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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

HUNTER HANLON TAYLOR, Individually
and on Behalf of All Others Similarly Situated,

Plaintiff,

v.

HERCULES CAPITAL, INC., SCOTT
BLUESTEIN, and SETH H. MEYER,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

DEMAND FOR JURY TRIAL

1 Plaintiff Hunter Hanlon Taylor (“Plaintiff”), individually and on behalf of all others
2 similarly situated, by and through his attorneys, alleges the following upon information and belief,
3 except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge.
4 Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation,
5 which includes without limitation: (a) review and analysis of regulatory filings made by Hercules
6 Capital, Inc. (“Hercules Capital” or the “Company”) with the United States (“U.S.”) Securities and
7 Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued
8 by and disseminated by Hercules Capital; and (c) review of other publicly available information
9 concerning Hercules Capital.

10 **NATURE OF THE ACTION AND OVERVIEW**

11 1. This is a class action on behalf of persons and entities that purchased or otherwise
12 acquired Hercules Capital securities between May 1, 2025 and February 27, 2026, inclusive (the
13 “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act
14 of 1934 (the “Exchange Act”).

15 2. Hercules Capital is a private credit firm, also known a Business Development
16 Company, which specializes in making private loans to companies. Hercules Capital describe itself
17 as the “the largest non-bank source of venture financing in the market” and “the lender of choice for
18 entrepreneurs and venture capital firms seeking growth capital financing.” The Company principally
19 invests in debt securities, and purports to manage more than \$5.7 billion of assets as of December
20 31, 2025. The Company also purports to maintain a disciplined and robust deal origination process,
21 including rigorous sourcing, due diligence, and valuation, in order to maintain the value and stability
22 of its portfolio. Maintaining a strong valuation procedure is vital to Hercules Capital as investors
23 measure key financial metrics like Net Asset Value (“NAV”) when determining the overall health
24 of the Company’s portfolio. NAV is vital to investors because, as a Business Development
25 Company, Hercules is statutorily limited in the amount of debt investments it can make, as measured
26 relative to its total assets and NAV.

27 3. On February 27, 2026, at approximately 11:00 a.m. EST, Hunterbrook Media, an
28 investment focused media reporting outlet, published a report entitled “The Myth of Hercules

1 Capital.” The report stated that, “according to a former Hercules analyst who worked on deal
2 sourcing” the Company’s process for deal sourcing essentially amounted to “[g]o[ing] on the
3 website for Google Ventures and just see what they invest in and just copy it.” The report stated,
4 according to a former employee, deal sourcing managers “don’t want anything else,” and essentially
5 just rely on other investors to have done due diligence, instead of doing their own. The report
6 continued, revealing that, “once Hercules makes the loans, the valuation process itself may warrant
7 scrutiny,” as “[a] former member of Hercules’ finance team described a small, overstretched team
8 with few checks in place.” This second former employee revealed the valuations team “consisted of
9 just four people in a single reporting line responsible for dozens of companies,” with “few checks
10 or cross-team review.” The former employee noted this was contrary to how things were done at
11 other public companies where, in contrast “[t]here is a strong push to do things the right way, to
12 reinvent, to make sure that we’re double-checking, triple-checking.” The report stated the former
13 employee found this was not the case at Hercules. The report also alleged that Hercules Capital
14 underrepresents its significant software debt exposure. The report stated the Company does this, in
15 part, by “assign[ing] certain businesses that describe themselves as software companies to categories
16 outside of software.” The report also cast doubt on to the Company’s book value, which marks its
17 software debt “at 100 cents on the dollar” despite “billions worth of [software] debt across the
18 industry falling into distressed territory.”

19 4. On this news, Hercules’s stock price fell \$1.22, or 7.9%, to close at \$14.21 per share
20 on February 27, 2026, on unusually heavy trading volume.

21 5. Throughout the Class Period, Defendants made materially false and/or misleading
22 statements, as well as failed to disclose material adverse facts about the Company’s business,
23 operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) the Company
24 overstated the due diligence with which it conducted its deal sourcing and/or loan origination
25 process; (2) the Company overstated the due diligence with which it conducted its portfolio
26 valuation process; (3) the Company reported misclassified portfolio investments; (4) as a result of
27 the foregoing, the Company overstated and/or misrepresented its portfolio valuations; and (5) that,
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1 as a result of the foregoing, Defendants' positive statements about the Company's business,
2 operations, and prospects were materially misleading and/or lacked a reasonable basis.

