the Company received total accumulated net proceeds of approximately $10.6 million, including $0.2 million of offering expenses.

During the year ended December 31, 2020, the Company sold 6.3 million shares of common stock, of which 6.0 million shares and 0.3 million shares were issued under the 2019 Equity Distribution Agreement and the 2020 Equity Distribution Agreement, respectively. or the same period, the Company received total accumulated net proceeds of approximately $77.2 million, including $1.0 million of offering expenses, from these sales, of which $73.6 million, including offering expenses of $0.8 million, was received under the 2019 Equity Distribution Agreement, and $3.6 million, including offering expenses of $0.2 million, was received under the 2020 Equity Distribution Agreement.

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 December 31, 2021 approximately 15.6 million shares remain available for issuance and sale under the 2020 Equity Distribution Agreement.

On June 17, 2019, the Company closed the June 2019 Equity Offering. The June 2019 Equity Offering generated net proceeds, before expenses, of $70.5 million, including the underwriting discount and commissions of $2.2 million.

The Company has issued stock options for common stock subject to future issuance, of which 210,569 and 438,809 were outstanding as of December 31, 2021 and December 31, 2020, respectively.

8. Equity Incentive Plans

The Company grants equity-based awards to employees and non-employee directors for the purpose of attracting and retaining the services of its executive officers, key employees, and members of the Board. The Company's equity-based awards are granted under the 2018 Equity Incentive Plan (the "2018 Plan") for employees and 2018 Non-Employee Director Plan (the "Director Plan") for non-employee directors. The 2018 Plan and the Director Plan were approved by stockholders on June 28, 2018, and authorize us to issue up to 18.7 million shares of common stock and 300,000 shares of restricted stock under the 2018 Plan and Director Plan, respectively. Unless earlier terminated by the Board, the 2018 Plan and Director Plan will terminate on May 12, 2028. Outstanding awards issued under plans that precede the 2018 Plan and Director Plan remain outstanding, unchanged and subject to the terms of such plans and their respective award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms.

The Company has received exemptive relief from the SEC that permits it 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 Plan. The exemptive order also allows participants in the Director Plan and the 2018 Plan to (i) elect to have the Company withhold shares of its common stock to pay for the exercise price and applicable taxes with respect to an option exercise ("net issuance exercise") and/or (ii) permit the holders of restricted stock to elect to have the Company withhold shares of its stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual employee would be able to make a cash payment to satisfy applicable tax withholding at the time of option exercise or vesting on restricted stock.

The Company has granted equity-based awards that have service and performance conditions. Certain of the Company's equity-based awards are classified as liability awards in accordance with ASC Topic 718, Compensation – Stock Compensation. All of the Company's equity-based awards require future service, and are expensed over the relevant service period. The Company does not estimate forfeitures, and reverses all unvested costs associated with equity-awards in the period they are forfeited. For the years ended December 31, 2021, 2020, and 2019, the Company recognized \$11.9 million, \$11.1 million, and \$10.5 million of stock based compensation expense in the Consolidated Statement of Operations, respectively. As of December 31, 2021 and 2020, approximately \$15.8 million and \$13.6 million of total unrecognized compensation costs expected to be recognized over the next 1.8 and 1.6 years, respectively.

Service-Vesting Awards

The Company grants equity-based awards which have service conditions, and generally begin to vest one-third after one year after the date of grant and ratably over the succeeding 2 years in accordance with the individual award terms (the "Service Vesting Awards"). The grant date fair value of Service Vesting Awards granted during the years ended December 31, 2021, 2020, and 2019, were approximately \$12.1 million, \$11.2 million and \$17.2 million, respectively.

The Company has granted restricted stock equity awards in the form of restricted stock awards and restricted stock units. The Company determines the grant date fair values of restricted stock equity awards using the grant date stock close price. The activities for the Company's unvested restricted stock equity awards for each of the three years ended December 31, 2021, 2020, and 2019 are summarized below:

	Year ended, December 31,					
	2021		2020		2019	
	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share
Unvested Shares Beginning of Period	989,100	$ 13.69	782,346	$ 13.07	1,113,403	$ 13.31
Granted	751,074	$ 14.80	779,211	$ 12.46	1,313,759	$ 13.08
Vested [(1)]	(620,116)	$ 13.69	(543,486)	$ 13.15	(865,607)	$ 13.26
Forfeited	(82,210)	$ 14.17	(28,971)	$ 13.82	(779,209)	$ 13.28
Unvested Shares End of Period	1,037,848	$ 14.51	989,100	$ 13.69	782,346	$ 13.07

(1) With respect to certain restricted stock equity awards granted prior to January 1, 2019, receipt of the shares of the Company's common stock underlying vested restricted stock equity awards will be deferred for four years from grant date unless certain conditions are met. Accordingly, such vested restricted stock equity awards will not be issued as common stock upon vesting until the completion of the deferral period.

In addition to the restricted stock equity based awards, the Company has also issued stock options to certain employees. The fair value of options granted during the years ended December 31, 2021, 2020, and 2019, was approximately \$144,000, \$10,000 and

$43,000, respectively. During the years ended December 31, 2021, 2020, and 2019, approximately $37,000, $28,000, and $41,000 of share-based cost due to stock option grants was expensed, respectively.

Performance-Vesting Awards

The Company has granted equity-based awards, which have market and performance conditions in addition to a service condition ("Performance Awards"). The value of these awards may increase dependent on increases to the Company's total stockholder return ("TSR"). The total compensation will be determined by the Company's TSR relative to specified BDCs during a specified performance period. Depending on the results achieved during the specified performance period, the actual number of shares that a grant recipient receives at the end of the period may range from 0% to 200% of the target shares granted. The Performance Awards typically vest after four years, and generally may not be disposed until one year post vesting. The Company determines the fair values of the Performance Awards at the grant date using a Monte-Carlo simulation multiplied by the target payout level and is recognized over the service period. The unvested shares as of January 1, 2019 was 1,299,757. During the year ended December 31, 2019, 812,348 shares of Performance Awards were forfeited, which left 487,409 shares of Performance Awards unvested for each of the years ended December 31, 2021, 2020, and 2019, as there were no Performance Awards granted or vested during the periods ended December 31, 2021, 2020, or 2019. For certain Performance Awards, distribution equivalent units ("DEUs") will accrue in the form of additional shares, but will not be paid unless the Performance Awards to which such DEUs relate actually vest. No DEUs have been issued during the periods ended December 31, 2021, 2020, or 2019.

Liability Classified Awards

The Company has granted equity-based awards which are subject to both service and performance conditions. These awards are settled either in cash or a fixed dollar value of shares, subject to the terms of each individual award, and therefore classified as liability awards (the "Liability Awards"). The remaining maximum total potential value of the Liability Awards granted is $11.2 million, which assumes all performance conditions are met for each Liability award. If the performance conditions are not met, the total compensation expense related to the Liability Awards may be less than the maximum granted value of the awards. The awards are recorded as deferred compensation within Accounts Payable and Accrued Liabilities included on the Consolidated Statement of Assets and Liabilities.

Certain Liability Awards are structured similar to the Performance Awards, and increase in value with corresponding increases to the Company's TSR and vest after four years. The Company remeasures the value of these awards each period based on the Company's TSR achieved to date. Certain other Liability Awards are linked to attainment of investment funding goals. The Company determines the fair value of these Liability Awards based on the expected probability of the performance conditions being met and recognized over the service period. As of December 31, 2021, the Company determined that the weighted average expected probability of the performance conditions being met within each Liability Award was 100%. The expected probability is re-evaluated each period, and may be adjusted to reflect changes in this assumption. These other Liability Awards vest over a three year service term.

As of December 31, 2021, all Liability Awards are unvested and there was approximately $4.5 million of total unrecognized compensation costs expected to be recognized over a weighted average period of 2.2 years. For the year ended December 31, 2021, there was approximately $1.7 million of accumulated compensation expense related to the Liability Awards recognized in the Consolidated Statement of Operations and $5.7 million accrued within Accounts Payable and Accrued Liabilities in the Consolidated Statements of Assets and Liabilities. No Liability Awards vested during the periods presented.

As of December 31, 2020, all Liability Awards are unvested and there was approximately $2.0 million of total unrecognized compensation costs expected to be recognized over a weighted average period of 1.3 years. For the year ended December 31, 2020, there was approximately $2.7 million of accumulated compensation expense related to the Liability Awards recognized in the Consolidated Statement of Operations and $4.0 accrued within Accounts Payable and Accrued Liabilities in the Consolidated Statements of Assets and Liabilities. No Liability Awards vested during the periods presented.

9. Earnings Per Share

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

	Year Ended December 31,		
(in thousands, except per share data)	2021	2020	2019
Numerator			
Net increase in net assets resulting from operations	$ 174,155	$ 227,261	$ 173,598
Less: Distributions declared-common and restricted shares	(179,575)	(155,761)	(134,455)
Undistributed earnings	(5,420)	71,500	39,143
Undistributed earnings-common shares	(5,420)	70,995	39,062
Add: Distributions declared-common shares	177,864	154,658	134,174
Numerator for basic and diluted change in net assets per common share	$ 172,444	$ 225,653	$ 173,236
Denominator			
Basic weighted average common shares outstanding	114,742	111,985	101,132
Incremental shares from assumed conversion of 2022 Convertible Notes	512	—	—
Common shares issuable	701	282	437
Weighted average common shares outstanding assuming dilution	115,955	112,267	101,569
Change in net assets per common share			
Basic	$ 1.50	$ 2.02	$ 1.71
Diluted	$ 1.49	$ 2.01	$ 1.71

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.

As disclosed in "Note 5 – Debt", the Company has irrevocably elected combination settlement for the 2022 Convertible Notes. Therefore in calculating the dilutive impact of the 2022 Convertible Notes, only the portion expected to be settled in stock has been included in the calculations of diluted shares outstanding for the for the year ended December 31, 2021. For the years ended December 31, 2020, and 2019, the effect of the 2022 Convertible Notes under the treasury stock method was anti-dilutive and, accordingly, was 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 years ended December 31, 2021, 2020 and 2019, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, are as follows:

	Year Ended December 31,		
Anti-dilutive Securities	2021	2020	2019
2022 Convertible Notes	—	5,543,097	3,445,622
Unvested common stock options	690	66,578	24,448
Unvested restricted stock units	20	—	—
Unvested restricted stock awards	861	10,049	—
Unvested Retention PSUs	—	—	—

As of December 31, 2021 and 2020, 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.

10. Financial Highlights

Following is a schedule of financial highlights for the five years ended December 31, 2021, 2020, 2019, 2018, and 2017:

	Year Ended December 31,				
	2021	2020	2019	2018	2017
Per share data [(1)]:					
Net asset value at beginning of period	$ 11.26	$ 10.55	$ 9.90	$ 9.96	$ 9.90
Net investment income	1.29	1.39	1.41	1.20	1.17
Net realized gain (loss)	0.18	(0.50)	0.16	(0.12)	(0.32)
Net unrealized appreciation (depreciation)	0.03	1.13	0.14	(0.23)	0.11
Total from investment operations	1.50	2.02	1.71	0.85	0.96
Net increase (decrease) in net assets from capital share transactions [(1)]	(0.08)	0.01	0.20	0.23	0.26
Distributions of net investment income [(6)]	(1.06)	(1.03)	(1.15)	(1.26)	(1.07)
Distributions of capital gains [(6)]	(0.49)	(0.36)	(0.18)	—	(0.18)
Stock-based compensation expense included in investment income [(2)]	0.09	0.07	0.07	0.12	0.09
Net asset value at end of period	$ 11.22	$ 11.26	$ 10.55	$ 9.90	$ 9.96
Ratios and supplemental data:					
Per share market value at end of period	$ 16.59	$ 14.42	$ 14.02	$ 11.05	$ 13.12
Total return [(3)]	25.62 %	14.31 %	39.36 %	(7.56 %)	1.47 %
Shares outstanding at end of period	116,619	114,726	107,364	96,501	84,424
Weighted average number of common shares outstanding	114,742	111,985	101,132	90,929	82,519
Net assets at end of period	$ 1,308,547	$ 1,291,704	$ 1,133,049	$ 955,444	$ 840,967
Ratio of total expense to average net assets [(4)]	9.86 %	11.30 %	11.95 %	10.73 %	11.37 %
Ratio of net investment income before investment gains and losses to average net assets [(4)]	11.28 %	13.64 %	13.74 %	11.78 %	11.61 %
Portfolio turnover rate [(5)]	51.58 %	32.38 %	31.30 %	38.76 %	49.03 %
Weighted average debt outstanding	$ 1,248,177	$ 1,309,903	$ 1,177,379	$ 826,931	$ 784,455
Weighted average debt per common share	$ 10.88	$ 11.70	$ 11.64	$ 9.09	$ 9.51

(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, 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 years ended December 31, 2021, 2020, 2019, 2018, and 2017 equals to 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) The ratios are calculated based on weighted average net assets for the relevant period and are annualized.

(5) The portfolio turnover rate for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 equals to 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.

11. Commitments and Contingencies

The Company's commitments and contingencies consist primarily of unfunded commitments to extend credit in the form of loans to the Company's portfolio companies. A portion of these unfunded contractual commitments as of December 31, 2021 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, the Company's credit agreements with its portfolio companies generally contain customary lending provisions which allow the Company relief from funding obligations for previously made unfunded commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the portfolio 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 future or unachieved milestones.

As of December 31, 2021 and December 31, 2020, the Company had approximately $286.8 million and $179.8 million, respectively, of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by future or unachieved milestones. These amounts also exclude unfunded commitments related to the portion of portfolio company investments assigned to or directly committed by the Adviser Funds as described in "Note -13 Related Party Transactions".

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 December 31, 2021 and December 31, 2020, the Company's unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones were as follows:

(in thousands)	Unfunded Commitments [(1)] as of	
Portfolio Company	December 31, 2021	December 31, 2020
Debt Investments:		
Phathom Pharmaceuticals, Inc.	$ 43,250	$ —
Skydio, Inc.	37,500	—
Syndax Pharmaceutics Inc.	30,000	—
Blue Spring Peditrics, Inc.	30,000	—
Brain Corporation	20,000	—
G1 Therapeutics, Inc.	19,375	10,000
Dashlane, Inc.	19,300	10,000
Equality Health, LLC	17,500	—
RVShare, LLC	13,500	—
Carbon Health Technologies, Inc.	11,625	—
Bicycle Therapeutics PLC	10,000	15,000
Demandbase, Inc.	9,375	—
Better Therapeutics, Inc.	4,000	—
Ceros, LLC	3,845	—
Yipit, LLC	2,250	425
Logicworks	2,000	2,000
Khoros (p.k.a Lithium Technologies)	1,812	—
ThreatConnect, Inc.	1,600	1,800
3GTMS, LLC.	1,583	5,036
Ikon Science Limited	1,050	1,050
Agilence, Inc.	800	—
Cybermaxx Intermediate Holdings, Inc.	471	—
Enmark Systems	457	—
Mobile Solutions Services	424	848
ShadowDragon, LLC	333	—
Gryphon Networks Corp.	268	—
ePayPolicy Holdings, LLC	250	250
Cytracom Holdings LLC	225	250
Pineapple Energy LLC	120	—
SingleStore, Inc. (p.k.a. memsql, Inc.)	—	25,000
Udacity, Inc.	—	15,000
Pollen, Inc.	—	13,000
Clarabridge, Inc.	—	7,500
Axsome Therapeutics, Inc.	—	10,000
Geron Corporation	—	6,500
Varsity Tutors LLC	—	5,210
CloudBolt Software Inc.	—	5,000
Nuvolo Technologies Corporation	—	5,000
Reltio, Inc.	—	5,000
Optimizely Mergerco, Inc.	—	2,500
Codiak Biosciences, Inc.	—	20,000
Businessolver.com, Inc.	—	6,375
The CM Group LLC	—	750
Velocity Clinical Research, Inc.	—	750
Total Unfunded Debt Commitments:	282,913	174,244
Investment Funds & Vehicles:		
Forbion Growth Opportunities Fund I C.V.	3,839	5,527
Total Unfunded Commitments in Investment Funds & Vehicles:	3,839	5,527
Total Unfunded Commitments	$ 286,752	$ 179,771

(1) For debt investments, amounts represent 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. This amount also excludes $34.9 million of unfunded commitments as of December 31, 2021, to portfolio companies related to loans assigned to or directly committed by the Adviser Funds as described in "Note -13 Related Party Transactions". There were no unfunded commitments related to the Adviser Funds as of December 31, 2020. For investment funds and vehicles, amount represents uncalled capital commitments in a private equity fund.

The following table provides additional information on the Company's unencumbered unfunded commitments regarding milestones, expirations and type:

(in thousands)	December 31, 2021	December 31, 2020
Unfunded Debt Commitments:		
Expiring during:		
2022	$ 199,681	$ 129,710
2023	43,675	15,000
2024	25,800	6,375
2025	2,232	14,892
2026	11,525	8,267
Total Unfunded Debt Commitments	282,913	174,244
Unfunded Commitments in Investment Funds & Vehicles:		
Expiring during:		
2030	3,839	5,527
Total Unfunded Commitments in Investment Funds & Vehicles	3,839	5,527
Total Unfunded Commitments	$ 286,752	$ 179,771

The following tables provide the Company's contractual obligations as of December 31, 2021 and December 31, 2020 include:

As of December 31, 2021:	Payments due by period (in thousands)				
Contractual Obligations (1)	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Debt (2)(3)	$ 1,250,425	$ 380,000	$ 105,000	$ 574,925	$ 190,500
Lease and License Obligations (4)	8,283	3,120	2,958	1,427	778
Total	$ 1,258,708	$ 383,120	$ 107,958	$ 576,352	$ 191,278

As of December 31, 2020:	Payments due by period (in thousands)				
Contractual Obligations (1)	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Debt (5)(3)	$ 1,299,988	$ 25,000	$ 454,000	$ 300,000	$ 520,988
Lease and License Obligations (4)	10,581	3,031	5,345	1,427	778
Total	$ 1,310,569	$ 28,031	$ 459,345	$ 301,427	$ 521,766

(1) Excludes commitments to extend credit to the Company's portfolio companies and uncalled capital commitments in an investment fund.
(2) Includes $150.5 million in principal outstanding under the SBA Debentures, $150.0 million of the 2022 Notes, $105.0 million of the July 2024 Notes, $50.0 million of the February 2025 Notes, $70.0 million of the June 2025 Notes, $50.0 million of the March 2026 A Notes, $50.0 million of the March 2026 B Notes, $40.0 million of the 2033 Notes, $325.0 million of the September 2026 Notes, and $230.0 million of the 2022 Convertible Notes as of December 31, 2021. There was $29.9 million outstanding under the SMBC Facility and no amounts outstanding under the Union Facility as of December 31, 2021.
(3) Amounts represent future principal repayments and not the carrying value of each liability. See "Note 5 – Debt".
(4) Facility leases and licenses including short-term leases.
(5) Includes $99.0 million in principal outstanding under the SBA Debentures, $150.0 million of the 2022 Notes, $105.0 million of the July 2024 Notes, $50.0 million of the February 2025 Notes, $75.0 million of the April 2025 Notes, $70.0 million of the June 2025 Notes, $50.0 million of the March 2026 A Notes, $40.0 million of the 2033 Notes, $181.0 million of the 2027 Asset-Backed Notes, $250.0 million of the 2028 Asset-Backed Notes, and $230.0 million of the 2022 Convertible Notes as of December 31, 2020. There was no outstanding debt under the Wells Facility and Union Facility as of December 31, 2020.

Certain premises are leased or licensed under agreements which expire at various dates through December 2028. Total rent expense, including short-term leases, amounted to approximately $3.1 million, $3.1 million, and $2.7 million, during the years ended December 31, 2021, 2020, and 2019, respectively. The Company recognizes an operating lease liability and a ROU asset for all leases, with the exception of short-term leases. The lease payments on short-term leases are recognized as rent expense on a straight-line basis. The discount rate applied to measure each ROU asset and lease liability is based on the Company's incremental weighted average cost of debt. The Company considers the general economic environment and its credit rating and factors in various financing and asset specific adjustments to ensure the discount rate applied is appropriate to the intended use of the underlying lease. While some of the leases contained options to extend and terminate, it is not reasonably certain that either option will be utilized and therefore, only the payments in the initial term of the leases were included in the lease liability and ROU asset.

The following table sets forth information related to the measurement of the Company's operating lease liabilities and supplemental cash flow information related to operating leases as of December 31, 2021 and 2020:

(in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Total operating lease cost	$ 2,900	$ 2,951
Cash paid for amounts included in the measurement of lease liabilities	$ 2,322	$ 2,795
ROU assets obtained in exchange for lease liabilities	$ —	$ —

	As of December 31, 2021	As of December 31, 2020
Weighted-average remaining lease term (in years)	4.30	4.10
Weighted-average discount rate	4.81 %	5.44 %

The following table shows future minimum lease payments under the Company's operating leases and a reconciliation to the operating lease liability as of December 31, 2021:

(in thousands)	As of December 31, 2021
2022	$ 2,966
2023	2,305
2024	653
2025	693
Thereafter	1,512
Total lease payments	8,129
Less: imputed interest	(747)
Total operating lease liability	$ 7,382

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.

12. Indemnification

The Company has entered into indemnification agreements with its directors and executive officers. The indemnification agreements are intended to provide its directors and executive officers the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that the Company 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.

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

13. Related Party Transactions

As disclosed in "Note 2 - Summary of Significant Accounting Policies", the Adviser Subsidiary is accounted for as a portfolio investment of the Company held at fair value. Refer to "Note 4 – Investments" for information related to income, gains and losses recognized related to the Company's investment.

In March and July 2021, the Adviser Subsidiary entered into investment management agreements with its privately-offered Adviser Funds, and it receives management fees based on the assets under management of the Adviser Funds and may receive incentive fees based on the performance of the Adviser Funds. Additionally, the Company entered into a shared services agreement ("Sharing Agreement") with the Adviser Subsidiary, pursuant to which the Adviser Subsidiary utilizes human capital resources (including administrative functions) and other resources and infrastructure (including office space and technology) of the Company. Under the terms of the Sharing Agreement, the Company allocates the related expenses of shared services to the Adviser Subsidiary based on direct time spent, investment activity, and proportion of assets under management depending on the nature of the expense. The Company's total expenses for the year ended December 31, 2021 are net of expenses allocated to the Adviser Subsidiary of $5.0 million. As of December 31, 2021, the Adviser Subsidiary owed the Company $0.1 million related to expenses allocated to the Adviser Subsidiary. As of and for the year ended December 31, 2020, no amounts were due to or outstanding from the Adviser Subsidiary and the Company did not allocate any expenses to the Adviser Subsidiary.