3 6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline
4 in the market value of the Company's securities, Plaintiff and other Class members have suffered
5 significant losses and damages.

6 **JURISDICTION AND VENUE**

7 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act
8 (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §
9 240.10b-5).

10 8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
11 § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12 9. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section
13 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud
14 or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein,
15 including the dissemination of materially false and/or misleading information, occurred in
16 substantial part in this Judicial District. In addition, the Company's principal executive offices are
17 located in this District.

18 10. In connection with the acts, transactions, and conduct alleged herein, Defendants
19 directly and indirectly used the means and instrumentalities of interstate commerce, including the
20 United States mail, interstate telephone communications, and the facilities of a national securities
21 exchange.

22 **PARTIES**

23 11. Plaintiff Hunter Hanlon Taylor, as set forth in the accompanying certification,
24 incorporated by reference herein, purchased Hercules Capital securities during the Class Period, and
25 suffered damages as a result of the federal securities law violations and false and/or misleading
26 statements and/or material omissions alleged herein.

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1 12. Defendant Hercules Capital is incorporated under the laws of Maryland with its
2 principal executive offices located in San Mateo, California. Hercules Capital’s common stock
3 trades on the New York Stock Exchange (“NYSE”) exchange under the symbol “HTGC.”

4 13. Defendant Scott Bluestein (“Bluestein”) was the Company’s Chief Executive Officer
5 (“CEO”) at all relevant times.

6 14. Defendant Seth H. Meyer (“Meyer”) was the Company’s Chief Financial Officer
7 (“CFO”) at all relevant times.

8 15. Defendants Bluestein and Meyer (collectively the “Individual Defendants”), because
9 of their positions with the Company, possessed the power and authority to control the contents of
10 the Company’s reports to the SEC, press releases and presentations to securities analysts, money
11 and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were
12 provided with copies of the Company’s reports and press releases alleged herein to be misleading
13 prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance
14 or cause them to be corrected. Because of their positions and access to material non-public
15 information available to them, the Individual Defendants knew that the adverse facts specified
16 herein had not been disclosed to, and were being concealed from, the public, and that the positive
17 representations which were being made were then materially false and/or misleading. The
18 Individual Defendants are liable for the false statements pleaded herein.

19 **SUBSTANTIVE ALLEGATIONS**

20 **Background**

21 16. Hercules Capital is a Business Development Company which describe itself as the
22 “the largest non-bank source of venture financing in the market” and “the lender of choice for
23 entrepreneurs and venture capital firms seeking growth capital financing.” The Company principally
24 invests in debt securities, and purports to manage more than \$5.7 billion of assets as of December
25 31, 2025. The Company also purports to maintain a disciplined and robust deal origination process
26 including sourcing, due diligence, and valuation, in order to maintain the value and stability of its
27 portfolio. Maintaining a strong valuation process is vital as investors measure key financial metrics
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1 like NAV when determining the overall health of the Company’s portfolio. NAV is vital to investors
2 because, as a Business Development Company, Hercules is statutorily limited in the amount of debt
3 investments it can make, as measured relative to its total assets and NAV.

4 **Materially False and Misleading**

5 **Statements Issued During the Class Period**

6 17. The Class Period begins on May 1, 2025.¹ On that day, Hercules Capital issued a
7 press release announcing its earnings for the quarter ended March 31, 2025. The press release touted
8 the Company’s financial results, including the purported value of its total investment portfolio and
9 alleged NAV of \$11.55. Specifically, the press release stated as follows, in relevant part:

10 **Debt Investment Portfolio**

11 Hercules delivered Q1 gross new debt and equity commitments totaling \$1.02 billion
12 and Q1 gross new fundings totaling \$539.1 million.

13 During the first quarter, Hercules realized early loan repayments of \$131.8 million
14 which, along with normal scheduled amortization of \$12.7 million, resulted in total
15 debt repayments of \$144.5 million. Excluding \$55.9 million of early loan repayments
16 that were attributable to existing investments refinanced by Hercules, early loan
17 repayments were \$75.9 million.

18 The new debt investment origination and funding activities led to a *net debt
19 investment portfolio increase of \$269.8 million* during the first quarter on a cost
20 basis.