In addition, the Company may from time-to-time make investments alongside the Adviser Funds or assign a portion of investments to the Adviser Funds in accordance with the Company's allocation policy. During the year ended December 31, 2021, $374.5 million of all investment commitments of the Company and the Adviser Subsidiary were assigned to or directly committed by the Adviser Funds. During the year ended December 31, 2021, fundings of $226.4 million were assigned to, directly originated, or funded by the Adviser Funds. The Company received $125.2 million from the Adviser Funds relating to the assigned investments during the year ended December 31, 2021. No investments were assigned to, directly originated, or funded by the Adviser Funds, nor were any amounts received in the year ended December 31, 2020.

14. Subsequent Events

Distribution Declaration

On February 16, 2022, the Board declared (i) a fourth quarter cash distribution of $0.33 per share and (ii) a supplemental cash distribution of $0.60 per share, to be paid in four quarterly distributions of $0.15 per share beginning with the fourth quarter of 2021 (the "$0.60 Supplemental Cash Distribution"). The fourth quarter cash distribution and the first quarterly distribution of the $0.60 Supplemental Cash Distribution (a total of $0.48 per share) will be paid on March 16, 2022 to stockholders of record as of March 9, 2022.

Previously on April 21, 2021, the Board declared a supplemental cash distribution of $0.28 per share, to be paid in four quarterly distributions of $0.07 per share beginning with the first quarter 2021 (the "$0.28 Supplemental Cash Distribution"). The $0.15 payable as the first quarterly distribution of the $0.60 Supplemental Cash Distribution includes $0.07 per share as the fourth and final distribution of the $0.28 Supplemental Cash Distribution. With the declaration of the first quarterly distribution of the $0.60 Supplemental Cash Distribution, the Board has declared all of the $0.28 Supplemental Cash Distribution.

Notes Issuance

On January 20, 2022, the Company issued $350.0 million in aggregate principal bearing interest of 3.375% due January 2027 (the "January 2027 Notes"). The Company used the proceeds to redeem the 2022 Convertible Notes and 2022 Notes in February 2022.

Note Redemptions

On February 1, 2022, the Company fully repaid the aggregate outstanding $230.0 million principal, $5.0 million of accrued interest and fees, and issued 981,169 shares related to noteholders who elected to convert pursuant to the redemption terms of the 2022 Convertible Notes indenture.

On January 21, 2022, the Company gave notice to the trustee of the 2022 Notes informing the noteholders of the Company's election to redeem the notes in accordance with the terms of the 2022 Notes indenture agreement. On February 22, 2022, pursuant to the redemption terms of the 2025 Notes indenture, the Company fully repaid the aggregate outstanding $150.0 million of principal and $2.3 million of accrued interest. In addition, the Company paid $3.3 million of prepayment premium fees, which together with the accelerated recognition of $0.3 million of debt issuance costs will be recognized as a realized loss on extinguishment of the debt.

Equity Offering

During January 2022, through its ATM program, the Company sold approximately 1.5 million shares of common stock for $25.8 million of net proceeds.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not Applicable.

Item 9A. ***Controls and Procedures***

1. Disclosure Controls and Procedures

The Company’s chief executive and chief financial officers, under the supervision and with the participation of the Company’s management, conducted an evaluation of the Company’s 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 Annual Report, the Company’s chief executive and chief financial officers have concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that the Company files or submits 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 the Company in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

2. Internal Control Over Financial Reporting

a. Management’s Annual Report on Internal Control over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over financial reporting is a process designed under the supervision of the Company’s principal executive and principal financial and accounting officer, approved and monitored by the Company’s Board, and implemented by management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

The Company’s internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company’s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company conducted an assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control— Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("the COSO Framework"). Based on this assessment, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company’s consolidated financial statements, as stated in their report, which is included in this Annual Report on Form 10K.

Changes in Internal Control over Financial Reporting in 2021

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

Item 9B. Other Information

The following tables are being provided to update, as of December 31, 2021, certain information in the Company's registration statement on Form N-2 (File No. 333-261732) filed with the SEC on December 17, 2021.

Fees and Expenses

The following table is intended to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. The footnotes to the fee table state which items are estimates. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Hercules Capital, Inc.

Stockholder Transaction Expenses (as a percentage of the public offering price):		
Sales load (as a percentage of offering price)[1]	— %	
Offering expenses	— %	[2]
Dividend reinvestment plan fees	— %	[3]
Total stockholder transaction expenses (as a percentage of the public offering price)	— %	[4]
Annual Expenses (as a percentage of net assets attributable to common stock):[5]		
Operating expenses	**5.11 %**	[6][7]
Interest and fees paid in connection with borrowed funds	**4.75 %**	[8]
Acquired fund fees and expenses	**0.01 %**	[10]
Total annual expenses	**9.87 %**	[9]

(1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement to the Prospectus will disclose the applicable sales load.
(2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement to this prospectus will disclose the estimated offering expenses.
(3) The expenses associated with the administration of our dividend reinvestment plan are included in "Operating expenses." We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see "Dividend Reinvestment Plan."
(4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
(5) "Net assets attributable to common stock" equals the weighted average net assets for the year ended December 31, 2021, which is approximately $1,329.2 million.
(6) "Operating expenses" represent our actual operating expenses incurred for the twelve months ended December 31, 2021.
(7) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.
(8) "Interest and fees paid in connection with borrowed funds" represent our interest, fees, and credit facility expenses incurred for the year ended December 31, 2021.
(9) "Total annual expenses" is the sum of "Operating expenses", "Interest and fees paid in connection with borrowed funds", and "Acquired fund fees and expenses". "Total annual expenses" is presented as a percentage of weighted average net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of our wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation.
(10) "Acquired fund fees and expenses" represent the estimated indirect expense incurred due to investments in other investment companies and private funds.

Senior Securities

Information about our senior securities is shown in the following table for the periods as of December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, and 2011 which is derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The "N/A" indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities [(1)]	Asset Coverage per Unit[(2)]	Average Market Value per Unit[(3)]
Securitized Credit Facility with Wells Fargo Capital Finance			
December 31, 2011	$ 10,186,830	$ 73,369	N/A
December 31, 2012[(7)]	—	—	N/A
December 31, 2013[(7)]	—	—	N/A
December 31, 2014[(7)]	—	—	N/A
December 31, 2015[(7)]	$ 50,000,000	$ 26,352	N/A
December 31, 2016[(7)]	$ 5,015,620	$ 290,234	N/A
December 31, 2017[(7)]	—	—	N/A
December 31, 2018	$ 13,106,582	$ 147,497	N/A
December 31, 2019[(7)]	—	—	N/A
December 31, 2020[(7)]	—	—	N/A
December 31, 2021[(7)]	—	—	N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2011[(7)]	—	—	N/A
December 31, 2012[(7)]	—	—	N/A
December 31, 2013[(7)]	—	—	N/A
December 31, 2014[(7)]	—	—	N/A
December 31, 2015[(7)]	—	—	N/A
December 31, 2016[(7)]	—	—	N/A
December 31, 2017[(7)]	—	—	N/A
December 31, 2018	$ 39,849,010	$ 48,513	N/A
December 31, 2019	$ 103,918,736	$ 23,423	N/A
December 31, 2020[(7)]	—	—	N/A
December 31, 2021[(7)]	—	—	N/A
Securitized Credit Facility with SMBC			
December 31, 2021	$ 29,924,726	$ 85,479	N/A
Small Business Administration Debentures (HT II)[(4)]			
December 31, 2011	$ 125,000,000	$ 5,979	N/A
December 31, 2012	$ 76,000,000	$ 14,786	N/A
December 31, 2013	$ 76,000,000	$ 16,075	N/A
December 31, 2014	$ 41,200,000	$ 31,535	N/A
December 31, 2015	$ 41,200,000	$ 31,981	N/A
December 31, 2016	$ 41,200,000	$ 35,333	N/A
December 31, 2017	$ 41,200,000	$ 39,814	N/A
December 31, 2018	—	—	N/A
Small Business Administration Debentures (HT III)[(5)]			
December 31, 2011	$ 100,000,000	$ 7,474	N/A
December 31, 2012	$ 149,000,000	$ 7,542	N/A
December 31, 2013	$ 149,000,000	$ 8,199	N/A
December 31, 2014	$ 149,000,000	$ 8,720	N/A
December 31, 2015	$ 149,000,000	$ 8,843	N/A
December 31, 2016	$ 149,000,000	$ 9,770	N/A
December 31, 2017	$ 149,000,000	$ 11,009	N/A
December 31, 2018	$ 149,000,000	$ 12,974	N/A
December 31, 2019	$ 149,000,000	$ 16,336	N/A
December 31, 2020	$ 99,000,000	$ 26,168	N/A
December 31, 2021	—	—	N/A
Small Business Administration Debentures (HC IV)[(6)]			
December 31, 2021	$ 150,500,000	$ 16,996	N/A
2016 Convertible Notes			
December 31, 2011	$ 75,000,000	$ 10,623	$ 885
December 31, 2012	$ 75,000,000	$ 15,731	$ 1,038
December 31, 2013	$ 75,000,000	$ 16,847	$ 1,403
December 31, 2014	$ 17,674,000	$ 74,905	$ 1,290
December 31, 2015	$ 17,604,000	$ 74,847	$ 1,110
December 31, 2016	—	—	N/A
April 2019 Notes			
December 31, 2012	$ 84,489,500	$ 13,300	$ 986
December 31, 2013	$ 84,489,500	$ 14,460	$ 1,021
December 31, 2014	$ 84,489,500	$ 15,377	$ 1,023
December 31, 2015	$ 64,489,500	$ 20,431	$ 1,017

December 31, 2016	$ 64,489,500	$ 22,573	$ 1,022
December 31, 2017	—	—	N/A
September 2019 Notes			
December 31, 2012	$ 85,875,000	$ 13,086	$ 1,003
December 31, 2013	$ 85,875,000	$ 14,227	$ 1,016
December 31, 2014	$ 85,875,000	$ 15,129	$ 1,026
December 31, 2015	$ 45,875,000	$ 28,722	$ 1,009
December 31, 2016	$ 45,875,000	$ 31,732	$ 1,023
December 31, 2017	—	—	N/A
2022 Notes			
December 31, 2017	$ 150,000,000	$ 10,935	$ 1,014
December 31, 2018	$ 150,000,000	$ 12,888	$ 976
December 31, 2019	$ 150,000,000	$ 16,227	$ 1,008
December 31, 2020	$ 150,000,000	$ 17,271	$ 1,017
December 31, 2021	$ 150,000,000	$ 17,053	$ 1,019
2024 Notes			
December 31, 2014	$ 103,000,000	$ 12,614	$ 1,010
December 31, 2015	$ 103,000,000	$ 12,792	$ 1,014
December 31, 2016	$ 252,873,175	$ 5,757	$ 1,016
December 31, 2017	$ 183,509,600	$ 8,939	$ 1,025
December 31, 2018	$ 83,509,600	$ 23,149	$ 1,011
December 31, 2019	—	—	N/A
2025 Notes			
December 31, 2018	$ 75,000,000	$ 25,776	$ 962
December 31, 2019	$ 75,000,000	$ 32,454	$ 1,032
December 31, 2020	$ 75,000,000	$ 34,541	$ 1,020
December 31, 2021	$ —	$ —	N/A
2033 Notes			
December 31, 2018	$ 40,000,000	$ 48,330	$ 934
December 31, 2019	$ 40,000,000	$ 60,851	$ 1,054
December 31, 2020	$ 40,000,000	$ 64,765	$ 1,072
December 31, 2021	$ 40,000,000	$ 63,948	$ 1,067
July 2024 Notes			
December 31, 2019	$ 105,000,000	$ 23,181	N/A
December 31, 2020	$ 105,000,000	$ 24,672	N/A
December 31, 2021	$ 105,000,000	$ 24,361	N/A
February 2025 Notes			
December 31, 2020	$ 50,000,000	$ 51,812	N/A
December 31, 2021	$ 50,000,000	$ 51,159	N/A
June 2025 Notes			
December 31, 2020	$ 70,000,000	$ 37,009	N/A
December 31, 2021	$ 70,000,000	$ 36,542	N/A
March 2026 A Notes			
December 31, 2020	$ 50,000,000	$ 51,812	N/A
December 31, 2021	$ 50,000,000	$ 51,159	N/A
March 2026 B Notes			
December 31, 2021	$ 50,000,000	$ 51,159	N/A
September 2026 Notes			
December 31, 2021	$ 325,000,000	$ 7,871	N/A
2017 Asset-Backed Notes			
December 31, 2012	$ 129,300,000	$ 8,691	$ 1,000
December 31, 2013	$ 89,556,972	$ 13,642	$ 1,004
December 31, 2014	$ 16,049,144	$ 80,953	$ 1,375
December 31, 2015	—	—	N/A
2021 Asset-Backed Notes			
December 31, 2014	$ 129,300,000	$ 10,048	$ 1,000
December 31, 2015	$ 129,300,000	$ 10,190	$ 996
December 31, 2016	$ 109,205,263	$ 13,330	$ 1,002
December 31, 2017	$ 49,152,504	$ 33,372	$ 1,001
December 31, 2018	—	—	N/A
2027 Asset-Backed Notes			
December 31, 2018	$ 200,000,000	$ 9,666	$ 1,006
December 31, 2019	$ 200,000,000	$ 12,170	$ 1,004
December 31, 2020	$ 180,988,022	$ 14,314	$ 1,001
December 31, 2021	$ —	$ —	N/A
2028 Asset-Backed Notes			
December 31, 2019	$ 250,000,000	$ 9,736	$ 1,004
December 31, 2020	$ 250,000,000	$ 10,362	$ 1,002
December 31, 2021	$ —	$ —	N/A
2022 Convertible Notes			
December 31, 2017	$ 230,000,000	$ 7,132	$ 1,028
December 31, 2018	$ 230,000,000	$ 8,405	$ 946
December 31, 2019	$ 230,000,000	$ 10,583	$ 1,021
December 31, 2020	$ 230,000,000	$ 11,264	$ 1,027

December 31, 2021	$ 230,000,000	$ 11,121	$ 1,026
Total Senior Securities[(8)]			
December 31, 2011	$ 310,186,830	$ 2,409	N/A
December 31, 2012	$ 599,664,500	$ 1,874	N/A
December 31, 2013	$ 559,921,472	$ 2,182	N/A
December 31, 2014	$ 626,587,644	$ 2,073	N/A
December 31, 2015	$ 600,468,500	$ 2,194	N/A
December 31, 2016	$ 667,658,558	$ 2,180	N/A
December 31, 2017	$ 802,862,104	$ 2,043	N/A
December 31, 2018	$ 980,465,192	$ 1,972	N/A
December 31, 2019	$ 1,302,918,736	$ 1,868	N/A
December 31, 2020	$ 1,299,988,022	$ 1,993	N/A
December 31, 2021	$ 1,250,424,726	$ 2,046	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, including senior securities not subject to asset coverage requirements under the 1940 Act due to exemptive relief from the SEC, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage per Unit.

(3) Not applicable because senior securities are not registered for public trading.

(4) Issued by Hercules Technology II, L.P. ("HT II"), one of our prior SBIC subsidiaries, to the Small Business Association ("SBA"). 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. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.

(5) Issued by HT III, one of our prior SBIC subsidiaries, to the SBA. On May 5, 2021, we completed repayment of the remaining outstanding HT III debentures and subsequently surrendered the SBA license with respect to HT III. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.

(6) Issued by HC IV, one of our SBIC subsidiaries, to the SBA. These categories of senior securities are not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC.

(7) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.

(8) The total senior securities and Asset Coverage per Unit shown for those securities do not represent the asset coverage ratio requirement under the 1940 Act, because the presentation includes senior securities not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC. As of December 31, 2021, our asset coverage ratio under our regulatory requirements as a business development company was 218.9% excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information in response to this Item is incorporated herein by reference to the information provided in the Company's definitive Proxy Statement for the Company's 2022 Annual Meeting of Stockholders, or the 2022 Proxy Statement, to be filed with the SEC pursuant to Regulation 14A under the Exchange Act under the headings "Proposal I: Election Of Directors," "Information About Executive Officers Who Are Not Directors" and "Certain Relationships And Transactions."

The Company has adopted a code of business conduct and ethics that applies to directors, officers and employees. The code of business conduct and ethics is available on the Company's website at http//www.htgc.com. The Company will report any amendments to or waivers of a required provision of the code of business conduct and ethics on the Company's website or in a Form 8-K.

Item 11. ***Executive Compensation***

The information with respect to compensation of executives and directors is contained under the caption "Executive Compensation" in the Company's 2022 Proxy Statement and is incorporated in this Annual Report by reference in response to this item.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information with respect to security ownership of certain beneficial owners and management is contained under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation" in the Company's 2022 Proxy Statement and is incorporated in this Annual Report by reference in response to this item.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

The information with respect to certain relationships and related transactions is contained under the caption "Certain Relationships and Transactions" and the caption "Proposal I: Election of Directors" in the Company's 2022 Proxy Statement and is incorporated in this Annual Report by reference in response to this item.

Item 14. ***Principal Accountant Fees and Services***

The information with respect to principal accountant fees and services is contained under the captions "Principal Accountant Fees and Services" and "Proposal III: Ratification of Selection of Independent Registered Public Accountants" in the Company's 2022 Proxy Statement and is incorporated in this Annual Report by reference to this item.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

1. Financial Statements

The following financial statements of the "Company" are filed herewith:

2. The following financial statement schedule is filed herewith:

3. Exhibits required to be filed by Item 601 of Regulation S-K.

Item 16. *Form 10-K Summary*

Not applicable.

Schedule 12-14

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES
As of and for the year ended December 31, 2021
(in thousands)

Portfolio Company	Investment [1]	Amount of Interest and Fees Credited to Income [2]	Realized Gain (Loss)	Fair Value as of December 31, 2020	Gross Additions [3]	Gross Reductions [4]	Net Change in Unrealized Appreciation/ (Depreciation)	Fair Value as of December 31, 2021
Control Investments								
Majority Owned Control Investments								
Coronado Aesthetics, LLC [11]	Preferred Stock	$ —	$ —	$ —	$ 250	—	$ 250	$ 500
	Common Stock	—	—	—	—	—	65	65
Gibraltar Business Capital, LLC [5]	Unsecured Debt	3,232	—	14,970	9,646	—	(1,404)	23,212
	Preferred Stock	—	—	31,554	—	—	(12,161)	19,393
	Common Stock	—	—	2,276	—	—	(1,051)	1,225
Hercules Adviser LLC [6]	Unsecured Debt	141	—	—	8,850	—	—	8,850
	Member Units	—	—	—	35	—	11,955	11,990
Total Majority Owned Control Investments		$ 3,373	$ —	$ 48,800	$ 18,781	$ —	$ (2,346)	$ 65,235
Other Control Investments								
Tectura Corporation[7]	Senior Debt	$ 695	$ —	$ 8,600	$ —	$ —	$ (331)	$ 8,269
	Preferred Stock	—	—	—	—	—	—	—
	Common Stock	—	—	—	—	—	—	—
Total Other Control Investments		$ 695	$ —	$ 8,600	$ —	$ —	$ (331)	$ 8,269
Total Control Investments		$ 4,068	$ —	$ 57,400	$ 18,781	$ —	$ (2,677)	$ 73,504
Affiliate Investments								
Black Crow AI, Inc. [8]	Preferred Stock	$ —	$ —	$ —	$ 1,000	$ —	$ 120	$ 1,120
	Convertible Debt	—	—	—	2,208	(3,993)	1,785	—
Pineapple Energy LLC [9]	Senior Debt	10	—	7,500	280	—	(33)	7,747
	Common Stock	—	—	840	—	—	(249)	591
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) [10]	Senior Debt	—	(641)	—	—	(681)	681	—
	Common Stock	—	(61,502)	—	—	(61,502)	61,502	—
Total Affiliate Investments		$ 10	$ (62,143)	$ 8,340	$ 3,488	$ (66,176)	$ 63,806	$ 9,458
Total Control and Affiliate Investments		$ 4,078	$ (62,143)	$ 65,740	$ 22,269	$ (66,176)	$ 61,129	$ 82,962

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

(2) Represents the total amount of interest, fees, 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, 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.

(6) Hercules Adviser LLC is a wholly owned subsidiary providing investment management and other services to the Adviser Funds and other External Parties.

(7) 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.

(8) As of March 23, 2021, the Company's investments in Black Crow AI, Inc. became classified as an affiliate investment as a result of obtaining more than 5% but less than 25% of the voting securities of the portfolio company.

(9) As of December 11, 2020, the Company's investment in Pineapple Energy LLC became classified as an affiliate investment as a result of obtaining more than 5% but less than 25% of the voting securities of the portfolio company.

(10) As of June 30, 2021, the Company's investments in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) were written off for a realized loss.

(11) As of December 31, 2021, the Company's investment in Coronado Aesthetics, LLC became classified as a control investment as a result of obtaining more than 25% of the voting securities of the portfolio company.

As of and for the year ended December 31, 2020
(in thousands)

Portfolio Company	Investment [1]	Amount of Interest Credited to Income [2]	Realized Gain (Loss)	Fair Value as of December 31, 2019	Gross Additions [3]	Gross Reductions [4]	Net Change in Unrealized Appreciation/ (Depreciation)	Fair Value as of December 31, 2020
Control Investments								
Majority Owned Control Investments								
Gibraltar Business Capital, LLC [5]	Unsecured Debt	$ 2,249	$ —	$ 14,780	$ 59	$ —	$ 131	$ 14,970
	Preferred Stock	—	—	33,000	—	—	(1,446)	31,554
	Common Stock	—	—	2,380	—	—	(104)	2,276
Total Majority Owned Control Investments		$ 2,249	$ —	$ 50,160	$ 59	$ —	$ (1,419)	$ 48,800
Other Control Investments								
Tectura Corporation [6]	Senior Debt	$ 608	$ —	$ 9,586	$ —	$ (134)	$ (852)	$ 8,600
	Preferred Stock	—	—	—	—	—	—	—
	Common Stock	—	—	—	—	—	—	—
Total Other Control Investments		$ 608	$ —	$ 9,586	$ —	$ (134)	$ (852)	$ 8,600
Total Control Investments		$ 2,857	$ —	$ 59,746	$ 59	$ (134)	$ (2,271)	$ 57,400
Affiliate Investments								
Optiscan BioMedical, Corp. [7]	Convertible Debt	$ 13	$ (421)	$ —	$ 408	$ (408)	$ —	$ —
	Preferred Warrants	—	(573)	209	—	(573)	364	—
	Preferred Stock	—	(13,152)	8,984	—	(13,152)	4,168	—
Pineapple Energy LLC [8]	Senior Debt	—	—	—	7,500	—	—	7,500
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) [9]	Common Stock	—	—	—	4,767	—	(3,927)	840
	Senior Debt	520	(3)	12,615	—	(12,269)	(346)	—
	Common Stock	—	—	—	—	—	—	—
Total Affiliate Investments		$ 533	$ (14,149)	$ 21,808	$ 12,675	$ (26,402)	$ 259	$ 8,340
Total Control and Affiliate Investments		$ 3,390	$ (14,149)	$ 81,554	$ 12,734	$ (26,536)	$ (2,012)	$ 65,740

(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, 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.

(6) 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.

(7) As of December 31, 2020, the Company’s investments in Optiscan BioMedical, Corp. were deemed wholly worthless and written off for a realized loss.

(8) As of December 11, 2020, the Company’s investment in Pineapple Energy LLC became classified as an affiliate investment as a result of obtaining more than 5% but less than 25% of the voting securities of the portfolio company.

(9) 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.

HERCULES CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES
As of and for the year ended December 31, 2021

(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							
Coronado Aesthetics, LLC	Medical Devices & Equipment	Preferred Series A Equity			5,000,000	$ 250	$ 500
	Medical Devices & Equipment	Common Stock			180,000	—	65
Total Coronado Aesthetics, LLC						$ 250	$ 565
Gibraltar Business Capital, LLC	Diversified Financial Services	Unsecured Debt	September 2026	Interest rate FIXED 14.50%	$ 15,000	14,662	13,818
	Diversified Financial Services	Unsecured Debt	September 2026	Interest rate FIXED 11.50%	$ 10,000	9,823	9,394
	Diversified Financial Services	Preferred Series A Equity			10,602,752	26,122	19,393
	Diversified Financial Services	Common Stock			830,000	1,884	1,225
Total Gibraltar Business Capital, LLC						$ 52,491	$ 43,830
Hercules Adviser LLC	Diversified Financial Services	Unsecured Debt	May 2023	Interest rate FIXED 5.00%	$ 8,850	8,850	8,850
	Diversified Financial Services	Member Units			1	35	11,990
Total Hercules Adviser LLC						$ 8,885	$ 20,840
Total Majority Owned Control Investments (4.99%)*						$ 61,626	$ 65,235
Other Control Investments							
Tectura Corporation	Internet Consumer & Business Services	Senior Secured Debt	July 2024	PIK Interest 5.00%	$ 10,680	$ 240	$ —
	Internet Consumer & Business Services	Senior Secured Debt	July 2024	Interest rate FIXED 8.25%	$ 8,250	8,250	8,250
	Internet Consumer & Business Services	Senior Secured Debt	July 2024	PIK Interest 5.00%	$ 13,023	13,023	19
	Internet Consumer & Business Services	Preferred Series BB Equity			1,000,000	—	—
	Internet Consumer & Business Services	Common Stock			414,994,863	900	—
Total Tectura Corporation						$ 22,413	$ 8,269
Total Other Control Investments (0.63%)*						$ 22,413	$ 8,269
Total Control Investments (5.62%)*						$ 84,039	$ 73,504
Affiliate Investments							
Black Crow AI, Inc.	Internet Consumer & Business Services	Preferred Series Seed			872,797	$ 1,000	$ 1,120
Pineapple Energy LLC	Sustainable and Renewable Technology	Senior Secured Debt	December 2023	PIK Interest 10.00%	$ 7,500	$ 7,500	$ 7,500
	Sustainable and Renewable Technology	Senior Secured Debt	January 2022	Interest rate FIXED 10.00%	$ 280	280	247
	Sustainable and Renewable Technology	Common Stock			3,000,000	4,767	591
Total Pineapple Energy LLC						$ 12,547	$ 8,338
Total Affiliate Investments (0.72%)*						$ 13,547	$ 9,458
Total Control and Affiliate Investments (6.34%)*						$ 97,586	$ 82,962

* 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.

As of and for the year ended December 31, 2020
(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	$ 14,838	$ 14,970
	Diversified Financial Services	Preferred Series A Equity			10,602,752	26,122	31,554
	Diversified Financial Services	Common Stock			830,000	1,884	2,276
Total Gibraltar Business Capital, LLC						$ 42,844	$ 48,800
Total Majority Owned Control Investments (3.78%)*						$ 42,844	$ 48,800
Other Control Investments							
Tectura Corporation	Internet Consumer & Business Services	Senior Secured Debt	March 2021	PIK Interest 5.00%	$ 10,680	$ 240	$ —
	Internet Consumer & Business Services	Senior Secured Debt	March 2021	Interest rate FIXED 8.25%	$ 8,250	8,250	8,250
	Internet Consumer & Business Services	Senior Secured Debt	March 2021	PIK Interest 5.00%	$ 13,023	13,023	350
	Internet Consumer & Business Services	Preferred Series BB Equity			1,000,000	—	—
	Internet Consumer & Business Services	Common Stock			414,994,863	900	—
Total Tectura Corporation						$ 22,413	$ 8,600
Total Other Control Investments (0.67%)*						$ 22,413	$ 8,600
Total Control Investments (4.44%)*						**$ 65,257**	**$ 57,400**
Affiliate Investments							
Pineapple Energy LLC	Sustainable and Renewable Technology	Senior Secured Debt	December 2023	PIK Interest 10.00%	$ 7,500	$ 7,500	$ 7,500
	Sustainable and Renewable Technology	Common Stock			17,647	4,767	840
Total Pineapple Energy LLC						$ 12,267	$ 8,340
Solar Spectrum Holdings LLC, (p.k.a. Sungevity, Inc.)	Sustainable and Renewable Technology	Senior Secured Debt	January 2021	PIK Interest 10.00%	$ 681	$ 681	—
	Sustainable and Renewable Technology	Common Stock			488	61,502	—
	Sustainable and Renewable Technology	Class A Warrants			0.69	—	—
Total Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)						$ 62,183	$ —
Total Affiliate Investments (0.65%)*						**$ 74,450**	**$ 8,340**
Total Control and Affiliate Investments (5.09%)*						**$ 139,707**	**$ 65,740**

* 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.

3. Exhibits

Please note that the agreements included as exhibits to this Form 10-K are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Number	Description
3(a)	Articles of Amendment and Restatement.[2]
3(b)	Articles of Amendment, dated March 6, 2007.[4]
3(c)	Articles of Amendment, dated April 5, 2011.[9]
3(d)	Articles of Amendment, dated April 3, 2015.[14]
3(e)	Articles of Amendment, dated February 23, 2016.[17]
3(f)	Amended and Restated Bylaws of Hercules Capital, Inc.[17]
4(a)	Specimen certificate of the Company's common stock, par value $.001 per share. [1]
4(b)	Form of Dividend Reinvestment Plan.[28]
4(c)	Indenture, dated March 6, 2012 between the Registrant and U.S. Bank National Association.[10]
4(d)	First Supplemental Indenture, dated April 17, 2012 between the Registrant and U.S. Bank, National Association.[10]
4(e)	Second Supplemental Indenture, dated as of September 24, 2012, between the Registrant and U.S. Bank, National Association.[11]
4(f)	Third Supplemental Indenture, dated as of July 14, 2014, between the Registrant and U.S. Bank, National Association.[12]
4(g)	Form of 6.25% Note due 2024, dated as of July 14, 2014 (July 2024 Note) (included as part of Exhibit 4(f).[12]
4(h)	Form of 6.25% Note due 2024, dated as of August 11, 2014 (Over-Allotment July 2024 Note).[13]
4(i)	Form of 6.25% Note due 2024, dated as of May 2, 2016 (Additional July 2024 Note).[20]
4(j)	Form of 6.25% Note due 2024, dated as of June 27, 2016 (Additional July 2024 Note).[21]
4(k)	Form of 6.25% Note due 2024, dated as of July 5, 2016 (Additional July 2024 Note).[22]
4(l)	Form of 6.25% Note due 2024, dated as of October 11, 2016 (Additional July 2024 Note).[24]
4(m)	Indenture, dated January 25, 2017, between Hercules Capital, Inc. and U.S. Bank National Association, as Trustee.[25]
4(n)	Form of 4.375% Convertible Senior Note Due 2022, dated as of January 25, 2017 (included as part of Exhibit 4(m)).[25]
4(o)	Statement of Eligibility of Trustee on Form T-1.[30]
4(p)	Fourth Supplemental Indenture, dated as of October 23, 2017, between the Registrant and U.S. Bank National Association.[31]
4(q)	Form of 4.625% Note due 2022, dated as of October 23, 2017 (included as part of Exhibit 4(p)).[31]
4(r)	Fifth Supplemental Indenture, dated as of April 26, 2018, between the Registrant and U.S. Bank National Association.[34]
4(s)	Form of 5.25% Note due 2025, dated as of April 23, 2018 (included as part of Exhibit 4(r)).[34]
4(t)	Sixth Supplemental Indenture, dated as of September 24, 2018, between the Registrant and U.S. Bank National Association.[37]
4(u)	Form of 6.25% Note due 2033, dated September 24, 2018 (included as part of Exhibit 4(t)).[37]

4(v)	Seventh Supplemental Indenture, dated as of September 16, 2021, between the Registrant and U.S. Bank, National Association.[55]
4(w)	Form of 2.625% Note due 2026, dated September 16, 2021 (included as part of Exhibit 4).[55]
4(x)	Indenture, dated as of November 1, 2018, between Hercules Capital Funding Trust 2018-1, as Issuer, and U.S. Bank National Association, as Trustee.[39]
4(y)	Amended and Restated Trust Agreement, dated as of November 1, 2018, between Hercules Capital Funding 2018-1 LLC, as Trust Depositor, and Wilmington Trust, National Association, as Owner Trustee.[39]
4(z)	Indenture, dated as of January 22, 2019, between Hercules Capital Funding Trust 2019-1, as Issuer, and U.S. Bank National Association, as Trustee.[41]
4(aa)	Amended and Restated Trust Agreement, dated as of January 22, 2019, between Hercules Capital Funding 2019-1 LLC, as Trust Depositor, and Wilmington Trust, National Association, as Owner Trustee.[41]
4(ab)*	Description of the Registrant's Securities.
10(a)	Hercules Capital, Inc. Amended and Restated 2004 Equity Incentive Plan.[6]
10(b)	Hercules Technology Growth Capital, Inc. 2006 Non-Employee Director Plan (2007 Amendment and Restatement).[7]
10(c)	Form of Custodian Agreement between the Company and Union Bank of California, N.A.[2]
10(d)	Form of Restricted Stock Unit Award Agreement.[6]
10(e)	Form of Incentive Stock Option Award under the 2004 Equity Incentive Plan.[2]
10(f)	Form of Nonstatutory Stock Option Award under the 2004 Equity Incentive Plan.[2]
10(g)	Form of Transfer Agency and Registrar Services Agreement between the Company and American Stock Transfer & Trust Company.[2]
10(h)	Warrant Agreement dated as of June 22, 2004, between the Company and American Stock Transfer & Trust Company, as warrant agent.[5]
10(i)	Lease Agreement, dated as of June 13, 2006, between the Company and 400 Hamilton Associates.[3]
10(j)	Form of SBA Debenture.[8]
10(k)	Form of Amended and Restated Indemnification Agreement.[27]
10(l)	Amended and Restated Loan and Security Agreement by and among Hercules Funding II, LLC, the Lenders thereto and Wells Fargo Capital Finance, LLC, dated as of June 29, 2015.[15]
10(m)	Amended and Restated Sales and Servicing Agreement among Hercules Funding II, LLC, Hercules Technology Growth Capital, Inc. and Wells Fargo Capital Finance, LLC, dated as of June 29, 2015.[15]
10(n)	First Amendment to Amended and Restated Loan and Security Agreement by and among Hercules Funding II LLC and Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), dated as of December 16, 2015.[16]
10(o)	Second Amendment to Amended and Restated Loan and Security Agreement by and among Hercules Funding II LLC and Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), dated as of March 8, 2016.[26]
10(p)	Third Amendment to Amended and Restated Loan and Security Agreement by and among Hercules Funding II LLC and Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), dated as of April 7, 2016.[18]
10(q)	Fourth Amendment to Amended and Restated Loan and Security Agreement by and among Hercules Funding II LLC and Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), dated as of April 3, 2017.[29]

10(r)	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.[38]
10(s)	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.[38]
10(t)	Seventh Amendment to the Amended and Restated Loan and Security Agreement, dated as of January 11, 2019, 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.[40]
10(u)	Loan and Security Agreement by and among Hercules Funding III, LLC, as borrower, MUFG Union Bank, N.A., as the arranger and administrative agent, and the lenders party thereto from time to time, dated as of May 5, 2016.[19]
10(v)	Sale and Servicing Agreement by and among Hercules Funding III LLC, as borrower, Hercules Capital, Inc., as originator and servicer, and MUFG Union Bank, N.A., as agent, dated as of May 5, 2016.[19]
10(w)	First Amendment to Loan and Security Agreement by and among Hercules Funding III LLC, as borrower, MUFG Union Bank, N.A., as the arranger and administrative agent, and the lenders party thereto from time to time, dated as of July 14, 2016.[23]
10(x)	Second Amendment to the Loan and Security Agreement, dated as of May 25, 2018, by and among Hercules Funding III, LLC, as borrower, MUFG Union Bank, N.A., as the arranger and administrative agent, and the lenders party thereto.[36]
10(y)	Form of Performance Restricted Stock Unit Award Agreement.[6]
10(z)	Retention Agreement, dated as of October 26, 2017, by and between Hercules Capital, Inc. and Manuel A. Henriquez.[32]
10(aa)	Retention Agreement, dated as of October 26, 2017, by and between Hercules Capital, Inc. and Scott Bluestein.[32]
10(bb)	Asset Purchase Agreement, dated as of November 1, 2017 by and between Ares Capital Corporation, a Maryland corporation and, together with each Seller Designee permitted pursuant to the Agreement, and Bearcub Acquisitions LLC, a Delaware limited liability company.[33]
10(cc)	Form of Retention Performance Stock Unit Award Agreement.[35]
10(dd)	Form of Cash Retention Bonus Award Agreement.[35]
10(ee)	Sale and Servicing Agreement, dated as of November 1, 2018, by and among Hercules Capital Funding Trust 2018-1, as Issuer, Hercules Capital, Inc., as Seller and Servicer, Hercules Capital Funding 2018-1 LLC, as Trust Depositor, and U.S. Bank National Association, as Trustee, Backup Servicer, Custodian and Paying Agent.[39]
10(ff)	Sale and Contribution Agreement, dated as of November 1, 2018, between Hercules Capital, Inc., as Seller, and Hercules Capital Funding 2018-1 LLC, as Trust Depositor.[39]
10(gg)	Note Purchase Agreement, dated as of October 25, 2018, by and among Hercules Capital, Inc., as Originator and Servicer, Hercules Capital Funding 2018-1 LLC, as Trust Depositor, Hercules Capital Funding Trust 2018-1, as Issuer, and Guggenheim Securities, LLC, as Initial Purchaser.[39]
10(hh)	Administration Agreement, dated November 1, 2018, by and among Hercules Capital, Inc., as Administrator, Hercules Capital Funding Trust 2018-1, as Issuer, Wilmington Trust, National Association, as Owner Trustee, and U.S. Bank National Association, as Trustee.[39]
10(ii)	Sale and Servicing Agreement, dated as of January 22, 2019, by and among Hercules Capital Funding Trust 2019-1, as Issuer, Hercules Capital, Inc., as Seller and Servicer, Hercules Capital Funding 2019-1 LLC, as Trust Depositor, and U.S. Bank National Association, as Trustee, Backup Servicer, Custodian and Paying Agent.[41]
10(jj)	Sale and Contribution Agreement, dated as of January 22, 2019, between Hercules Capital, Inc., as Seller, and Hercules Capital Funding 2019-1 LLC, as Trust Depositor.[41]
10(kk)	Note Purchase Agreement, dated as of January 14, 2019, by and among Hercules Capital, Inc., as Originator and Servicer, Hercules Capital Funding 2019-1 LLC, as Trust Depositor, Hercules Capital Funding Trust 2019-1, as Issuer, and Guggenheim Securities, LLC, as Initial Purchaser.[41]

10(ll)	Administration Agreement, dated January 22, 2019, by and among Hercules Capital, Inc., as Administrator, Hercules Capital Funding Trust 2019-1, as Issuer, Wilmington Trust, National Association, as Owner Trustee, and U.S. Bank National Association, as Trustee.[41]
10(mm)	Hercules Capital, Inc. Amended and Restated 2018 Equity Incentive Plan.[42]
10(nn)	Hercules Capital, Inc. 2018 Non-Employee Director Plan.[42]
10(oo)	Form of Restricted Stock Unit Award Agreement.[42]
10(pp)	Form of Restricted Stock Award Agreement (2018 Equity Incentive Plan).[42]
10(qq)	Form of Restricted Stock Award Agreement (Director Plan).[42]
10(rr)	Form of Nonstatutory Stock Option Award Agreement.[42]
10(ss)	Form of Incentive Stock Option Award Agreement.[42]
10(tt)	Underwriting Agreement, dated June 12, 2019, by and among Hercules Capital, Inc. and Morgan Stanley & Co. LLC, Wells Fargo Securities, LLC and Keefe, Bruyette & Woods, Inc., as representatives of the several underwriters named on Schedule I.[43]
10(uu)	First Amendment to the Loan and Security Agreement, dated as of June 28, 2019, by and among Hercules Funding IV LLC, as borrower, MUFG Union Bank, N.A., as the arranger and administrative agent, and the lenders party thereto from time to time.[44]
10(vv)	Eighth Amendment to Amended and Restated Loan and Security Agreement, dated as of July 2, 2019, by and among Hercules Funding II LLC, as borrower, 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.[44]
10(ww)	Intercreditor Agreement, dated as of July 2, 2019, by and among Wells Fargo Capital Finance, LLC, as arranger and administrative agent, MUFG Union Bank, N.A., as arranger and administrative agent, Hercules Funding II LLC, Hercules Funding IV LLC, Hercules Capital, Inc., and U.S. Bank National Association, as special servicer.[44]
10(xx)	Note Purchase Agreement, dated July 16, 2019, by and among Hercules Capital, Inc. and the Purchasers party thereto.[45]
10(yy)	Separation Agreement, dated as of July 13, 2019, by and between Hercules Capital, Inc. and Manuel Henriquez.[46]
10(zz)*	Custodial Agreement by and between Hercules Capital, Inc. and State Street Bank and Trust Company, dated as of November 9, 2021.
10(aaa)	Note Purchase Agreement, dated February 5, 2020, by and among Hercules Capital, Inc. and the Purchasers party thereto.[48]
10(bbb)	Loan and Security Agreement, dated February 20, 2020 by and among Hercules Funding IV LLC, as borrower, MUFG Union Bank, N.A., as the administrative agent, lender and swingline lender and the lenders part thereto from time to time.[49]
10(ccc)	Sale and Servicing Agreement, dated as of February 20, 2020, by and among Hercules Funding IV LLC, as borrower, Hercules Capital, Inc., as originator and servicer, and MUFG Union Bank, N.A., as agent.[49]
10(ddd)	Equity Distribution Agreement, dated July 2, 2020, between Hercules Capital, Inc. and JMP Securities, LLC.[51]
10(eee)	First Supplement to the Note Purchase Agreement, dated as of November 2, 2020, by and among Hercules Capital, Inc. and the Additional Purchasers party thereto.[52]
10(fff)	Revolving Credit Agreement, dated as of November 9, 2021, among Hercules Capital, Inc., the lenders and using bank from time to time party thereto and Sumitomo Mitsui Banking Corporation, as administrative agent.[54]
10(ggg)	Custodial Agreement by and between Hercules Growth Capital, Inc. and Wells Fargo Bank, National Association, dated as of July 29, 2015.[53]
10(hhh)	Custodial Agreement by and between Hercules Funding IV LLC and Wells Fargo Bank, National Associated, dated as of April 23, 2021.[53]
10(iii)	Safekeeping Custody Agreement between Hercules Funding IV LLC and City National Bank, a National Banking Association dated as of June 23, 2021.[53]
14.1*	Code of Ethics.
14.2*	Code of Business Conduct and Ethics.

21.1*	List of Subsidiaries.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), as amended.
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), as amended.