21 **The Company’s total investment portfolio, (at cost and fair value) by category,
22 quarter-over-quarter is highlighted below:**

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¹ Unless otherwise stated, all emphasis in bold and italics hereinafter is added.

Total Investment Portfolio: Q4 2024 to Q1 2025

(in millions)	Debt	Equity & Other Investments	Warrants	Total Portfolio
Balances at Cost at December 31, 2024	\$ 3,515.4	\$ 162.2	\$ 31.2	\$ 3,708.8
New fundings ^(a)	531.5	7.3	0.3	539.1
Fundings assigned to or directly funded by Adviser Funds	(121.9)	(2.2)	—	(124.1)
Principal payments received on investments	(12.7)	—	—	(12.7)
Early payoffs ^(b)	(131.8)	—	—	(131.8)
Net changes attributed to conversions, liquidations, and fees	4.7	11.2	(0.2)	15.7
Net activity during Q1 2025	269.8	16.3	0.1	286.2
Balances at Cost at March 31, 2025	\$ 3,785.2	\$ 178.5	\$ 31.3	\$ 3,995.0
Balances at Fair Value at December 31, 2024	\$ 3,494.6	\$ 134.9	\$ 30.5	\$ 3,660.0
Net activity during Q1 2025	269.8	16.3	0.1	286.2
Net change in unrealized appreciation (depreciation)	(30.0)	2.4	0.8	(26.8)
FX unrealized gain (loss)	4.8	0.2	0.1	5.1
Total net activity during Q1 2025	244.6	18.9	1.0	264.5
Balances at Fair Value at March 31, 2025	\$ 3,739.2	\$ 153.8	\$ 31.5	\$ 3,924.5
*	*	*	*	*

Net Asset Value

As of March 31, 2025, the Company's net assets were \$2.00 billion, compared to \$1.99 billion at the end of Q4 2024. NAV per share decreased 0.9% to \$11.55 on 173.3 million outstanding shares of common stock as of March 31, 2025, compared to \$11.66 on 170.6 million outstanding shares of common stock as of December 31, 2024. The decrease in NAV per share was primarily attributed to the change in net unrealized losses during the quarter.

18. On May 1, 2025, the Company submitted its quarterly report for the period ended March 31, 2025 on a Form 10-Q filed with the SEC, affirming the previously reported financial results. The quarterly report further reported the purported valuation procedure the Company takes, the fair value of the Company's portfolio by industry sector, and the Company's portfolio and investment activity, including that prospective portfolio companies are "*subject to completion of our due diligence and final investment committee approval process*," and commitments are subject to "*underwriting and ongoing portfolio maintenance*." Specifically, the quarterly report stated as follows, in relevant part:

In accordance with procedures approved by its Board, the Company values investments on a quarterly basis following a multistep valuation process. The quarterly Board approved multi-step valuation process is 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;

1 (2) Preliminary valuation conclusions and business-based assumptions, along with
2 any applicable fair value marks provided by an independent firm, are reviewed with
3 the Company's investment committee and certain member(s) of credit group as
4 necessary;

5 (3) The Valuation Committee reviews the preliminary valuations recommended by
6 the investment committee and certain member(s) of the credit group of each
7 investment in the portfolio and determines the fair value of each investment in the
8 Company's portfolio in good faith and recommends the valuation determinations to
9 the Audit Committee of the Board;

10 (4) The Audit Committee of the Board provides oversight of the quarterly valuation
11 process in accordance with Rule 2a-5, which includes a review of the quarterly
12 reports prepared by the Valuation Committee, reviews the fair valuation
13 determinations made by the Valuation Committee, and approves such valuations for
14 inclusion in public reporting and disclosures, as appropriate; and

15 (5) The Board, upon the recommendation of the Audit Committee, discusses
16 valuations and approves the fair value of each investment in the Company's
17 portfolio.