(1) Previously filed as part of Pre-Effective Amendment No. 2, as filed on June 8, 2005 (File No. 333-122950), to the Registration Statement on Form N-2 of the Company.
(2) Previously filed as part of Pre-Effective Amendment No. 1, as filed on May 17, 2005 (File No. 333-122950) to the Registration Statement on Form N-2 of the Company.
(3) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on August 1, 2006.
(4) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on March 9, 2007.
(5) Previously filed as part of the Registration Statement on Form N-2 of the Company, as filed on February 22, 2005.
(6) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on January 5, 2017.
(7) Previously filed as part of the Securities to be Offered to Employees in Employee Benefit Plans on Form S-8, as filed on October 2, 2007.
(8) Previously filed as part of the Annual Report on Form 10-K of the Company, as filed on March 16, 2009.
(9) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on April 11, 2011.
(10) Previously filed as part of Post-Effective Amendment No. 1, as filed on April 17, 2012 (File No. 333-179431), to the Registration Statement on Form N-2 of the Company.
(11) Previously filed as part of Post-Effective Amendment No. 5, as filed on September 24, 2012 (File No. 333-179431), to the Registration Statement on Form N-2 of the Company.
(12) Previously filed as part of Post-Effective Amendment No. 5, as filed on July 14, 2014 (File No. 333-187447), to the Registration Statement on Form N-2 of the Company.
(13) Previously filed as part of Post-Effective Amendment No. 6, as filed on August 11, 2014 (File No. 333-187447), to the Registration Statement on Form N-2 of the Company.
(14) Previously filed as part of the Registration Statement on Form N-2 of the Company, as filed on April 20, 2015 (File No. 333-203511)
(15) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on June 30, 2015.
(16) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on December 18, 2015.
(17) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on February 25, 2016.
(18) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on April 11, 2016.
(19) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on May 10, 2016.
(20) Previously filed as part of Post-Effective Amendment No. 3, as filed on May 2, 2016 (File No. 333-203511), to the Registration Statement on Form N-2 of the Company.
(21) Previously filed as part of Post-Effective Amendment No. 6, as filed on June 27, 2016 (File No. 333-203511), to the Registration Statement on Form N-2 of the Company.
(22) Previously filed as part of Post-Effective Amendment No. 7, as filed on July 5, 2016 (File No. 333-203511), to the Registration Statement on Form N-2 of the Company.
(23) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on July 19, 2016.
(24) Previously filed as part of the Post-Effective Amendment No. 10, as filed on October 14, 2016 (File No. 333-203511), to the Registration Statement on Form N-2 of the Company.
(25) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on January 25, 2017.
(26) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on March 8, 2016.
(27) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on July 22, 2016.
(28) Previously filed as part of Post-Effective Amendment No. 1, as filed on June 10, 2005 (File No. 333-122950) to the Registration Statement on Form N-2 of the Company.
(29) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on April 7, 2017.
(30) Previously filed as part of the of the Registration Statement on Form N-2 of the Company, as filed on April 29, 2019 (File No. 333-231089).
(31) Previously filed as part of the Post-Effective Amendment No. 2, as filed on October 25, 2017 (File No. 333-214767), to the Registration Statement on Form N-2 of the Company.
(32) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on October 26, 2017.
(33) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on November 2, 2017.
(34) Previously filed as part of Post-Effective Amendment No. 4, as filed on April 26, 2018 (File No. 333-214767), to the Registration Statement on Form N-2 of the Company.
(35) Previously filed as part of the Quarterly Report on Form 10-Q of the Company, as filed on May 3, 2018.
(36) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on June 1, 2018.
(37) 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.
(38) Previously filed as part of the Quarterly Report on Form 10-Q of the Company, as filed on November 1, 2018.

(39) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on November 2, 2018.
(40) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on January 17, 2019.
(41) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on January 22, 2019.
(42) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on January 31, 2019.
(43) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on June 18, 2019.
(44) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on July 3, 2019.
(45) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on July 16, 2019.
(46) Previously filed as part of the Quarterly Report on Form 10-Q of the Company, as filed on August 1, 2019.
(47) Previously filed as part of the Quarterly Report on Form 10-Q of the Company, as filed on October 30, 2019.
(48) Previously filed as part of the Quarterly Report on Form 8-K of the Company, as filed on February 6, 2020.
(49) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on February 20, 2020.
(50) Reserved.
(51) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on July 2, 2020.
(52) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on November 4, 2020.
(53) Previously filed as part of the Post-Effective Amendment No. 11, as filed on December 17, 2021 (File No. 333-261732), to the Registration Statement on Form N-2 of the Company.
(54) Previously filed as part of the Current Report on Form 8-K of the company, as filed on November 10,2021
(55) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on September 21, 2021.

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities 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.

Date: February 22, 2022

By: /S/ Scott Bluestein

Scott Bluestein

Chief Executive Officer and Chief Investment Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the following capacities on February 22, 2022.

Signature	Title	Date
/S/ Scott Bluestein **Scott Bluestein**	Director, President, Chief Executive Officer, and Chief Investment Officer (Principal Executive Officer)	February 22, 2022
/S/ Seth H. Meyer **Seth H. Meyer**	Chief Financial Officer, and Chief Accounting Officer (Principal Accounting and Financial Officer)	February 22, 2022
/S/ Robert P. Badavas **Robert P. Badavas**	Chairman of the Board	February 22, 2022
/S/ Thomas Fallon **Thomas Fallon**	Director	February 22, 2022
/S/ Joseph F. Hoffman **Joseph F. Hoffman**	Director	February 22, 2022
/S/ Brad Koenig **Brad Koenig**	Director	February 22, 2022
/S/ Doreen Woo Ho **Doreen Woo Ho**	Director	February 22, 2022
/S/ Wade Loo **Wade Loo**	Director	February 22, 2022
/S/ Gayle Crowell **Gayle Crowell**	Director	February 22, 2022
/S/ Pam Randhawa **Pam Randhawa**	Director	February 22, 2022

Exhibit 4(ab)

DESCRIPTION OF OUR SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES
EXCHANGE ACT OF 1934

As of December 31, 2021, Hercules Capital, Inc. ("we," "our," "Hercules," or the "Company") had the following three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) our common stock, par value $0.001 per share ("common stock"), (ii) and (iii) our 6.25% Notes due 2033 (the "2033 Notes" and, collectively with the April 2025 Notes, the "Debt Securities").

DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the Maryland General Corporation Law, as amended (the "MGCL"), and on our charter and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the MGCL and our charter and bylaws for a more detailed description of the provisions summarized below.

Common Stock

Under the terms of our charter, our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.001 per share. Under our charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to cause the issuance of such shares, without obtaining stockholder approval. In addition, as permitted by the MGCL, but subject to the Investment Company Act of 1940, as amended (the "1940 Act"), our charter provides that the Board of Directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

All shares of our common stock have equal rights as to earnings, assets, distributions and voting privileges, except as described below and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable.

Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of assets legally available therefor. Shares of our common stock have no conversion, exchange, preemptive or redemption rights. In the event of a liquidation, dissolution or winding up of Hercules each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

Preferred Stock

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest.

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our charter also provides that, to the maximum extent permitted by Maryland law, with the approval of our Board of Directors and provided that certain conditions described in our charter are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our charter. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our bylaws also provide that, to the maximum extent permitted by Maryland law, with the approval of our Board of Directors and provided that certain conditions described in our bylaws are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We currently have in effect a directors' and officers' insurance policy covering our directors and officers and us for any acts and omissions committed, attempted or allegedly committed by any director or officer during the policy period. The policy is subject to customary exclusions.

Provisions of the MGCL and Our Charter and Bylaws

The MGCL and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Classified Board of Directors

Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The terms of the first, second and third classes will expire at our annual meeting of stockholders in 2021, 2022 and 2023, respectively. Upon expiration of their current terms, directors of each class will be elected to serve until the third annual meeting following their election and until their respective successors are duly elected and qualify. Each year one class of directors will be elected by the stockholders. A classified board may render a change in control or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

Election of Directors

Our charter provides that, except as otherwise provided in the bylaws, the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect each director. Our bylaws currently provide that directors are elected by a plurality of the votes cast in the election of directors. Pursuant to our charter and bylaws, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal

Our charter provides that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than one nor, unless the bylaws are amended, more than 12. We have elected to be subject to the provision of Subtitle 8 of Title 3 of the MGCL regarding the filling of vacancies on the Board of Directors. Accordingly, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in the charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by Stockholders

Under the MGCL, stockholder action may be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the charter provides for stockholder action by less than unanimous written consent, which our charter does not). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who was a stockholder of record both at the time of giving of notice by the stockholder and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who was a stockholder of record both at the time of giving of notice by the stockholder and at the time of the special meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meeting of Stockholders

Our bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders shall be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 75% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 75% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such a matter. The "continuing directors" are defined in our charter as our current directors, as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our charter and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Control Share Act discussed below, as permitted by the MGCL, our charter provides that stockholders will not be entitled to exercise appraisal rights.

Control Share Acquisitions

The Maryland Control Share Acquisition Act (the "Control Share Act") provides that holders of control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Board of Directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock.

Business Combinations

Under the Maryland Business Combination Act (the “Business Combination Act”), “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation’s shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the Board of Directors approved in advance the transaction by which such stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the 5-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested stockholder. Our Board of Directors has adopted a resolution exempting any business combination between us and any other person from the provisions of the Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the MGCL, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

Regulatory Restrictions

Our wholly-owned subsidiaries, HT III and HC IV, have obtained SBIC licenses. The SBA prohibits, without prior SBA approval, a “change of control” or transfers which would result in any person (or group of persons acting in concert) owning 10% or more of any class of capital stock of a SBIC. A “change of control” is any event which would result in a transfer of the power, direct or indirect, to direct the management and policies of a SBIC, whether through ownership, contractual arrangements or otherwise.

DESCRIPTION OF OUR DEBT SECURITIES

6.25% Notes due 2033

On September 24, 2018, we issued $40.0 million in aggregate principal amount of the 2033 Notes. 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 are our direct unsecured obligations and rank pari passu, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by us.

We 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.

The 2033 Notes were issued pursuant to the Base Indenture, as supplemented by the Sixth Supplemental Indenture to the Base Indenture, dated September 24, 2018 (the “2033 Notes Indenture,” and together with the 2022 Notes Indenture, the “indenture”). As of December 31, 2019, the Company was in compliance with the terms of the 2033 Notes Indenture.

General

For purposes of this description, any reference to the payment of principal of or premium or interest, if any, on Debt Securities will include additional amounts if required by the terms of the Debt Securities.

The indenture does not limit the amount of Debt Securities that may be issued thereunder from time to time. Debt Securities issued under the indenture, when a single trustee is acting for all Debt Securities issued under the indenture, are called the “indenture securities.” The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See “Resignation of Trustee” section below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term “indenture securities” means the one or more series of Debt Securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

Certain Covenants

In addition to standard covenants relating to payment of principal and interest, maintaining an office or agency, payment of taxes and related matters, the following covenants apply to each of the Debt Securities.

Statement as to Compliance

We have agreed to deliver to the Trustee, within 120 calendar days after the end of each fiscal year ending after the date hereof so long as any Debt Security is outstanding, an Officers’ Certificate stating to the knowledge of the signers thereof whether the Company is in default in the performance of any of the terms, provisions or conditions of the indenture. For purposes of this covenant, such default shall be determined without regard to any period of grace or requirement of notice under the indenture.

1940 Act Compliance

We have agreed that, for the period of time during which the Debt Securities are outstanding, we will not violate (whether or not it is subject to) Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or as may be applicable to us from time to time or any successor provisions thereto, giving effect to any exemptive relief granted to the Company by the Securities and Exchange Commission ("Commission") (even if we are no longer subject to such provisions of the 1940 Act).

We have also agreed that for the period of time during which the Debt Securities are Outstanding, pursuant to Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act as may be applicable to the Company from time to time or any successor provisions thereto of the 1940 Act, we will not declare any dividend (except a dividend payable in our stock), or declare any other distribution, upon a class of our capital stock, or purchase any such capital stock, unless, in every such case, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, we have an asset coverage (as defined in the 1940 Act) of at least the threshold specified in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act as may be applicable to us from time to time after deducting the amount of such dividend, distribution or purchase price, as the case may be, and in each case giving effect to (i) any exemptive relief granted to the Company by the Commission and (ii) any no-action relief granted by the Commission to another business development company (or to the Company if it determines to seek such similar no-action or other relief) permitting the business development company to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act as may be applicable to us from time to time in order to maintain such business development company's status as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

Global Securities

The Debt Securities were issued as registered securities in book-entry form only. A global security represents one or any other number of individual Debt Securities. Generally, all Debt Securities represented by the same global securities will have the same terms.

Each Debt Security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depositary. The Depository Trust Company, New York, New York, known as DTC, is the depositary for the Debt Securities.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "Special Situations when a Global Security Will Be Terminated." As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all Debt Securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that has an account with the depositary. Thus, an investor whose security is represented by a global security will not be a holder of the Debt Security, but only an indirect holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. The depositary that holds the global security will be considered the holder of the Debt Securities represented by the global security.

Accordingly, an investor should be aware of the following:

- An investor cannot cause the Debt Securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the Debt Securities, except in the special situations we describe below.

- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the Debt Securities and protection of his or her legal rights relating to the Debt Securities, as we describe under "Issuance of Securities in Registered Form" above.

- An investor may not be able to sell interests in the Debt Securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the Debt Securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

- The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way.

- If we redeem less than all the Debt Securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

- An investor is required to give notice of exercise of any option to elect repayment of its Debt Securities, through its participant, to the Trustee and to deliver the related Debt Securities by causing its participant to transfer its interest in those Debt Securities, on DTC's records, to the Trustee.

- DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

- Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the Debt Securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations when a Global Security will be Terminated

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated Debt Securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under "Issuance of Securities in Registered Form" above.

If a global security is terminated, only the depositary, and not we or the Trustee, is responsible for deciding the names of the institutions in whose names the Debt Securities represented by the global security will be registered and, therefore, who will be the holders of those Debt Securities.

Payment and Paying Agents

We will pay interest to the person listed in the Trustee's records as the owner of the Debt Security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the Debt Security on the interest due date. That day, often approximately two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling Debt Securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the Debt Securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

Payments on Global Securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Securities

We will make payments on a certificated Debt Security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the Trustee in New York, New York and/or at other offices that may be designated by the Trustee or in a notice to holders against surrender of the Debt Security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the Debt Security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the Trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Payment when Offices are Closed

If any payment is due on a Debt Security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a default under any Debt Security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their Debt Securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the Debt Securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the Debt Securities of your series means any of the following:

- we do not pay the principal of, or any premium on, a Debt Security of the series on its due date;
- we do not pay interest on a Debt Security of the series when due, and such default is not cured within 30 days;
- we do not deposit any sinking fund payment in respect of Debt Securities of the series on its due date, and do not cure this default within five days;
- we remain in breach of a covenant in respect of Debt Securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of Debt Securities of the series;

- we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days; and
- on the last business day of each of 24 consecutive calendar months, we have an asset coverage of less than 100%, giving effect to any exemptive relief granted to us by the SEC.

An Event of Default for a particular series of Debt Securities does not necessarily constitute an Event of Default for any other series of Debt Securities issued under the same or any other indenture. The trustee may withhold notice to the holders of Debt Securities of any default, except in the payment of principal, premium or interest, if it considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the Debt Securities of the affected series may declare the entire principal amount of all the Debt Securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the Debt Securities of the affected series.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an "indemnity"). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding Debt Securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Debt Securities, the following must occur:

- the holder must give your trustee written notice that an Event of Default has occurred and remains uncured;
- the holders of at least 25% in principal amount of all outstanding Debt Securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action;
- the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and
- the holders of a majority in principal amount of the Debt Securities must not have given the trustee a direction inconsistent with the above notice during that 60 day period.
- However, you are entitled at any time to bring a lawsuit for the payment of money due on your Debt Securities on or after the due date.
- Holders of a majority in principal amount of the Debt Securities of the affected series may waive any past defaults other than:
- the payment of principal, any premium or interest; or
- in respect of a covenant that cannot be modified or amended without the consent of each holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the Debt Securities, or else specifying any default.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We may also be permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

- where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the Debt Securities;
- immediately after giving effect to such transaction, no Default or Event of Default shall have happened and be continuing;
- under the indenture, no merger or sale of assets may be made if as a result any of our property or assets or any property or assets of one of our subsidiaries, if any, would become subject to any mortgage, lien or other encumbrance unless either (a) the mortgage, lien or other encumbrance could be created;
- pursuant to the limitation on liens covenant in the indenture without equally and ratably securing the indenture securities or (b) the indenture securities are secured equally and ratably with or prior to the debt secured by the mortgage, lien or other encumbrance; and
- we must deliver certain certificates and documents to the trustee.

Modification or Waiver

There are three types of changes we can make to the indenture and the Debt Securities issued thereunder.

Changes Requiring Approval

First, there are changes that we cannot make to Debt Securities without specific approval of all of the holders. The following is a list of those types of changes:

- change the stated maturity of the principal of or interest on a Debt Security;
- reduce any amounts due on a Debt Security;
- reduce the amount of principal payable upon acceleration of the maturity of a security following a default;
- adversely affect any right of repayment at the holder’s option;
- change the place (except as otherwise designed by the Trustee) or currency of payment on a Debt Security;
- impair your right to sue for payment;
- adversely affect any right to convert or exchange a Debt Security in accordance with its terms;
- modify the subordination provisions in the indenture in a manner that is adverse to holders of the Debt Securities;
- reduce the percentage of holders of Debt Securities whose consent is needed to modify or amend the indenture;
- reduce the percentage of holders of Debt Securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;
- modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and
- change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the Debt Securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding Debt Securities in any material respect. We also do not need any approval to make any change that affects only Debt Securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

Any other change to the indenture and the Debt Securities would require the following approval:

- if the change affects only one series of Debt Securities, it must be approved by the holders of a majority in principal amount of that series; and
- if the change affects more than one series of Debt Securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

The holders of a majority in principal amount of all of the series of Debt Securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under "—Changes Requiring Approval."

Further Details Concerning Voting

Debt Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt Securities will also not be eligible to vote if they have been fully defeased as described later under "Defeasance—Full Defeasance."

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the Debt Securities or request a waiver.

Defeasance

Covenant Defeasance

Under current U.S. federal tax law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called "covenant defeasance." In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your Debt Securities. If applicable, you also would be released from the subordination provisions as described under the "Indenture Provisions—Subordination" section below. In order to achieve covenant defeasance, we must do the following:

- if the Debt Securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such Debt Securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Debt Securities on their various due dates;
- we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the Debt Securities any differently than if we did not make the deposit and just repaid the Debt Securities ourselves at maturity; and
- we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with.

If we accomplish covenant defeasance, you can still look to us for repayment of the Debt Securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the Debt Securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the Debt Securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

- if the Debt Securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such Debt Securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Debt Securities on their various due dates.

- we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the Debt Securities any differently than if we did not make the deposit and just repaid the Debt Securities ourselves at maturity. Under current U.S. federal tax law, the deposit and our legal release from the Debt Securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your Debt Securities and you would recognize gain or loss on the Debt Securities at the time of the deposit;

- we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

- Defeasance must not result in a breach of the indenture or any other material agreements; and

- Satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the Debt Securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If applicable, you would also be released from the subordination provisions described later under "Indenture Provisions—Subordination."

Form, Exchange and Transfer of Certificated Registered Securities

Holders may exchange their certificated securities, if any, for Debt Securities of smaller denominations or combined into fewer Debt Securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities, if any, at the office of their trustee. We have appointed the trustee to act as our agent for registering Debt Securities in the names of holders transferring Debt Securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, if any, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the Debt Securities of that series, we may block the transfer or exchange of those Debt Securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Debt Security that will be partially redeemed.

Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions—Subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated Debt Securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all senior indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated Debt Securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated Debt Securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on senior indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated Debt Securities or by the holders of any of such subordinated Debt Securities before all senior indebtedness is paid in full, the payment or distribution must be paid over to the holders of the senior indebtedness or on their behalf for application to the payment of all the senior indebtedness remaining unpaid until all the senior indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the senior indebtedness. Subject to the payment in full of all senior indebtedness upon this distribution by us, the holders of such subordinated Debt Securities will be subrogated to the rights of the holders of the senior indebtedness to the extent of payments made to the holders of the senior indebtedness out of the distributive share of such subordinated Debt Securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated Debt Securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

- our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated Debt Securities), unless in the instrument creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated Debt Securities; and

- renewals, extensions, modifications and refinancings of any of this indebtedness.

The Trustee under the Indenture

U.S. Bank National Association is the trustee under the indenture.

Exhibit 10(zz)

Execution Version

CUSTODY AGREEMENT

This Agreement (the "Agreement") is made as of November 9, 2021 (the "Effective Date") **between**:

(1) **Each entity identified on Appendix A**, whose jurisdiction of formation is identified opposite its name (the "Client"); and

(2) **STATE STREET BANK AND TRUST COMPANY**, a bank and trust company organized under the laws of The Commonwealth of Massachusetts, U.S.A. (the "Custodian").

1 Definitions and Interpretation

Defined terms and the general rules of interpretation agreed by the Parties are set forth in Schedule 1.

2 Appointment of the Custodian

The Client hereby appoints the Custodian to provide the services set out in Sections 3 through 15 below (the "Services") subject to and in accordance with the terms of this Agreement.

3 Safekeeping Securities

3.1 Holding Securities. The Custodian will hold Securities delivered or credited to its account under this Agreement directly or through accounts at Subcustodians or CSDs. In turn, Subcustodians will hold Securities directly or through accounts at CSDs.

3.2 Client Entitlements and Segregation. The Custodian will take the following steps to reflect the Client's ownership of Securities and to separately identify the Securities of the Client from the proprietary assets of the Custodian, Subcustodians, and CSDs, in accordance with Local Market Practice:

1.3.1 **Accounts at the Custodian.** Open and maintain on the records of the Custodian one or more securities accounts in the name of the Client or such other name as the Client may reasonably request (each, a "Securities Account") and credit Securities to them;

1.3.2 **Accounts at the Subcustodians or CSDs.** Open and maintain securities accounts at the Subcustodians or CSDs in which the Custodian is a direct participant, cause Subcustodians to open and maintain securities accounts at CSDs in which the Subcustodian is a participant, and cause Securities to be credited to the relevant accounts. Such accounts: (i) may be commingled (or omnibus) accounts for Securities of multiple customers of the Custodian (or Subcustodian, in the case of accounts opened by the Subcustodian at a CSD) or, in limited markets, segregated (or separate) accounts for Securities of the Client; and (ii) must not include any proprietary securities of the Custodian, the Subcustodian or the CSD;

1.3.3 **Physical Securities.** Physically segregate bearer Securities from the proprietary assets of the Custodian, and require that the Subcustodians physically segregate bearer Securities from the Subcustodian's and the Custodian's proprietary assets;

1.3.4 **Registration Names.** Register certificated Securities (other than bearer securities) in the name of the Client or in the name of the Custodian, a Subcustodian, a CSD or a nominee of any of them, or otherwise in accordance with Local Market Practice and the laws and regulations applicable to the Custodian; and

1.3.5 **Records of Transactions; Reconciliation.** Maintain records of the Client's transactions in the Securities Accounts and reconcile its records of clients' securities holdings against the records of its Subcustodians and CSDs in which it is a direct participant in accordance with the Custodian's standard procedures and Local Market Practice. Subcustodians will likewise maintain records of their client's transactions and reconcile their records of the securities holdings of their clients against the records of the CSDs in which they are a direct participant in accordance with the Subcustodians' standard procedures and Local Market Practice.

1.4 **Securities Interchangeable.** Securities of the Client (whether held in separate or commingled accounts) are fungible with all other securities of the same issue held in such accounts by the Custodian and its Subcustodians. This means that the Client's redelivery rights in respect of the Securities are not in respect of the Securities actually deposited with the Custodian or a Subcustodian from time to time, but rather in respect of Securities of the same number, class, denomination and issue as those Securities.

1.5 **Acceptance of Securities.** Except as otherwise agreed in writing with the Client, the Custodian will only accept custody of Securities and other assets that it is operationally equipped and licensed to hold in the relevant market where it provides custodial services either directly or through an existing Subcustodian and may decline to accept custody of certain securities or asset types that it determines present an unacceptable risk profile or that it or its Subcustodians are not operationally equipped or permitted to hold under any law or regulation.

4 Cash

4.1 **Cash Accounts.** The Custodian will open and maintain in the name of the Client one or more cash deposit accounts (each a "Cash Account") in such currencies as may be required in connection with the investment activity of the Client.

4.2 **Location of Cash Deposits.** Cash received for the Client will be deposited with the Custodian, or with a Subcustodian, depending on the currency and/or the market. The Custodian will designate each currency in a particular market as On Book Cash or Off Book Cash. "On Book Cash" means the currency is maintained in a deposit account with, and recorded as a liability on the balance sheet of, the Custodian (through any of its branches) and "Off Book Cash" means the currency is maintained in a deposit account with, and recorded as a liability on the balance sheet of, a Subcustodian (through any of its branches). The Custodian may change the designation of a currency as On Book or Off Book from time to time. Clients will find the designation of currencies as On Book Cash and Off Book Cash, and any changes to such designations, in the Client Publications.

4.3 **Cash Records.** The Custodian will reflect Cash balances held in all On Book and Off Book Client deposit accounts on its books and records and report the balances to the Client.

4.4 **Banking Relationship.** In accepting deposits under this Agreement, the Custodian (for On Book Cash) or the relevant Subcustodian (for Off Book Cash) acts as banker and does not hold the money deposited on trust or segregated from its proprietary assets. Accordingly, the Client is an unsecured creditor of the Custodian (for On Book Cash) or the relevant Subcustodian (for Off Book Cash), subject to such rights as may arise in an Insolvency Event as determined under the laws of the jurisdiction of the Custodian or relevant Subcustodian. With respect to Off Book Cash, the Custodian is only responsible for returning the actual amount that the Custodian receives from the Subcustodian.

4.5 **Interest and Charges.** Cash Accounts may be interest bearing or non-interest bearing and may be subject to charges or fees on the deposit balance or on a per account basis. The Custodian or the relevant Subcustodian will determine on a periodic basis:

5.1.1 the interest rates, if any, (which may be positive, zero or negative) or equivalent charges or fees paid or charged to the Client from time to time with respect to a Cash Account; and

5.1.2 the overdraft rates or equivalent charges or fees and the applicable overdraft thresholds (if any) that will trigger interest charges from time to time for overdrafts,

in each case, acting in their sole discretion, taking into account market conditions and other relevant commercial considerations. Interest and overdraft rates or other account charges or fees will vary by currency. Details on current rates and deposit account charges are available upon request.

4.6 Overdrafts. The Client must maintain sufficient funds in the Cash Accounts to settle all transactions in the applicable currencies in a timely manner. The Custodian or its Subcustodians may, but are not required to, extend credit under this Agreement. The Custodian reserves the right to decline to process any Proper Instruction or settle any transaction that would result in an overdraft of the Cash Account. If an overdraft arises in the Cash Account, the Client agrees to repay the principal amount of the overdraft upon demand by the Custodian or within five Business Days, whichever is earlier, plus any applicable overdraft fees and interest on the principal overdraft.

6 Transaction Settlement

6.1 **Settlement**. The Custodian will settle all transactions in accordance with Local Market Practice, which may not always be on a delivery-versus-payment or receipt-versus-payment basis. Except as otherwise provided below regarding Contractual Settlement, the Custodian will credit or debit the appropriate Cash Account on an actual settlement or payment basis.

6.2 **Contractual Settlement.** In order to facilitate transaction settlement, the Custodian may provisionally credit settlement, maturity or redemption proceeds, or income, dividends and other distributions, on a contractual settlement or predetermined income basis ("Contractual Settlement"), for markets, securities and eligible clients as determined and notified by the Custodian in the Client Publications. The Custodian can terminate or suspend Contractual Settlement for markets, securities or particular clients at any time.

6.3 **Use of Funds.** Where Contractual Settlement applies, the Custodian will credit or debit the appropriate Cash Account on the contractual settlement date or payable date for the relevant transaction. This means that (i) the Client will have use of the funds from the date that a sale was contracted to settle or the payable date, which may be earlier than the date payment actually occurs and (ii) the Custodian will have use of the funds debited from the Cash Account from the date that a purchase was contracted to settle until the date that settlement actually occurs.

6.4 **Reversal.** The Custodian may reverse any Contractual Settlement credit at any time before actual receipt of the cash payment associated with the credit if the Custodian determines, in its reasonable judgement, that such payment will not be received within 30 days for that transaction or if the Custodian suspends or terminates the provision of Contractual Settlement for those Securities in that market. The Custodian will generally notify the Client two Business Days before any such reversal.

6.5 **Secured Liability.** To the extent that the Custodian has not received the cash payment associated with a credit, the amount credited remains a Secured Liability under this Agreement.

7 Corporate Actions

7.1 **Transmit Information.** The Custodian will promptly transmit or make available to the Client all material written information customarily provided by a professional global custodian regarding an applicable Corporate Action, or a brief synopsis of that information, affecting Securities then being held under this Agreement, where (i) that information is received directly from issuers of such Securities or from CSDs or Subcustodians or (ii) that information is publicly available in the relevant market from standard vendors routinely used by professional global custodians provided that the Custodian can verify the accuracy of such information. The Custodian will transmit or make available such Corporate Action data it receives from primary sources (issuers, CSDs and Subcustodians) without further review although it will generally note if such information is single sourced. The Custodian generally will not transmit or make available such Corporate Action data it receives from secondary sources (vendors) unless the accuracy of that information can be verified against at least one additional source.

7.2 **Exercise.** The Custodian will process the Client's elections with respect to any voluntary Corporate Action at the direction of the Client provided it has actual possession of the relevant Securities and it has received Proper Instructions by the deadline specified in the Custodian's Corporate Action notification ("Corporate Actions Deadline Date"). The Custodian will use reasonable efforts to effect Proper Instructions received after that deadline but will have no responsibility for any failure to exercise such instructions accurately or timely. In the absence of receiving Proper Instructions by the Corporate Actions Deadline Date, the Custodian may take the default action specified in the corporate action notification. In the event of a mandatory Corporate Action, the Custodian will act without Proper Instructions in accordance with Section 22.10.

7.3 **Class Actions.** The Custodian will transmit written information received by the Custodian regarding any class action litigation to the extent set out in the Client Publications. The Custodian will not support class action participation by the Client beyond such forwarding of written information. In no event will the Custodian act as a lead plaintiff in a class action.

7.4 **Fractional Positions.** Fractional positions resulting from Corporate Actions will be dealt with in accordance with the Client Publications.

8 Proxy Servicing

8.1 **Transmit Information.** The Custodian will forward to the Client all proxies received by the Custodian relating to the Securities then held under this Agreement, for the markets designated in the Client Publications, unless otherwise instructed by the Client. The Custodian will use an agent to assist in the receipt and distribution of proxies and will share the Client's position and contact information to facilitate such collection and distribution.

8.2 **Voting.** The Custodian provides proxy voting services for the markets designated in the Client Publications. The Custodian will cause eligible proxies to be promptly executed by the registered holder in accordance with Proper Instructions and delivered to the issuer of the Securities or its designated agent. In order for the Custodian to provide the voting services, the Custodian must have received such Proper Instructions, must have actual possession of the relevant Securities, and all requirements set out in the Client Publications must have been met, including where applicable receiving an executed power of attorney, in each case by the deadline specified in the Custodian's proxy notification.

9 Income Collection

9.1 **Monitoring and Crediting.** The Custodian will use reasonable efforts to monitor and collect on a timely basis, in accordance with Local Market Practice, all income and other payments to which the Client is entitled in respect of the Securities held under this Agreement and Securities on loan through the securities lending program sponsored by the Custodian or its Affiliates. The Custodian will credit such amounts to the Cash Account of the Client as received, except where Contractual Settlement applies.

9.2 **Repatriation of Income.** The Client is responsible for directing the repatriation of income into the base currency of the Portfolio or another currency selected by the Client, and may enter into separate arrangements to do so, as set out in Section 13 of this Agreement.

10 Statements and Reports

10.1 **Contents.** The Custodian will make available reports to the Client regarding the Portfolio on a periodic basis as selected by the Client from certain online tools made available from time to time by the Custodian or as otherwise agreed with the Client. The reports will include Cash balances, an itemized statement of Securities and Cash and Securities transaction activity. Market values contained in these reports are unaudited and based on the Custodian's standard pricing vendors and practices. These reports will not include net asset value calculations.

10.2 **Cash and Securities Not Held.** The Custodian may agree to incorporate information in respect of cash or securities not held by the Custodian. In making available such information to the Client, the Custodian will rely upon the information provided by the Client or a third party without any requirement to verify the accuracy of such information. The Custodian will not perform any other Services in relation to such cash or securities.

11 Tax Withholding and Tax Relief

11.1 **Withholding.** The Custodian will withhold (or cause to be withheld) the amount of any tax which is required to be withheld by the Custodian or Subcustodian under the Law applicable to the Custodian or Subcustodian based on the Client's domicile and entity type in respect of any dividend, interest income or other distribution in relation to any Security, and/or the proceeds or income from the sale or other transfer of any Security held by the Custodian. If the Client has not provided the requisite information and documentation, the Custodian is obligated to arrange for maximum withholding. In certain markets, the Client will be required to hire a local tax agent to calculate withholding, as set out in the Client Publications.

11.2 **Tax Relief.** The Custodian will apply for a reduction of withholding tax and refund of any tax paid or tax credits in respect of income payments on Securities based on the Client's entitlement under relevant tax treaties or laws which apply in each market that supports a standard tax reclaim process, in all cases as may be set out from time to time in the Client Publications. The Custodian does not facilitate tax reclaims for tax transparent or pass-through (i.e., multiple-beneficiary) entities such as partnerships, LLCs, common trusts or any other types of entities that are generally ineligible for tax treaty or domestic law tax entitlements, even where the partners or beneficial holders of such entities may be eligible.

11.3 **Documentation.** In order for the Custodian to perform the services in this Section 10, the Client will provide the Custodian such information and documentation as may be required from time to time by the Custodian for tax purposes, including documentary evidence of its tax domicile, and its entity type and details of any special ruling or treatment to which the Client may be entitled in relation to countries where the Client engages or proposes to engage in investment activity or where Securities are or will be held. The Client is responsible for ensuring the documentation and information provided is true and accurate in all material respects and will promptly provide the Custodian with all necessary corrections or updates upon becoming aware of any changes or inaccuracies in the documentation or information supplied. The provision of documentation and information under this Section 10.3 will be taken to be a Proper Instruction upon which the Custodian will be entitled to rely for all purposes under this Section 10, including calculating withholding and determining available tax relief, without the need to undertake any further inquiries or verification.

11.4 **Client Responsible for Taxes.** The Client will be liable for all taxes, levies or similar obligations which arise as a result of the Client's investment activity, including in relation to any Cash or Securities held by the Custodian on behalf of the Client, or any related transactions. If any taxes become payable in relation to any prior payment made to the Client by the Custodian, the Custodian may withhold any credit balance in the Client's Cash Accounts to the extent necessary to satisfy such tax obligation. The Client will also remain liable for any tax deficiency.

11.5 **No Tax Advice.** The Client acknowledges that the Custodian is not, and will not be deemed to be, providing tax advice or tax counsel.

12 Physical Safekeeping of Investment Documents

12.1 **Document Safekeeping.** The Custodian may agree to provide physical safekeeping for Investment Documents delivered to it and will return such Investment Documents to the Client upon receipt of Proper Instructions, subject to additional documentation and other requirements as the Custodian may specify from time to time.

12.2 **No Other Services.** The Custodian will not otherwise perform any other Services in relation to such Investment Documents.

13 Alternative Asset Servicing

13.1 **Alternative Assets.** The Custodian may agree to reflect the Client's Alternative Assets on its books, records or statements. Unless otherwise agreed in writing, the Custodian will not perform any other services or assume any obligations in relation to Alternative Assets. The Custodian may, in limited cases, agree to register the Client's interests in Alternative Assets in the name of the Custodian, subject to additional documentation and other requirements as the Custodian may specify from time to time.

14 Foreign Exchange

14.1 **Role of Custodian.** The role of the Custodian with respect to foreign exchange transactions is limited to facilitating the processing and settlement of such transactions. The Custodian does not have any agency, trust or fiduciary obligation to the Client or any other person in connection with the execution of any foreign exchange transactions, other than the obligation as agent to process the Proper Instructions given by the Client.

14.2 **Role of Counterparties.** If the Client enters into any foreign exchange transaction with State Street Bank and Trust Company, a Subcustodian or any of their Affiliates, the Client does so on the basis that these entities are acting as a principal dealer and counterparty, and not as fiduciary or agent to the Client, and the execution services are governed by separate arrangements (including pricing) and do not form part of the Services provided by the Custodian under this Agreement. This applies to foreign exchange transactions entered into by the Client directly with the trading desk of these entities or by Proper Instruction to the Custodian using the indirect foreign exchange services described in the Client Publications.

15 Subcustodians

15.1 **Use of Subcustodians.** The Custodian is authorized to utilize Subcustodians in connection with its performance of the Services, and will notify the Client of the Subcustodians so employed from time to time through the Client Publications.

15.2 **Selection and Monitoring.** The Custodian will use reasonable skill, care and diligence in the selection, monitoring and continued utilization of Subcustodians by taking the following actions: (i) annually assess the financial condition of each Subcustodian by reviewing their publicly available financial information, (ii) on a daily basis monitoring the performance by each Subcustodian' of its duties relative to the Services, and (iii) confirming on an annual basis that each Subcustodian is licensed to act as a subcustodian in its relevant market.

15.3 **Special Subcustodians**. At the request of the Client, the Custodian may agree to appoint one or more qualified banks, trust companies or other entities designated by the Client to act as a subcustodian (each a "Special Subcustodian") for purposes specified by the Client. In connection with the appointment of a Special Subcustodian, the Custodian shall enter into a tri-party subcustodian agreement with the Special Subcustodian and the Client in form and substance approved the Custodian, provided that such agreement shall comply with Law applicable to the Client and shall be consistent with the terms and provisions of this Agreement, to the extent practicable.

16 Central Securities Depositories

16.1 **Use of Central Securities Depositories.** The Custodian and its Subcustodians will use CSDs in connection with the performance of the Services, and will notify the Client of the CSDs so employed from time to time through the Client Publications**.**

16.2 **Rules of Central Securities Depositories.** Where the Custodian or its Subcustodians use CSDs, the Client acknowledges that they will do so in accordance with the terms and conditions of participation or membership in such CSDs and the rules and procedures governing the operation thereof.

17 Delegation

17.1 **Use of Delegates.** The Custodian will have the right, without prior notice to or the consent of the Client, to employ Delegates to provide or assist it in the provision of any part of the Services other than Services required by Law applicable to either Party to be performed by a qualified custodian or CSD. Unless otherwise agreed in a fee schedule, the Custodian will be responsible for the compensation of its Delegates.

17.2 **Provision of Information Regarding Delegates.** The Custodian will provide or make available to the Client on a quarterly or other periodic basis information regarding its global operating model for the delivery of the Services, which information will include the identities of Delegates affiliated with the Custodian that perform or may perform any part of the Services, and the locations from which such Delegates perform Services, as well as such other information about its Delegates as the Client may reasonably request from time to time.

17.3 **Third Parties.** Nothing in this Section limits or restricts the Custodian's right to use Affiliates or third parties to perform or discharge, or assist it in the performance or discharge of, any obligations or duties under this Agreement other than the provision of the Services.

18 Standard of Care and Liability

18.1 **Standard of Care.** The Custodian will at all times exercise the reasonable skill, care and diligence expected of a professional provider of custody services to institutional investors and act in good faith and in accordance with generally applicable industry standards and practices in the performance of its duties under this Agreement.

18.2 **Liability for Losses.** Subject to the limitations and exclusions of liability in this Agreement, the Custodian will be liable for Losses suffered or incurred by the Client to the extent such Losses are caused by the negligence, wilful default, or fraud of the Custodian in the performance of its obligations under this Agreement. The parties agree that "negligence" will mean a breach by the Custodian of its obligation to exercise the standard of care described in Section 17.1 above.

18.3 **Responsibility for Subcustodians.** The Custodian will be liable to the Client for the acts and omissions of its Subcustodians as if it had committed such acts and omissions itself; provided that:

18.3.1 compliance with the standard of care set out in Section 17.1 will be assessed in accordance with the standards and circumstances prevailing at the time of the act or omission in the local market or jurisdiction in which the Subcustodian is providing the relevant Services; and

18.3.2 the Custodian will have no liability for Losses resulting from the insolvency or other financial default of a Subcustodian that is not an Affiliate of the Custodian except to the extent that such Losses are caused by the failure of the Custodian to exercise reasonable skill, care and diligence in the selection, monitoring and continued utilization of the Subcustodian as required under Section 14.2.

18.4 **Responsibility for Special Subcustodians.** Notwithstanding the provisions of Section 17.3 to the contrary, the Custodian shall not be liable to the Client for Losses suffered or incurred by the Client resulting from the acts or omissions of a Special Subcustodian, except to the extent such Losses are caused by the negligence, wilful default or fraud of the Custodian. In the event of any such Loss, the Custodian shall use commercially reasonable efforts to enforce such rights as it may have against any Special Subcustodian.

18.5 **Responsibility for Delegates.** The Custodian will be liable to the Client for the acts and omissions of its Delegates as if it had committed such acts and omissions itself.

18.6 **Force Majeure.** Neither Party will be in breach of this Agreement or liable for Losses arising by reason of the occurrence of a Force Majeure Event that prevents, hinders or delays it from or in performing its obligations under this Agreement, except, in the case of the Custodian, to the extent that such Losses are attributable to its breach of its business continuity obligations under this Agreement.

18.7 **No Liability for Certain Losses.** The Custodian will not be liable to the Client for any Losses to the extent they arise from or are caused by:

18.7.1 the Custodian acting upon any (i) Proper Instruction or (ii) if a Proper Instruction is not required in a particular circumstance, any other instruction, information, notice, request, consent, certificate, instrument or other writing that the Custodian reasonably believes to be genuine and to be signed or otherwise given by or on behalf of a person authorized to do so;

18.7.2 a delay in processing or any failure to process any Proper Instruction to the extent permitted under Section 22, subject to the satisfaction of the conditions set out in that Section, as applicable;

18.7.3 the failure of the Client or any person authorized by it to comply with the Client's obligations under this Agreement; or

18.7.4 any other acts and omissions of the Client, any person authorized by it or any third party, including any Third Party Agent, Market Participant, Authorized Data Source, CSD, or Financial Market Utility.

18.8 **Mutual Exclusion of Indirect and Other Loss.** Notwithstanding any other provision of this Agreement, neither Party will be liable to the other for: (i) indirect, consequential, speculative, punitive or special Loss or (ii) loss of profit, revenue, opportunity, business, anticipated savings, goodwill and damage to reputation, or Loss of any similar kind; in each case whether or not a Party has been advised of or otherwise could have anticipated the possibility of such losses, except to the extent any such losses cannot be excluded or limited as a matter of Law applicable to either Party.

19 Error Correction

19.1 **Error Correction**. If an error results from an act or omission of the Custodian in performing the services under this Agreement, the Custodian may take such remedial action as it considers appropriate under the circumstances, which may include effecting corrective transactions involving the Client's assets, where and to the extent reasonably necessary to place the Client in the position (or its equivalent) it would have been had the error not occurred. The Custodian will be responsible for Losses arising from its errors in accordance with the terms of this Agreement and will be entitled to retain gains arising from its errors or related remedial actions unless otherwise prohibited by Law. Where an error results in a series of related Losses and gains, the Custodian will be entitled to net gains against Losses when permitted by Law. The Custodian will have no duty to notify or account to the Client for any Loss or gain associated with an error it has fully remediated.

20 Limits on the Scope of the Services

20.1 **No Fiduciary or Implied Duties.** The Custodian is responsible only for the duties it has expressly undertaken under this Agreement and no other duties will be implied or inferred, including any fiduciary duties, except to the extent such fiduciary duties may not be disclaimed as a matter of Law.

20.2 **Investment and Other Risk, Client Compliance Matters.** The Client bears the risk of investing in Securities or other assets or holding cash denominated in any currency or holding assets in a particular market, including investment risk and risk arising from the political, regulatory, legal or financial infrastructure of such market or otherwise arising from Local Market Practice. The Custodian is not responsible for monitoring or enforcing compliance by the Client or its Investment Manager(s) with any investment or other restriction, guideline or requirement imposed by the Client's constituent documents or by contract or Law applicable to the Client in connection with investment activity undertaken by or on behalf of the Client.

20.3 **Data Accuracy.** The Custodian has no responsibility for, or duty to review, verify or otherwise perform any investigation as to the completeness, accuracy or sufficiency of, any data or information provided by or on behalf of the Client, any persons authorized by the Client, any Third Party Agent, any Market Participant or any Authorized Data Sources, except to the extent the Custodian has agreed in writing to perform reconciliations, variance or tolerance checks or other specific forms of data review under this Agreement.

20.4 **Title.** The Custodian is not responsible for title or entitlement to, validity or genuineness, including good deliverable form, of any asset received by the Custodian.

20.5 **Proceedings.** The Custodian is not responsible for commencing legal or administrative proceedings on behalf of the Client or relating to the assets held under this Agreement, including in respect of the late payment of income or other payments due to the Client or amounts payable on Securities in default if payment is refused after due demand and presentment.

20.6 **Laws Applicable to the Custodian or Subcustodian.** Laws applicable to the Custodian or a Subcustodian may from time to time prohibit or cause delays in the Custodian holding assets, acting on Proper Instructions or providing the Services to the Client in the manner contemplated by this Agreement. In such cases, the Custodian or Subcustodian will be entitled to comply with the Law and, where permitted by such Law, the Parties will seek to resolve the situation to the Parties' mutual satisfaction.

20.7 **Securities on Loan.** Asset servicing is not generally performed for securities on loan unless otherwise noted in this Agreement or agreed by the Parties in writing. Provision of such services with respect to securities on loan may be covered by a separate securities lending or services agreement.

21 Indemnity

21.1 **Indemnity by Client.** Subject to this Section 20 and the exclusions and limitations of liability elsewhere in this Agreement, including Section 17.8, the Client will indemnify the Custodian against any direct Losses incurred by the Custodian (including Losses incurred by Subcustodians or Delegates for which the Custodian is liable) in connection with the performance of its duties under this Agreement, including acting on Proper Instructions and Losses incurred by virtue of being the holder of record of the Client's Securities, except, in each case, to the extent such Losses result from the Custodian's negligence, wilful default or fraud (or that of its Subcustodians or Delegates) in the discharge of the Custodian's duties under this Agreement.

21.2 **Indemnity by Custodian.** Subject to this Section 20 and the exclusions and limitations of liability elsewhere in this Agreement, including Section 17.7 and 17.8, the Custodian will indemnify the Client against any direct Losses incurred by the Client, in each case, to the extent such Losses result from the negligence, wilful default or fraud of the Custodian (or that of its Subcustodians or Delegates) in the discharge of the Custodian's duties under this Agreement.

21.3 **Duty to Mitigate.** Each Party will use reasonable efforts to mitigate any Losses in respect of which it claims indemnification under this Agreement.

21.4 **Notice of Claims.** A Party seeking indemnification under this Section ("Indemnified Party") against a third-party claim ("Indemnified Claim") will promptly provide written notice of such claim to the Party obligated to indemnify ("Indemnifying Party"). The failure to notify the Indemnifying Party will not relieve such Party of any liability under this Section, except to the extent that such failure materially prejudices the investigation and/or defense of the Indemnified Claim.

21.5 **Right to Control Third Party Claims.** The Indemnifying Party will, at its own expense, be entitled but not obligated to control and direct the investigation and defense of any Indemnified Claim, except where the Custodian is the Indemnified Party and is seeking indemnification from multiple customers for claims based on common facts or otherwise related to the Indemnified Claim, in which case the Custodian will have the right to control and direct the investigation and defense of such claim, at the expense of (i) the Indemnifying Party or (ii) all of the customers from which indemnification is sought, including the Indemnifying Party, pro rata, as appropriate. Where the Indemnifying Party controls and directs the investigation of the defence of the Indemnified Claim, the Indemnified Party may retain separate counsel at its own expense. If a conflict of interest exists between the Parties with respect to the defense of such claim, the reasonable cost of separate counsel will be an indemnified expense.

21.6 **Settlement of Claims.** Neither Party may settle an Indemnified Claim without the consent of the other Party, which consent will not be unreasonably withheld, conditioned or delayed, provided that the Indemnifying Party will have the right to settle an Indemnified Claim without the consent of the Indemnified Party if such settlement:

21.6.1 involves only the payment of money;

21.6.2 fully and unconditionally releases the Indemnified Party from any liability in exchange for the amount paid in settlement; and

21.6.3 does not include any admission of fault or liability in relation to the Indemnified Party.

21.7 **Cooperation.** In all cases, each Party will, as applicable, provide reasonable cooperation and assistance to the other Party and keep the other Party apprised as to the status of the Indemnified Claim, including any discussions relating to the settlement of the claim and the details of any settlement offer.

22 Obligations of the Client

22.1 **Provide Information.** The Client will provide or cause to be provided to the Custodian all data, information, documents and instructions concerning the Client and the investment activity of the Client in relation to the Portfolio as may be reasonably necessary or as the Custodian may reasonably request, in each case in a complete, accurate and timely manner, in order to enable the Custodian to discharge its duties under this Agreement.

22.2 **AML Compliance.** The Client will comply with all applicable anti-money laundering, sanctions or other financial crime legislation applicable to it and will provide the Custodian with all necessary sanctions questionnaires, declarations and other documentation in order for the Custodian to comply with its anti-money laundering policy.

22.3 **Pass Through Representations.** To the extent that the Custodian is required to give (or is deemed to have given) any representation, warranty or undertaking to a third party relating to the Client in accordance with normal market practice in connection with the execution of transaction documents or the issuance or transmission of trade notifications, confirmations and/or settlement instructions, whether using facsimile transmission, industry messaging or matching utilities and/or the proprietary software of Third Party Agents and Market Participants, CSDs or other Financial Market Utilities, the Client will be deemed to have made such representation, warranty or undertaking to the Custodian.

22.4 **Operational Requirements.** The Client will adhere to the deadlines and other operational requirements set out in the Client Publications, to facilitate meeting the requirements of CSD's, Third Party Agents and Market Participants.

22.5 **Client Review and Notification.** In accordance with standard market practice, the Client will employ commercially reasonable review and control measures with respect to information provided by the Custodian under this Agreement and give the Custodian prompt written notice of any suspected error or omission or the Client's inability to access any such Information so as to prevent, stem or mitigate any Losses that may arise from the use of inaccurate data or the inaccessibility of data.

22.6 **Fees.** In consideration for the Services provided by the Custodian, the Client will pay the Fees as agreed in a written fee schedule or otherwise agreed in writing by the Parties from time to time. The Fees and any other amounts payable under this Agreement are stated exclusive of any sales, use, excise, value-added, services, consumption, withholding or other similar tax that is assessed on the supply of the Services under an agreement. Any such tax will be payable by the Client.

22.7 **Client Publications.** The Client will ensure that it provides the Custodian with and regularly updates, as necessary, e-mail and other contact details for its representatives to enable timely distribution and receipt of the Client Publications.

23 Proper Instructions

23.1 **Dealings in Cash and Securities.** The Custodian will effect all transactions and dealings in Cash and Securities under this Agreement in accordance with Proper Instructions, subject to any other rights it may have under this Agreement.

23.2 **Appointment of Authorized Persons.** The Client and each Investment Manager will provide the Custodian with a list of the names and (if applicable) signatures, of Authorized Persons in a form agreed by the parties from time to time. The Custodian may rely upon the authority of each Authorized Person until it receives written notice to the contrary from the Client and has had a reasonable time to act on such notice.

23.3 **Authentication Procedures.** The Custodian will implement Authentication Procedures. The Client acknowledges that the Authentication Procedures are intended to provide a commercially reasonable degree of protection against unauthorized transactions of certain types and are not designed to detect errors. Any purported Proper Instruction received by the Custodian in accordance with an Authentication Procedure will be taken to have originated from an Authorized Person and will constitute a Proper Instruction under this Agreement for all purposes.

23.4 **Security Measures by Client.** The Client is responsible for ensuring that appropriate security measures are implemented to prevent unauthorized disclosure or use of any Authentication Procedure made available to it or an Investment Manager in connection with this Agreement.

23.5 **No Duty to Verify.** Except to the extent the Custodian is required to comply with Authentication Procedures under Section 22.3 above, the Custodian has no duty to verify that personnel of the Client or any Investment Manager engaged in investment activity are authorized to do so or that any instructions received by the Custodian are duly authorized.

23.6 **Decline/Delay in Processing.** The Custodian reserves the right to decline to process or delay the processing of any purported Proper Instruction where:

23.6.1 the Custodian, in good faith, determines that the instruction may not have been properly authorized;

23.6.2 the instruction is inaccurate, incomplete or unclear;

23.6.3 the instruction conflicts with the terms of this Agreement or any Law applicable to either Party, Local Market Practice or the Custodian's standard operating procedures; or

23.6.4 the Custodian has not been given a reasonable time period to effect the instruction.

In these circumstances, the Custodian will promptly seek authentication, clarification, correction or amendment of any Proper Instruction, as the case may be.

23.7 **Cancellation and Amendment**. The Custodian will use reasonable efforts to act on Proper Instructions to cancel or amend previously issued Proper Instructions if:

23.7.1 the Custodian has not already acted on the previously issued Proper Instructions; and

23.7.2 the Proper Instruction to cancel or amend is received before the applicable deadlines specified from time to time in the Client Publications or applicable event notification.

The Custodian is not responsible or liable if the request to cancel or amend cannot be satisfied.

23.8 **Oral Instructions.** If applicable, the Custodian may act on an oral instruction (given in accordance with an agreed Authentication Procedure) before receipt of any written confirmation and irrespective of whether any subsequent written confirmation conforms to the oral instruction.

23.9 **Conflicting Claims.** If there is a dispute or conflicting claim with respect to Securities or Cash held by the Custodian under this Agreement, the Custodian is entitled to refuse to act on a Proper Instruction of the Client or any Investment Manager in relation to the particular Securities or Cash until either (i) the dispute or conflicting claims have been finally determined by a court of competent jurisdiction or settled by agreement between the conflicting parties, and the Custodian has received written evidence satisfactory to it of such determination or agreement, or (ii) the Custodian has received an indemnity, security or both, satisfactory to it and sufficient to hold it harmless from and against any and all Losses which the Custodian may incur as a result of its actions.

23.10 **Matters Not Requiring Proper Instructions.** The Client authorises the Custodian in the absence of Proper Instructions to attend to all matters which may be necessary or appropriate to discharge its duties and give effect to the terms of this Agreement, including the execution, in the Client's name or on its behalf, of any affidavits, certificates of ownership and other certificates and documents relating to Securities.

24 Creditors Rights

24.1 **Security.** To secure the full and timely satisfaction of all Secured Liabilities, the Client hereby grants to the Custodian a security interest in and a right of retention, sale and set off, as applicable, against (i) all of the Client's Cash, Securities, and other assets, whether now existing or hereafter acquired, in the possession or under the control of the Custodian or its Subcustodians pursuant to this Agreement and (ii) any and all cash proceeds of any of the above (collectively, the "Collateral").

24.2 **Rights of the Custodian**. In the event that the Client fails to satisfy in full any of the Secured Liabilities as and when due and payable, the Custodian will have, in addition to all other rights and remedies arising under this Agreement or under applicable Law, the rights and remedies of a secured party under applicable Law. Without prejudice to the Custodian's other rights and remedies, the Custodian will be entitled, in each case as and to the extent reasonably necessary to satisfy in full the Secured Liabilities and any related transaction expenses, to (a) exercise its right of retention and withhold delivery of any Collateral and otherwise refuse to act on any Proper Instruction relating to such Collateral, (b) sell or otherwise realize any Collateral, and (c) set off the net proceeds of such sale or realization of Collateral and/or the amount of any deposit balances standing to the credit of the Client in any Cash Account(s) against such Secured Liabilities.

24.3 **Exercise of Rights**. The Custodian may exercise its rights and remedies against the Collateral in any manner (including by any method, at any time or place, and on any terms) as it deems, in good faith, to be commercially reasonable under the circumstances, and will use reasonable efforts to effect any sale of Collateral at the prevailing market price in the relevant market. Without limiting the foregoing, the Client acknowledges that it will be commercially reasonable for the Custodian to, among other things: (i) accelerate or cause the acceleration of the maturity of any fixed term deposits comprised in the Collateral and (ii) effect any necessary currency conversions through its own trading desk at such exchange rates as it determines in its reasonable discretion, which rates may include a mark-up from the rates the Custodian receives on the interbank market.

24.4 **Notice.** The Custodian will use reasonable efforts to give the Client prior notice of any exercise of the right to sell or otherwise realize Collateral set forth above, provided that the Custodian will not be obligated to give prior notice to the Client or delay exercising its rights pending or after the provision of such notice if, in its reasonable judgment, giving such notice or any such delay would prejudice its ability to obtain satisfaction in full of the Secured Liabilities.

25 Confidentiality and Use of Data

25.1 **Confidentiality**

24.1.1 **No Disclosure Without Consent.** Subject to Section 24.2 and Section 24.3, Confidential Information will not be disclosed by the Receiving Party to any third party without the prior consent of the Disclosing Party.

1.2.2 **No limitations of obligations under Agreement or at Law.** Except as expressly contemplated by this Agreement, nothing in this Section 24 will limit the confidentiality and data-protection obligations of the Custodian and its Affiliates under this Agreement and Law applicable to the Custodian.

1.3 **Use of Confidential Information and Data**

24.2.1 **Use of Confidential Information and Data generally.** Subject to this Section 24.2 and Section 24.3, all Confidential Information, including Data, will be used by the Receiving Party for the purpose of providing or receiving services, as applicable, pursuant to this Agreement or otherwise discharging its obligations under this Agreement.

24.2.2 **Use of Data for Indicators.** The Custodian and its Affiliates may use Data to develop, publish or otherwise distribute to third parties certain investor behavior "indicators" or "indices" that represent broad trends in the flow of investment funds into various markets, sectors or investment instruments (collectively, the "Indicators"), but only so long as (i) the Data is combined or aggregated with (A) information relating to other customers of the Custodian and/or (B) information derived from other sources, in each case such that the Indicators do not allow for attribution to or identification of such Data with the Client, (ii) the Data represents less than a statistically meaningful portion of all of the data used to create the Indicators and (iii) the Custodian publishes or otherwise distributes to third parties only the Indicators and under no circumstance publishes, makes available, distributes or otherwise discloses any of the Data to any third party, whether aggregated, anonymized or otherwise, except as expressly permitted under this Agreement.

1.3.3 **Economic benefit from Indicators.** The Client acknowledges that the Custodian may seek and realize economic benefit from the publication or distribution of the Indicators.

1.4 Disclosure of Confidential Information and Data

25.1.1 **Disclosure of Confidential Information to Representatives.** The Receiving Party may disclose the Disclosing Party's Confidential Information without the Disclosing Party's consent to its attorneys, accountants, auditors, consultants and other similar advisors that have a reasonable need to know such Confidential Information ("Representatives"), provided such Confidential Information is disclosed under obligations of confidentiality that prohibit the disclosure or use of such Confidential Information by the Representatives for any purpose other than the specific engagement with the Receiving Party for which the Representative has been retained and that are otherwise no less restrictive than the confidentiality obligations contained in this Agreement. The Parties acknowledge that use of Confidential Information by a Representative to represent its other clients in dealing with the Disclosing Party would constitute a breach of this Section 24.3. Where the Custodian is the Receiving Party, "Representatives" will include its Affiliates and Service Providers (as defined below).

25.1.2 **Disclosure and Use of Confidential Information by Custodian.** The Custodian may disclose and permit use (as applicable) of Confidential Information of the Client without the Client's consent:

25.1.2.1 to its Affiliates and any of its third-party agents and service providers ("Service Providers") in connection with the provision of services, the discharge of its obligations under this Agreement or the carrying out of any Proper Instruction, including in accordance with the standard practices or requirements of any Financial Market Utility or in connection with the settlement, holding or administration of Cash, Securities or other instruments;

25.1.2.2 to its Affiliates in connection with the management of the businesses of the Custodian and its Affiliates, including, but not limited to, financial and operational management and reporting, risk management, legal and regulatory compliance and client service management and marketing.

Where possible, such Confidential Information must be disclosed under obligations of confidentiality or in a manner consistent with industry practice.

25.1.3 **Confidential Information and Cloud Computing and Storage.** Each Party may store Confidential Information with third-party providers of information technology services, and permit access to Confidential Information by such providers as reasonably necessary for the receipt of cloud computing and storage services and related hardware and software maintenance and support. Such Confidential Information must be disclosed under obligations of confidentiality.

25.1.4 **Disclosure of Confidential Information to comply with law.** The Receiving Party may disclose the Disclosing Party's Confidential Information to the extent such disclosure is required to satisfy any legal requirement (including in response to court-issued orders, investigative demands, subpoenas or similar processes or to satisfy the requirements of any applicable regulatory authority).

25.1.5 **Harm of Unauthorized Disclosure of Confidential Information.** Each Party acknowledges that the disclosure to any non-authorized third party of Confidential Information or the use of Confidential Information in breach of this Agreement, may immediately give rise to continuing irreparable injury inadequately compensable in damages at law, and in such cases the Receiving Party agrees to waive any defense that an adequate remedy at law is available if the Disclosing Party seeks to obtain injunctive relief against any such breach or any threatened breach.

25.1.6 **Responsibility for Representatives.** Each Party will be responsible for any use or disclosure of Confidential Information of the Disclosing Party in breach of this Agreement by its Representatives as though such Party had used or disclosed such Confidential Information itself.

25.1.7 **No Disclosure to Custodian Asset Manager Division.** In no event will the Custodian allow representatives of its asset management division or Affiliates engaged in asset management to have access to or to use Confidential Information of the Client, including Data.

26 Term and Termination

26.1 **Term.** This Agreement will commence on the Effective Date and will continue until terminated in accordance with this Section.

26.2 Termination Rights.

26.2.1Prior Notice. The Parties agree that:

26.2.1.1 the Client may terminate this Agreement by giving not less than 30 days' prior written notice to the Custodian; and

26.2.1.2 the Custodian may terminate this Agreement by giving not less than 270 days' prior written notice to the Client.

26.2.2 **Immediate Effect.** A Party may terminate this Agreement with immediate effect at any time by written notice to the other Party, if:

26.2.2.1 an Insolvency Event occurs in relation to the other Party;

26.2.2.2 such other Party is the Client and fails to pay any undisputed Fees as and when due and has failed to cure such breach within 30 days of receipt of notice from the Custodian requesting it to do so; or

26.2.2.3 such other Party commits a material breach of an obligation under this Agreement and has failed to cure such breach within 30 days of receipt of notice requesting it to do so.

If the Custodian terminates this Agreement pursuant to sub-sections 25.2.2.1 or 25.2.2.2, the Custodian will continue to provide the Services for a period of up to 270 days subject to payment in full of any overdue undisputed Fees and prepayment of the Fees reasonably expected to be incurred during such 270-day period, or such other financial assurance reasonably acceptable to the Custodian.

26.3 Actions on Termination.

25.3.1 **Successor Custodian.** Upon termination of the Agreement, the Custodian will deliver the Portfolio to the successor custodian designated by the Client in Proper Instructions.

25.3.2 **Remaining Portfolio.** If any part of the Portfolio remains in the possession of the Custodian or its Subcustodians after the date of termination because the Client fails to designate a successor custodian or otherwise, the Custodian may continue to provide the Services to the Client in consideration of the Fees, as if the Agreement had not terminated. However, the Custodian may, after not less than 30 days' notice in writing to the Client, cease providing the Services and transfer the Portfolio to the Client, and the Client will do all things and execute all documents necessary or desirable in order to effect that transfer.

25.3.3 **Payment of Fees.** Upon termination of this Agreement, Fees will become due and payable for the period to the date of such termination, or, if later, to the date at which any part of the Portfolio held by the Custodian has been fully transferred to a successor custodian or to the Client, other than Fees subject to a bona fide good faith dispute.

27 Representations and Warranties

27.1 Each Party. Each Party represents and warrants to the other that: (i) it has the power to enter into and perform its obligations under this Agreement; and (ii) it has duly executed this Agreement by duly authorized persons so as to constitute valid and binding obligations of that Party.

27.2 Client. The Client further represents and warrants to the Custodian that: (i) it is the beneficial owner of the assets comprising the Portfolio or is entitled to deal with the assets comprising the Portfolio under this Agreement as if it were beneficial owner; and (ii) unless otherwise agreed, the Client acts as principal for the purposes of this Agreement and not as agent for another person.

27.3 Custodian. The Custodian further represents and warrants to the Client that: (i) it holds such authorisations and licences as are necessary to lawfully perform its obligations under this Agreement; and (ii) it will seek to maintain such authorisations and licenses for the term of this Agreement.

28 Record Retention and Audit Rights

28.1 Records. The Custodian will retain the records it is required to maintain under this Agreement in accordance with the Law applicable to the Custodian.

28.2 Client and Regulator Access. The Custodian will allow the Client and the Client's regulators or supervisory authorities to perform periodic on-site audits as may be reasonably required to examine the Custodian's performance of the Services.

28.3 Frequency and Scope. For inspections requested by the Client (such request will include reasonable advance notice) and agreed to by the Custodian, the Custodian reserves the right to impose reasonable limitations on the number, frequency, timing, and scope of such audits.

28.4 Limitations on Disclosure. Nothing contained in this Section will obligate the Custodian to provide access to or otherwise disclose: (i) any information that is unrelated to the Client and the provision of the Services to the Client; (ii) any information that is treated as confidential under the Custodian's corporate policies, including, without limitation, internal audit reports, compliance or risk management plans or reports, work papers and other reports, and information relating to management functions; or (iii) any other documents, reports, or information that the Custodian is obligated or entitled to maintain in confidence as a matter of law or regulation. In addition, any access provided to technology will be limited to a demonstration by the Custodian of the functionality thereof and a reasonable opportunity to communicate with the Custodian's personnel regarding such technology.

29 Business Continuity, Internal Controls and Information Security

29.1 Business Continuity Plans. The Custodian will at all times maintain a business contingency plan and a disaster recovery plan and will take commercially reasonable measures to maintain and periodically test such plans. The Custodian will implement such plans following the occurrence of an event which results in an interruption or suspension of the Services to be provided by the Custodian.

29.2 Internal Controls Review and Report. The Custodian will retain a firm of independent auditors to perform an annual review of certain internal controls and procedures employed by the Custodian in the provision of the Services and issue a standard System and Organization Controls 1 or equivalent report based on such review. The Custodian will provide a copy of the report to the Client upon request.

29.3 Information Security Systems and Controls. The Custodian will maintain commercially reasonable information security systems and controls, which include administrative, technical, and physical safeguards that are designed to: (i) maintain the security and confidentiality of the Client's data; (ii) protect against any anticipated threats or hazards to the security or integrity of the Client's data, including appropriate measures designed to meet legal and regulatory requirements applying to the Custodian; and (iii) protect against unauthorized access to or use of the Client's data.

29.4 Virus Detection. The Custodian will at all times employ a current version of one of the leading commercially available virus detection software programs to test the hardware and software applications used by it to deliver the Services for the presence of any computer code designed to disrupt, disable, harm, or otherwise impede operation.

30 General

30.1 Services Not Exclusive; Acting in Various Capacities. The Custodian, its Subcustodians and their Affiliates are part of groups of companies and businesses that, in the ordinary course of their business:

30.1.1 provide a wide range of financial services to many clients of different kinds;

30.1.2 engage in transactions for their own account (including acting as banker as outlined in Section 4.4 and acting as foreign exchange counterparty as outlined in Section 13) or for the account of other clients;

which may result in actual, perceived or potential conflicts between the interests of the Client and the interest of the Custodian, its Subcustodians and their Affiliates or between the interests of clients. The Custodian maintains a conflicts of interest policy, and has implemented procedures and arrangements to identify and manage conflicts of interest.

30.2 Disclosure of Conflicts. In connection with the matters outlined in Section 29.1.1, the Custodian, its Subcustodians and their Affiliates:

30.2.1 may do business with each client on different contractual or financial terms;

30.2.2 will seek to profit and is entitled to receive and retain profits and compensation in connection with such activities without any obligation to account to the Client for the same;

30.2.3 may act as principal in its own interests, or as agent for its other clients;

30.2.4 may act or refrain from acting based upon information derived from such activities that is not available to the Client;

30.2.5 are not under a duty to notify or disclose to the Client any information which comes to their notice as a result of such activities; and

30.2.6 do not have an obligation to consider, act in, or provide information to the Client in respect of, the interests of the Client in connection with such activities, except to the extent (if any) expressly agreed in writing with the Client under the contractual arrangements governing those activities.

The Custodian may (but is not required to) make any disclosure or notification in connection with such activities to the Client via publication on MyStateStreet.com or other notification mechanism.

30.3 Notice. Unless otherwise specified, all notices, requests, demands and other communications under this Agreement (other than routine operational communications), will be in writing and will be taken to have been given:

30.3.1 when delivered by hand;

30.3.2 on the next Business Day after being sent by e-mail (unless the sender receives an automated message that the e-mail has not been delivered);

30.3.3 on the next Business Day after being sent by overnight courier service for next Business Day delivery; or

30.3.4 on the third Business Day after being sent by certified or registered mail, return receipt requested;

in each case to the applicable Party at the address or e-mail address specified on Schedule 2, or such other address or e-mail address as a Party may specify by written notice from time to time.

30.4 Waiver. No failure on the part of any Party to exercise, and no delay on its part in exercising, any right or remedy under this Agreement will operate as a waiver, nor will any single or partial exercise of any right or remedy preclude any other or further exercise of that right or remedy, or the exercise of any other right or remedy.

30.5 Sole Remedy. Subject to the right to seek relief under the specific circumstances expressly permitted in this Agreement, each of the Custodian and the Client agrees that, to the maximum extent permitted by law, a claim for breach of contract under and consistent with the terms of this Agreement will be the sole and exclusive remedy available for any and all matters arising from or in any way relating to this Agreement, the provision of the Services or any conduct (including omissions and alleged conduct) relating to the Agreement or provision of the Services, whether before, during or after the term of this Agreement. Accordingly, to the maximum extent permitted by law, each of the Custodian and the Client, on behalf of itself and its Affiliates, waives any and all other rights and remedies that otherwise would be available to such party in law or equity.

30.6 Assignment and Successors. The terms of this Agreement are binding on the Parties' representatives, successors and permitted assigns and this Agreement and any rights or obligations under this Agreement may not be assigned or transferred without the prior written consent of the other Party. However, in the event that either Party becomes the subject of an Insolvency Event, then such Party will have the right to assign or transfer its rights and obligations under this Agreement to any entity to which the Party transfers its business and assets (including a bridge bank or similar entity) and the other Party irrevocably consents to such assignment or transfer.

30.7 Entire Agreement. This Agreement is the complete and exclusive agreement of the Parties regarding the Services and supersedes, as of the Effective Date, all prior oral or written agreements, arrangements or understandings between the parties relating to the Services.

30.8 Amendments. This Agreement may be amended by written agreement between the Parties. However, the Custodian may amend this Agreement by giving written notice to the Client of such proposed amendment and the Client will be taken to have consented to the amendment if the Client does not affirmatively object in writing within thirty (30) days.

30.9 Counterparts and Electronic Signatures. This Agreement may be executed in separate counterparts, each of which will be an original, but which together will constitute one and the same agreement. Counterparts may be executed in either original or electronically transmitted form (e.g., faxes or emailed portable document format (PDF) form), and the Parties adopt as original any signatures received in electronically transmitted form. This Agreement may be executed by electronic signature (whatever form the electronic signature takes) and the Parties agree that this method of signature is as conclusive of the intention to be bound by this Agreement as if signed by the Parties' manuscript signatures.

30.10 Severance. In the event that any part of this Agreement will be determined to be void or unenforceable for any reason, the rest of this Agreement will be unaffected (unless the essential purpose hereof is substantially frustrated by such determination) and will be enforceable in accordance with the rest of its terms as if the void or unenforceable part were not a part of this Agreement.

30.11 Survival. The provisions of Sections 10 (Tax Withholding and Tax Relief), 17 (Standard of Care and Liability), 20 (Indemnity), 21 (Obligations of the Client-Fees), 23 (Creditors Rights), 24 (Confidentiality and Use of Data) and 25.3 (Actions on Termination) are continuing obligations and will survive termination of this Agreement for any reason.

30.12 Governing Law and Jurisdiction. This Agreement is governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, and any disputes which may arise out of, under or in connection with this Agreement will be determined by the exclusive jurisdiction of the Massachusetts courts.

30.13 Jurisdiction-Specific Terms. The additional Jurisdiction-Specific Terms set out on Schedule 3 will apply with respect to Clients domiciled in a designated jurisdiction.

30.14 Qualified Financial Contracts. In the event that the Client is domiciled and organized outside of the United States, such Client and the Custodian hereby agree to be bound by the terms of the QFC addendum attached hereto as Appendix B.

30.15 The Parties; Additional Clients

30.15.1 All references in this Agreement to the "Client" are to each of the entities listed on Appendix A, individually, as if this Agreement were between the relevant individual Client and the Custodian. Any reference in this Agreement to "the Parties" shall mean the Custodian and the individual Client as to which the matter relates.

30.15.2 If any entity in addition to those listed on Appendix A would like the Custodian to render Services under the terms of this Agreement, the entity may notify the Custodian in writing. If the Custodian agrees in writing to provide the services, Appendix A will be taken to be amended to include such entity as a Client and that entity (together with the Custodian) will be bound by all Sections of this Agreement.

Signed by the Parties:

EACH ENTITY SET FORTH ON APPENDIX A

By: Hercules Capital, Inc., its investment manager

By: ______________________

Name: ______________________

Title: ______________________

Date: ______________________

STATE STREET BANK AND TRUST COMPANY

By: ______________________

Name: ______________________

Title: ______________________

Date: ______________________

Exhibit 14.1

CODE OF ETHICS

This Code of Ethics (the "***Code***") has been adopted by the Board of Directors (the "***Board***") of Hercules Capital, Inc. ("***Hercules Capital***") in accordance with Rule 17j-l(c) under the Investment Company Act of 1940, as amended (the "***1940 Act***") and by Hercules Adviser LLC (the "***Adviser***") and together with the Hercules Capital, "***Hercules***"), in accordance with Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "***Advisers Act***").

Rule 17j-1 under the 1940 Act requires that a business development company ("***BDC***") adopt a written code of ethics that establishes standards and procedures for the detection and prevention of activities by which persons having knowledge of the investments and investment intentions of the BDC may abuse their position, and otherwise contain provisions reasonably necessary to prevent violations of Rule 17j-1 and the types of conflict of interest situations to which Rule 17j-1 is addressed. Rule 204A-1 under the Advisers Act requires each registered investment adviser to establish, maintain and enforce a written code of ethics that, among other things, contains provisions regarding the standard of business conduct required by the adviser, which must reflect the Adviser's fiduciary duty to its clients ("***Adviser Clients***") and compliance with all applicable U.S. federal securities laws.

This Code is intended to comply with Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act.

The purpose of this Code is to reflect the following:

(1) the duty at all times to place the interests of (i) Adviser Clients and (ii) Hercules Capital and its shareholders, as appropriate, first;

(2) the requirement that all personal securities transactions be conducted consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and

(3) the fundamental standard that BDC and investment advisory personnel should not take inappropriate advantage of their positions.

SECTION I: STATEMENT OF PURPOSE AND APPLICABILITY

(A) Statement of Purpose

It is the policy of Hercules that no affiliated person of Hercules will, in connection with the purchase or sale, directly or indirectly, by such person of any security held or to be acquired by Hercules Capital or an Adviser Client:

(1) Employ any device, scheme or artifice to defraud Hercules Capital or an Adviser Client;

(2) Make to Hercules Capital or an Adviser Client any untrue statement of a material fact or omit to state to Hercules Capital or an Adviser Client a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading;

(3) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon Hercules Capital or an Adviser Client; or

(4) Engage in any manipulative practice with respect to Hercules Capital or an Adviser Client.

(B) Scope of the Code

In order to prevent Access Persons, as defined in Section II, paragraph (A) below, of Hercules from engaging in any of these prohibited acts, practices or courses of business, the Adviser has adopted this Code and the Board has adopted this Code on behalf of Hercules Capital.

SECTION II: DEFINITIONS

(A) Access Person. "Access Person" means any director, officer, or "Advisory Person" of Hercules or all employees of Hercules Capital who act as Supervised Persons of the Adviser and those employees that make, participate in, or obtain non-public information regarding the portfolio management decisions relating to investment advisory services on behalf of an Adviser Client or prospective client.

(B) Advisory Person. "Advisory Person" of Hercules means: (i) any director, officer or employee of Hercules or of any company in a control relationship to Hercules, who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of a Covered Security by Hercules, or whose functions relate to the making of any recommendations with respect to such purchases or sales; and (ii) any natural person in a control relationship to Hercules who obtains information concerning recommendations made to Hercules with regard to the purchase or sale of a "Covered Security."

(C) Beneficial Interest. "Beneficial Interest" includes any entity, person, trust, or account with respect to which an Access Person exercises investment discretion or provides investment advice. A beneficial interest will be presumed to include all accounts in the name of or for the benefit of the Access Person, his or her spouse, dependent children, or any person living with him or her or to whom he or she contributes economic support.

(D) Beneficial Ownership. "Beneficial Ownership" will be determined in accordance with Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), except that the determination of direct or indirect Beneficial Ownership will apply to all securities, and not just equity securities, that an Access Person holds or acquires. Rule 16a-1(a)(2) provides that the term "beneficial owner" means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares a direct or indirect pecuniary interest in any equity security. Therefore, an Access Person may be deemed to have Beneficial Ownership of securities held by members of his or her immediate family sharing the same household, or by certain partnerships, trusts, corporations, or other arrangements.

(E) Control. "Control" will have the meaning set forth in Section 2(a)(9) of the 1940 Act.

(F) Covered Security. "Covered Security" means a security as defined in Section 2(a)(36) of the 1940 Act and Section 202(a)(18) of the Advisers Act, except that it does not include (i): direct obligations of the Government of the United States; (ii) banker's acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments including repurchase agreements; and (iii) shares issued by registered open-end investment companies (i.e., mutual funds); however, exchange traded funds structured as unit investment trusts or open-end funds are considered "Covered Securities."

(G) Designated Officer. "Designated Officer" means the officer of Hercules designated by the Board from time to time to be responsible for management of compliance with this Code and/or any person or persons designated by such officer to perform such functions on his or her behalf.

(H) Disinterested Director. "Disinterested Director" means a director of Hercules Capital who is not an "interested person" of Hercules within the meaning of Section 2(a)(19) of the 1940 Act.

(I) Hercules. "Hercules" means Hercules Capital, Inc., a Maryland corporation, and its wholly-owned subsidiary, Hercules Adviser LLC, a Delaware limited liability company.

(J) Initial Public Offering. "Initial Public Offering" means an offering of securities registered under the Securities Act of 1933, as amended (the "Securities Act"), the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act.

(K) Investment Personnel. “Investment Personnel” means: (i) any employee of Hercules Capital (or of any company in a control relationship to Hercules) or any Supervised Person of the Adviser who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of securities by Hercules Capital or one or more Adviser Clients; and (ii) any natural person who controls Hercules Capital or the Adviser and who obtains information concerning recommendations regarding the purchase or sale of securities by Hercules Capital or the Adviser.

(L) Limited Offering. “Limited Offering” means an offering that is exempt from registration under the Securities Act pursuant to Section 4(2) or Section 4(6) or pursuant to Rule 504, Rule 505 or Rule 506 under the Securities Act.

(M) Purchase or Sale of a Covered Security. “Purchase or Sale of a Covered Security” is broad and includes, among other things, the writing of an option to purchase or sell a Covered Security, or the use of a derivative product to take a position in a Covered Security.

SECTION III: STANDARDS OF CONDUCT

(A) General Standards

(1) No Access Person will engage, directly or indirectly, in any business transaction or arrangement for personal profit that is inconsistent with the best interests of, as applicable, Adviser Clients or Hercules Capital or its shareholders.

(2) No Access Person will make use of any confidential information gained by reason of his or her employment by or affiliation with Hercules or affiliates thereof in order to derive a personal profit for himself or herself or for any Beneficial Interest, in violation of the fiduciary duty owed to Hercules or its shareholders.

(3) No Access Person will recommend or authorize the purchase or sale of a Covered Security by Hercules or its affiliates without having disclosed, at the time of such recommendation or authorization, any Beneficial Interest in, or Beneficial Ownership of, such Covered Security or the issuer thereof.

(4) No Access Person will disclose any confidential information concerning securities holdings or securities transactions of Hercules to persons outside Hercules, without obtaining prior written approval from the Designated Officer, or such person or

persons designated to act on his or her behalf. Notwithstanding the preceding sentence, such Access Person may dispense such information without obtaining prior written approval:

(a) when there is a public report containing the same information;

(b) when such information is dispensed in accordance with compliance procedures established to prevent conflicts of interest between Hercules and its affiliates;

(c) when such information is reported to directors of Hercules; or

(d) in the ordinary course of his or her duties on behalf of Hercules.

(5) All personal securities transactions should be conducted consistent with this Code and in such a manner as to avoid actual or potential conflicts of interest, the appearance of a conflict of interest, or any abuse of an individual's position of trust and responsibility within Hercules.

(B) Requirement to Obtain Preclearance

(1) Preclearance is Required before Trading. Preclearance of trades helps to prevent personal trading from conflicting with Hercules transactions. No Access Person will be able to purchase or sell, directly or indirectly, any Covered Security in which he or she has, or by reason of such transaction acquires, any direct or indirect Beneficial Ownership unless that Access Person has obtained preclearance prior to engaging in such transaction.

(2) How to Obtain Preclearance. Prior to conducting a trade, all Access Persons must enter transaction information into the ComplySci Preclearance System ("ComplySci") and follow the instructions to receive approval. If preclearance is granted, it will be valid for 5 business days from the day that approval was granted and the trade must take place within those days. If Preclearance approval is not granted, Access Persons will not be permitted to engage in the proposed transaction and may direct further inquiries to the CCO.

(3) Certain Transactions May be Denied Preclearance. The following transactions will generally be denied preclearance.

(a) Company Considering Purchase or Sale. Requests for preclearance regarding any securities that Hercules is currently considering for purchase or sale will generally be denied.

(b) Company Same Day Purchase or Sale. Requests for preclearance regarding any securities that Hercules has purchased or sold on the same business day as the preclearance request will generally be denied.

(c) Restricted Security List. Requests for preclearance regarding any security listed on Hercules's Restricted Security List will generally be denied.

(d) Blackouts for Investment Personnel. Requests from Investment Personnel for preclearance that fall within a "blackout" period will generally be denied.

(4) Approval of CCO's Transaction. The CCO will conduct transactions in the manner described herein for all Access Persons. The Chief Executive Officer or Chief Financial Officer will approve such transactions.

(5) Exclusions from Preclearance Requirement. The following transactions will generally be exempt from the preclearance requirement.

(a) Exchange Traded Fund transactions where no constituent security held by the Exchange Traded Fund amounts to greater than 5% of the Exchange Traded Fund's holdings;

(6) Other Restrictions

(a) Company Acquisition of Shares in Companies that Investment Personnel Hold Through Limited Offerings. Investment Personnel who have been authorized to acquire securities in a Limited Offering must disclose that investment to the Designated Officer when they are involved in Hercules's subsequent consideration of an investment in the issuer, and Hercules's decision to purchase such securities must be independently reviewed by Investment Personnel with no personal interest in that issuer.

(b) Gifts. No Access Person may accept, directly or indirectly, any gift, favor, or service or other consideration of more than a de minimis value (e.g., $250) from any person or entity that does business or proposes to do business with Hercules, and/or with whom he or she transacts business on behalf of Hercules, under circumstances when to do so would conflict with Hercules's best interests or would impair the ability of such person to be completely disinterested when required, in the course of business, to make judgments and/or recommendations on behalf of Hercules. An Access Person must pre-clear gifts over $250 in ComplySci.

(c) Service as Director. No Access Person will serve on the board of directors of a portfolio company of Hercules unless (i) such board service is consistent with the interests of Hercules and its shareholders and (ii) such Access Person has obtained prior written approval from the Designated Officer for such service.

(d) Initial Public Offerings and Limited Offerings. Access Persons must obtain preclearance before, directly or indirectly, acquiring Beneficial Ownership in any securities in an Initial Public Offering or in a Limited Offering.

SECTION IV: PROCEDURES TO IMPLEMENT CODE OF ETHICS

The following reporting procedures have been established to assist Access Persons in avoiding a violation of this Code, and to assist Hercules in preventing, detecting, and imposing sanctions for violations of this Code. Every Access Person must follow these procedures. Questions regarding these procedures should be directed to the Designated Officer.

(A) Applicability

All Access Persons are subject to the reporting requirements set forth in Section IV(B) except:

(1) with respect to transactions effected for, and Covered Securities held in, any account over which the Access Person has no direct or indirect influence or control;

(2) a Disinterested Director, who would be required to make a report solely by reason of being a Director, need not make: (1) an initial holdings or an annual holdings report; and (2) a quarterly transaction report, unless the Disinterested Director knew or, in the ordinary course of fulfilling his or her official duties as a Director, should have known that during the 15-day period immediately before or after such Disinterested Director's transaction in a Covered Security, Hercules purchased or sold the Covered Security, or Hercules considered purchasing or selling the Covered Security.

(3) an Access Person need not make a quarterly transaction report if the report would duplicate information contained in broker trade confirmations or account statements received by Hercules with respect to the Access Person in the time required by subsection (B)(2) of this Section IV, if all of the information required by subsection (B)(2) of this Section IV is contained in the broker trade confirmations or account statements, or in the records of Hercules, as specified in subsection (B)(4) of this Section IV.

(B) Report Types

(1) Initial Holdings Report. An Access Person must file an initial report in ComplySci not later than 10 calendar days after that person became an Access Person.

(2) Quarterly Transaction Report. An Access Person must file a quarterly transaction report in ComplySci not later than 30 calendar days after the end of a calendar quarter.

(3) Annual Holdings Report. An Access Person must file an annual holdings report in ComplySci not later than 30 calendar days after the end of a fiscal year.

(4) Account Statements. In lieu of providing a quarterly transaction report, an Access Person may direct his or her broker to provide to the Designated Officer copies of periodic statements for all investment accounts in which they have Beneficial Ownership that provide the information required in quarterly transaction reports, as set forth above.

(5) Hercules Reports. No less frequently than annually, Hercules Capital and the Adviser must furnish to the Board or the CCO, respectively, and the Board or CCO must consider, a written report that:

(a) describes any issues arising under the Code or procedures since the last report to the Board, including but not limited to, information about material violations of the Code or procedures and sanctions imposed in response to the material violations; and

(b) certifies that Hercules has adopted procedures reasonably necessary to prevent Access Persons from violating the Code.

(C) Disclaimer of Beneficial Ownership. Any report required under this Section IV may contain a statement that the report will not be construed as an admission by the person making such report that he or she has any direct or indirect beneficial ownership in the Covered Security to which the report relates.

(D) Review of Reports. The reports required to be submitted under this Section IV will be delivered to the Designated Officer. The Designated Officer will review such reports to determine whether any transactions recorded therein constitute a violation of the Code. The Designated Officer will maintain copies of the reports as required by Rule 17j-1(f).

(E) Designated Officer Investigation. The Designated Officer may conduct such investigation as he or she considers necessary to determine if proposed trades comply with this Code, including post-transaction monitoring. The Designated Officer may impose additional measures to avoid perceived or actual conflicts of interest or to address any transactions that require additional review.

(F) Acknowledgment and Certification. Upon becoming an Access Person and annually thereafter, all Access Persons will sign an acknowledgment and certification of their receipt of and intent to comply with this Code in ComplySci. Each Access Person must also certify annually that he or she has read and understands the Code and recognizes that he or she is subject to the Code. In addition, each access person must certify annually that he or she has complied with the requirements of the Code and that he or she has disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code.

(G) Records. Hercules will maintain records with respect to this Code in the manner and to the extent set forth below, which records may be maintained on microfilm or electronic storage media under the conditions described in Rule 31a-2(f) under the 1940 Act and Rule 204-2(g) under the Advisers Act and will be available for examination by representatives of the Securities and Exchange Commission (the "***SEC***"):

(1) A copy of this Code and any other code of ethics of Hercules that is, or at any time within the past five years has been, in effect will be maintained in an easily accessible place;

(2) A record of any violation of this Code and of any action taken as a result of such violation will be maintained in an easily accessible place for a period of not less than five years following the end of the fiscal year in which the violation occurs;

(3) A copy of each report made by an Access Person or duplicate account statement received pursuant to this Code, including any information provided in lieu of the reports under subsection (A)(3) of this Section IV will be maintained for a period of not less than five years from the end of the fiscal year in which it is made or the

information is provided, the first two years in an easily accessible place;

(4) A record of all persons who are, or within the past five years have been, required to make reports pursuant to this Code, or who are or were responsible for reviewing these reports, will be maintained in an easily accessible place;

(5) A copy of each report required under subsection (B)(5) of this Section IV will be maintained for at least five years after the end of the fiscal year in which it is made, the first two years in an easily accessible place;

(6) A record of any decision, and the reasons supporting the decision, to approve the direct or indirect acquisition by an Access Person of beneficial ownership in any securities in an Initial Public Offering and

(7) Limited Offering will be maintained for at least five years after the end of the fiscal year in which the approval is granted.

(8) Obligation to Report a Violation. Every Access Person who becomes aware of a possible violation of this Code by any person must report it to the Designated Officer, who will report it to appropriate management personnel. The management personnel will take such action that they consider appropriate under the circumstances. In the case of officers or other employees of Hercules, such action may include removal from office. The Board or CCO, as applicable, will be notified, in a timely manner, of remedial action taken with respect to violations of the Code.

(9) Confidentiality. All reports of Covered Securities transactions, duplicate confirmations, account statements and other information filed with Hercules or furnished to any person pursuant to this Code will be treated as confidential, but are subject to review as provided herein and by representatives of the Securities and Exchange Commission or otherwise to comply with applicable law or the order of a court of competent jurisdiction.

(10) Waivers. The Designated Officer has the authority to exempt any employee or investment transaction from any or all of the provisions of this Code if the Designated Officer determines that such exemption would not be against the interests of any shareholders and is consistent with applicable laws and regulations, including Rule 17j-1 under the Investment Company Act and Rule 204A-1 under the Advisers Act. The Designated Officer will prepare and file a written memorandum of any

exemption granted, describing the circumstances and reasons for the exemption.

SECTION V: SANCTIONS

Upon determination that a violation of this Code has occurred, management personnel of Hercules may impose such sanctions as they deem appropriate, including, among other things, disgorgement of profits, a letter of censure or suspension or termination of the employment of the violator. All violations of this Code and any sanctions imposed with respect thereto will be reported in a timely manner to the Board.

SECTION VI: AMENDMENTS

This Code may be amended from time to time by resolution of the Board, or without a resolution of the Board to the extent the approval of such amendment is not required under the 1940 Act.

SECTION VII: RULE 204A-1 OF THE ADVISERS ACT

The provisions set forth in this Code shall apply in connection with the Adviser's provision of investment advisory services to Adviser Clients and it shall be interpreted in a manner to fully protect the interests of Adviser Clients. In the capacity of a registered investment adviser to Adviser Clients, the Adviser and Supervised Persons serve as fiduciaries. Consistent with their fiduciary duties, the interests of Adviser Clients take priority over the personal investment objectives or other personal interests of Supervised Persons. Supervised Persons must work to mitigate or eliminate any conflict of interest that may exist. A conflict of interest generally exists when a person's private interests may be contrary to the interests of Adviser Clients (or, when acting on behalf of Hercules Capital, when a person's private interests may be contrary to the interests of Hercules Capital or its shareholders).

For purposes of compliance by the Adviser and its Supervised Persons with this Code, the administrative provisions, enforcement provisions, approval (including pre-approval) provisions and recordkeeping provisions (which shall be read to refer to Rule 204-2 under the Advisers Act for purposes of the Adviser) may continue to be governed by the systems in place for Hercules Capital.

Adopted: March 25, 2021
Ratified: December 2, 2021

Exhibit 14.2

CODE OF BUSINESS CONDUCT AND ETHICS

Amended and Restated:

December 2, 2021

CODE OF BUSINESS CONDUCT AND ETHICS

TABLE OF CONTENTS

Introduction

This Code of Business Conduct and Ethics (the "***Code***") has been adopted by Hercules Capital, Inc. (the "***Company***") in order to establish applicable policies, guidelines, and procedures that promote ethical practices and conduct by the Company and all its employees, officers, and directors. You should carefully read and retain a copy of the Code for future reference. The Code is primarily designed to assist you in the recognition and resolution of potential conflicts of interest, maintain the confidentiality of our business activities, assist in the compliance with all applicable securities laws and reporting of any unethical or illegal conduct, and reaffirm and promote the Company's commitment to a corporate culture that values honesty, integrity, and accountability.

All officers, directors and employees ("***Covered Persons***") of the Company are responsible for maintaining this level of integrity and for complying with the policies contained in this Code. If you have a question or concern about what is proper conduct for you or anyone else, please raise these concerns with the Chief Compliance Officer or any member of the Company's senior management, or follow the procedures outlined in applicable sections of this Code.

The Company's Code of Ethics under Rule 17j-1 under the Investment Company Act of 1940, as amended (the "***1940 Act***") and the Company's Insider Trading Policy, contain separate requirements for persons covered by this Code and other persons and is not part of this Code.

Purpose of the Code

This Code is intended to:

1. help you recognize ethical issues and take the appropriate steps to resolve these issues;
2. deter ethical violations and avoid any abuse of position of trust and responsibility;
3. maintain confidentiality of our business activities;
4. assist you in complying with applicable securities laws;
5. assist you in reporting any unethical or illegal conduct; and
6. reaffirm and promote our commitment to a corporate culture that values honesty, integrity and accountability.

As a condition of employment or continued employment, you must acknowledge annually, in writing, that you have received a copy of this Code, read it, and understand that the Code contains our expectations regarding your conduct. You also will receive any updates and updated versions of this Code and will be required to read and acknowledge such updates.

Conflicts of Interest

You must avoid any conflict, or the appearance of a conflict, between your personal interests and the Company's interests. A "conflict of interest" occurs when your private interests interfere in any way, or even appears to interfere, with the interests of, or your service to, the Company. For example, a conflict of interest probably exists if:

1. you, or a member of your family, receives improper personal benefits as a result of the Covered Person's position with the Company;
2. you use any non-public information about us, our customers, or our other business partners for your personal gain, or the gain of a member of your family;

3. you use or communicate confidential information obtained in the course of your work for your or another's personal benefit;
4. you take actions or have interests that may make it difficult to perform your work on behalf of the Company objectively and effectively;
5. you use your personal influence or personal relationship improperly to influence investment decisions, financial reporting or company charitable contributions to benefit yourself to the detriment of the Company; or
6. you accept, directly or indirectly, any gift, favor, or service or other consideration valued in excess of $250 from any person or entity that does or proposes to do business with the Company without obtaining pre-clearance from the Chief Compliance Officer as required by the Company's Code of Ethics.

Corporate Opportunities

Each of us has a duty to advance the legitimate interests of the Company when the opportunity to do so presents itself. Therefore, you may not:

1. take for yourself personally opportunities, including investment opportunities, discovered through the use of your position with us, or through the use of Company property or information;
2. use our property, information, or position for your personal gain or the gain of a family member; or
3. compete, or prepare to compete, with us.

Confidentiality

You must not disclose confidential information regarding us, our affiliates, our lenders, or our other business partners, unless disclosure is authorized or required by law. Confidential information includes all non-public information that might be harmful to, or useful to the competitors of, the Company, our affiliates, our lenders or our other business partners. Even after you leave the Company, this obligation continues until the information becomes publicly available.

All reports and records prepared or maintained pursuant to this Code will be considered confidential and will be maintained and protected accordingly. Except as otherwise required by law or this Code, such matters will not be disclosed by the Company to anyone other than the Board of Directors and its counsel.

Fair Dealing

You must endeavor to deal fairly with our suppliers and business partners, or any other companies or individuals with whom we do business or come into contact with, including fellow employees and our competitors. You must not take unfair advantage of these or other parties by means of:

1. manipulation;
2. concealment;
3. abuse of privileged information;
4. misrepresentation of material facts; or
5. any other unfair-dealing practice.

Protection and Proper Use of Company Assets

Our assets are to be used only for legitimate business purposes. Theft, carelessness and waste have a direct impact on the Company's profitability. You should protect our assets and ensure that they are used efficiently.

Incidental personal use of telephones, fax machines, copy machines, personal computers and similar equipment is generally allowed if there is no significant added cost to us, it does not interfere with your work duties, it is in compliance with the Company's policy with respect to Internet usage and social media and is not related to an illegal activity or to any outside business.

Compliance with Applicable Laws, Rules and Regulations

Each of us has a duty to comply with all laws, rules and regulations that apply to our business.
Highlighted below are some of the key compliance guidelines that must be followed.

1. **Insider trading.** It is against the law to buy or sell securities using material information that is not available to the public. Individuals who give this "inside" information to others may be liable to the same extent as the individuals who trade while in possession of such information. You must not trade in our securities, or the securities of our affiliates, our lenders, or our other business partners while in the possession of "inside" information. All employees are required to be familiar and comply with our Insider Trading Policy in the Company's Compliance Manual.
2. **"Whistleblower" protections.** It is against the law to discharge, demote, suspend, threaten, harass, or discriminate in any manner against an employee who provides information or otherwise assists in investigations or proceedings relating to violations of federal securities laws or other federal laws prohibiting fraud against shareholders. You must not discriminate in any way against an employee who engages in these "whistleblower" activities. You are encouraged to refer to our Whistleblower Policy in the Company's Compliance Manual.
3. **1940 Act requirements.** A separate code of ethics has been established to comply with Rule 17j-1 under the 1940 Act and is applicable to those persons designated in such code.
4. **Document retention.** You must adhere to appropriate procedures governing the retention and destruction of records consistent with applicable laws, regulations and our policies. You may not destroy, alter or falsify any document that may be relevant to a threatened or pending lawsuit or governmental investigation. All employees are required to be familiar and comply with our Recordkeeping Policy in the Company's Compliance Manual.

Please talk to the Chief Compliance Officer or any member of senior management if you have any questions about how to comply with the above regulations and other laws, rules and regulations.

In addition, we expect you to comply with all our policies and procedures that apply to you. We may modify or update our policies and procedures in the future, and may adopt new Company policies and procedures from time to time. You are also expected to observe the terms of any confidentiality agreement, employment agreement or other similar agreement that applies to you.

Equal Opportunity, Harassment

We are committed to providing equal opportunity in all of our employment practices including selection, hiring, promotion, transfer, and compensation of all qualified applicants and employees without regard to race, color, sex or gender, gender identity, sexual orientation, religion, age, national origin, handicap, disability, citizenship status, or any other status protected by law. With this in mind, there are certain behaviors that will not be tolerated. These include harassment, violence, intimidation, and discrimination of any kind involving race, color, sex or gender, gender identity, sexual orientation, religion, age, national origin, handicap, disability, citizenship status, marital status, or any other status protected by law.

Retaining Business Records

The law requires us to maintain certain types of corporate records, usually for specified periods of time. Failure to retain those records for those minimum periods could subject us to penalties and fines, cause the loss of rights, obstruct justice, place us in contempt of court, or seriously disadvantage us in litigation If we inform you, or you believe that our records are relevant to any litigation or governmental action, or any potential litigation or action, then you must preserve those records until we determine the records are no longer required to be preserved. This requirement supersedes any previously or subsequently established destruction policies for those records. If you believe that this requirement may apply, or have any questions regarding the possible applicability of this requirement, please contact our Chief Compliance Officer.

Accuracy of Company Records

We require honest and accurate recording and reporting of information in order to make responsible business decisions. This includes such data as quality, safety, and personnel records, as well as financial records.

All financial books, records and accounts must accurately reflect transactions and events, and conform both to required accounting principles and to our system of internal controls. No false or artificial entries may be made.

Outside Employment

Without the written consent of the Chief Executive Officer, no officer or employee is permitted to:

1. engage in any other financial services business;
2. be employed or compensated by any other business for work performed; or
3. have a significant (more than 5% equity) interest in any other financial services business, including, but not limited to, banks, brokerages, investment advisers, insurance companies or any other similar business.

Requests for outside employment waivers must be made in writing to the Chief Executive Officer with a copy to the Chief Compliance Officer of the Company.

Service as a Director

No officer or employee may serve as a director or officer of any organization, other than the Company, without prior written authorization from our Chief Compliance Officer. Any request to serve on the board or as an officer of such an organization must include the name of the entity and its business, the names of the other board members or officers, as applicable, and a general reason for the request. The Chief Compliance Officer will consult with the Chief Executive Officer in connection with any such request.

Directors who serve on the Company's Board of Directors are required to adhere to the procedures set forth in the Company's Corporate Governance Guidelines prior to serving on a board of another organization.

Dealings with Government and Industry Regulators

The Company's policy forbids payments of any kind by us, our employees or any agent or other intermediary to any government official, self-regulatory official or other similar person or entity, within the United States or abroad, for the purpose of obtaining or retaining business, or for the purpose of influencing favorable consideration of any application for a business activity or other matter. This policy covers all types of payments, even to minor government officials and industry regulators, regardless of whether the payment would be considered legal under the circumstances, provided that, subject to certain limitations, political contributions or donations of an amount less than the then federally-mandated maximum amount, made without the intent to obtain or retain business or favorably influence consideration of any application for a business activity or other matter, are permitted, as further explained below. Employees are required to avoid even the appearance of impropriety in their dealings with industry and government regulators and officials, even with respect to permissible contributions or donations.

It is expected and required that all employees fulfill their personal obligations to governmental and regulatory bodies. Those obligations include the filing of appropriate federal, state and local tax returns, as well as the filing of any applicable forms or reports required by regulatory bodies.

All employees are required to cooperate fully with management in connection with any internal or independent investigation and any claims, actions, arbitrations, litigations, investigations or inquiries brought by or against us. Employees are expected, if requested, to provide us with reasonable assistance, including, but not limited to, meeting or consulting with the Company and our representatives, reviewing documents, analyzing facts and appearing or testifying as witnesses or interviewees or otherwise.

Employees are required to immediately notify the Chief Compliance Officer in the event they are contacted by any national, state, local or self-regulatory authority or body regarding a potential or actual litigation, investigation, examination, or inquiry directly or indirectly involving the Company, unless, upon the written advice of legal counsel, such employee is prohibited by law from doing so in such case.

Media Relations

We must speak with a unified voice in all dealings with the press and other media. As a result, the Company's Chief Executive Officer, or his or her designee, is the sole contact for media seeking information about the Company. Any requests from the media regarding the Company must be referred to its Chief Executive Officer, or his or her designee.

Intellectual Property Information

Information generated in our business is a valuable asset. Protecting this information plays an important role in our growth and ability to compete. Such information includes business and research plans; objectives and strategies; trade secrets; unpublished financial information; salary and benefits data; and lender and other business partner lists. Employees who have access to our intellectual property information are obligated to safeguard it from unauthorized access and:

1. not disclose this information to persons outside of the Company;

2. not use this information for personal benefit or the benefit of persons outside of the Company; and
3. not share this information with other employees except on a legitimate “need to know” basis.

Internet and E-Mail Policy

We provide an e-mail system and Internet access to certain of our employees to help them do their work. You may use the e-mail system and the Internet only for legitimate business purposes in the course of your duties. Incidental and occasional personal use is permitted, but never for personal gain or any improper or illegal use. Further, you are prohibited from discussing or posting information regarding the Company in any external electronic forum, including Internet chat rooms, electronic bulletin boards or social media sites. You are encouraged to refer to our Social Media Policy in the Company’s Compliance Manual for more information.

Reporting Violations and Complaint Handling

You are responsible for compliance with the rules, standards and principles described in this Code. In addition, you should be alert to possible violations of the Code by the Company’s employees, officers and directors, and you are required to report a violation promptly. Normally, reports should be made to one’s immediate supervisor. Under some circumstances, it may be impractical or you may feel uncomfortable raising a matter with your supervisor. In those instances, you are encouraged to contact the Chief Compliance Officer who will investigate the matter and potentially report it to the Company’s Chief Executive Officer and/or Board of Directors, as the circumstance dictates. You will also be expected to cooperate in an investigation of a violation.

The Company has also adopted a Whistleblower Policy pursuant to which you may report a concern about our conduct, the conduct of a director, officer or employee of the Company or our accounting, internal accounting controls or auditing matters directly to the Audit Committee of the Board of Directors of the Company. All reported concerns will be reviewed and by the Audit Committee and/or by the Chief Compliance Officer on behalf of the Audit Committee. The status of all outstanding concerns forwarded to the Audit Committee will be reported on a quarterly basis by the Company’s Chief Compliance Officer. The Audit Committee may direct that certain matters be presented to the full Board and may retain outside advisors or counsel, for any concern reported to it. You are encouraged to refer to our Whistleblower Policy in the Company’s Compliance Manual and to report any concerns that you might have.

All reports will be investigated and, whenever possible, requests for confidentiality will be honored. And, while anonymous reports will be accepted, please understand that anonymity may hinder or impede the investigation of a report. All cases of questionable activity or improper actions will be reviewed for appropriate action, discipline or corrective actions. Whenever possible, we will keep confidential the identity of employees, officers or directors who are accused of violations, unless or until it has been determined that a violation has occurred.

There will be no reprisal, retaliation or adverse action taken against any employee who, in good faith, reports or assists in the investigation of, a violation or suspected violation, or who makes an inquiry about the appropriateness of an anticipated or actual course of action.

For reporting concerns about the Company’s conduct, the conduct of a director, officer or employee of the Company, or about the Company’s accounting, internal accounting controls or auditing matters, you may use the following means of communication:

1. By Mail: Chief Compliance Officer
Hercules Capital, Inc.
400 Hamilton Avenue, Suite 310 Palo Alto, CA
94301

2. Confidentially By Mail: Chairperson of the Audit Committee
To be Opened by Audit Committee Only C/O Chief Compliance
Officer
Hercules Capital, Inc. 400 Hamilton Avenue, Suite
310 Palo Alto, CA 94301

3. Anonymously By Phone to Ethics Hotline: 650-600-5400

4. By Email to Chief Compliance Officer: complianceofficer@htgc.com

Sanctions for Code Violations

All violations of the Code are subject to appropriate corrective action, up to and including dismissal. If the violation involves potentially criminal activity, the individual or individuals in question will be reported, as warranted, to the appropriate authorities.

Application/Waivers

All the directors, officers and employees of the Company are subject to this Code.

Any material amendment or waiver of the Code for an executive officer of the Company or a member of the Board of Directors of the Company must be made by the Board of Directors and disclosed on a Form 8-K filed with the SEC within four business days following such amendment or waiver.

Revisions and Amendments

This Code may be revised, changed or amended at any time by our Board of Directors. Following any material revisions or updated, an updated version of this Code will be distributed to you, and will supersede the prior version of this Code effective upon distribution. We may ask you to sign an acknowledgement confirming that you have read and understood the revised version of the Code, and that you agree to comply with the provisions.

Other Policies and Procedures

This Code will be the sole code of business conduct and ethics adopted by the Company for purposes of Section 406 of the Sarbanes-Oxley Act and the rules and forms applicable to registered investment companies thereunder. Insofar as other policies or procedures of the Company may govern the behavior or activities of the Covered Person who are subject to this Code, they are superseded by this Code to the extent that they overlap or conflict with the provisions of this Code.

Internal Use

The Code is intended solely for the internal use by the Company and does not constitute an admission, by or on behalf of any Company, as to any fact, circumstance, or legal conclusion.

Exhibit 21.1

List of Subsidiaries
(as of December 31, 2021)

Name	**Jurisdiction of Organization**
Bearcub Acquisitions LLC	Delaware
Gibraltar Acquisition LLC	Delaware
HercGBC LLC	Delaware
Hercules Capital Funding Trust 2018-1	Delaware
Hercules Capital Funding Trust 2019-1	Delaware
Hercules Capital IV, L.P.	Delaware
Hercules Capital Management LLC	Delaware
Hercules Funding II, LLC	Delaware
Hercules Funding IV, LLC	Delaware
Hercules Technology III, L.P.	Delaware
Hercules Technology Management LLC	Delaware
Hercules Technology Management Co II, Inc.	Delaware
Hercules Technology Management Co III LLC	Delaware
Hercules Technology Management Co IV LLC	Delaware
Hercules Technology SBIC Management, LLC	Delaware
HTGC UK Limited	United Kingdom
Unconsolidated Subsidiaries	
Gibraltar Business Capital LLC	Delaware
Hercules Adviser LLC	Delaware
Hercules Private Credit Fund 1 L.P.	Delaware
Hercules Private Fund One LLC	Delaware
Hercules Private Global Venture Growth Fund GP I LLC	Delaware
Hercules Private Global Venture Growth Fund I L.P.	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-229435) and N-2 (No. 333-261732) of Hercules Capital, Inc. of our report dated February 22, 2022 relating to the financial statements, financial statement schedule, senior securities table and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. We also consent to the reference to us under the heading “Senior Securities” in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
February 22, 2022

Exhibit 31.1

CERTIFICATION PURSUANT TO

RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Scott Bluestein, Director, President, Chief Executive Officer, and Chief Investment Officer of the Company, certify that:

1. I have reviewed this annual report on Form 10-K of Hercules Capital, Inc. (the "registrant") for the year ended December 31, 2021;

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: February 22, 2022

By: /S/ SCOTT BLUESTEIN

Scott Bluestein
Director, President, Chief Executive Officer, and
Chief Investment 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

I, Seth H. Meyer, Chief Financial Officer, and Chief Accounting Officer certify that:

1. I have reviewed this annual report on Form 10-K of Hercules Capital, Inc. (the “registrant”) for the year ended December 31, 2021;

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: February 22, 2022

By: /S/ SETH H. MEYER

Seth H. Meyer
Chief Financial Officer, and
Chief Accounting Officer (Principal Accounting and Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Hercules Capital, Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Scott Bluestein, Director, President, Chief Executive Officer and Chief Investment Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, 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 Company.

Date: February 22, 2022

By: /S/ SCOTT BLUESTEIN
Scott Bluestein
Director, President, Chief Executive Officer, and
Chief Investment Officer (Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Hercules Capital, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021 (the “Report”) as filed with the Securities and Exchange Commission on the date hereof, I, Seth H. Meyer, the Chief Financial Officer, and Chief Accounting Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, 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 Company.

Date: February 22, 2022

By: /S/ SETH H. MEYER
Seth H. Meyer
Chief Financial Officer, and
Chief Accounting Officer (Principal Accounting and Financial Officer)