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19 The following table shows the fair value of the Company's portfolio by industry
20 sector as of March 31, 2025 and December 31, 2024:

21 (in thousands)

	March 31, 2025		December 31, 2024	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Software	\$ 1,262,813	32.2 %	\$ 1,081,100	29.5 %
Drug Discovery & Development	1,119,941	28.5 %	1,080,390	29.5 %
Healthcare Services, Other	625,556	15.9 %	610,184	16.7 %
Consumer & Business Services	374,561	9.6 %	372,641	10.2 %
Electronics & Computer Hardware	167,370	4.3 %	162,888	4.5 %
Diversified Financial Services	117,366	3.0 %	113,491	3.1 %
Medical Devices & Equipment	75,238	1.9 %	74,962	2.0 %
Space Technologies	49,527	1.3 %	45,700	1.2 %
Biotechnology Tools	34,819	0.9 %	35,434	1.0 %
Communications & Networking	27,601	0.7 %	27,700	0.8 %
Information Services	24,923	0.6 %	24,356	0.7 %
Sustainable and Renewable Technology	22,396	0.6 %	27,696	0.8 %
Manufacturing Technology	20,653	0.5 %	1,162	0.0 %
Consumer & Business Products	1,139	0.0 %	1,497	0.0 %
Semiconductors	425	0.0 %	704	0.0 %
Media/Content/Info	114	0.0 %	63	0.0 %
Drug Delivery	8	0.0 %	10	0.0 %
Total	\$ 3,924,450	100.0 %	\$ 3,659,978	100.0 %

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23 ***Portfolio and Investment Activity***

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1 The total fair value of our investment portfolio as of March 31, 2025 and
2 December 31, 2024 was as follows:

(in millions)	Fair Value	
	March 31, 2025	December 31, 2024
Debt	\$ 3,739.2	\$ 3,494.6
Equity	146.8	128.7
Warrants	31.5	30.5
Investment Funds & Vehicles	7.0	6.2
Total Investment Portfolio	\$ 3,924.5	\$ 3,660.0

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6 Our investments in portfolio companies take a variety of forms, including unfunded
7 contractual commitments and funded investments. Not all debt commitments
8 represent future cash requirements. Unfunded contractual commitments depend upon
9 a portfolio company reaching certain milestones before the debt commitment is
10 available to the portfolio company, which is expected to affect our funding levels.
11 *These commitments are subject to the same underwriting and ongoing portfolio
12 maintenance as the on-balance sheet financial instruments that we hold.* Debt
13 commitments generally fund over the year following the underwriting of such debt
14 commitment. From time to time, unfunded contractual commitments may expire
15 without being drawn and thus do not represent future cash requirements.

16 Prior to entering into a contractual commitment, we generally issue a non-binding
17 term sheet to a prospective portfolio company. *Non-binding term sheets are subject
18 to completion of our due diligence and final investment committee approval
19 process,* as well as the negotiation of definitive documentation with the prospective
20 portfolio companies. These non-binding term sheets generally convert to contractual
21 commitments in approximately 90 days from signing and some portion may be
22 assigned or allocated to or directly originated by the Adviser Funds prior to or after
23 closing. Not all non-binding term sheets are expected to close and do not necessarily
24 represent future cash requirements.

25 19. On July 31, 2025, Hercules Capital issued a press release announcing its earnings for
26 the quarter ended June 30, 2025. The press release touted the Company's financial results, including
27 the purported value of its total investment portfolio and alleged NAV of \$11.84. Specifically, the
28 press release stated as follows, in relevant part:

Debt Investment Portfolio

Hercules delivered Q2 gross new debt and equity commitments totaling \$1.0 billion and Q2 gross new fundings totaling \$709.1 million.

During the second quarter, Hercules realized early loan repayments of \$267.4 million which, along with normal scheduled amortization of \$2.6 million, resulted in total debt repayments of \$270.0 million.

The new debt investment origination and funding activities led to a net debt investment portfolio increase of \$192.1 million during the second quarter on a cost basis.

The Company's total investment portfolio, (at cost and fair value) by category, quarter-over-quarter is highlighted below:

Total Investment Portfolio: Q1 2025 to Q2 2025

(in millions)	Debt	Equity & Other Investments	Warrants	Total Portfolio
Balances at Cost at March 31, 2025	\$ 3,785.2	\$ 178.5	\$ 31.3	\$ 3,995.0
New fundings ^(a)	705.8	1.0	2.3	709.1
Fundings assigned to or directly funded by Adviser Funds	(150.8)	(0.4)	(0.5)	(151.7)
Principal payments received on investments	(2.6)	—	—	(2.6)
Early payoffs ^(b)	(267.4)	—	—	(267.4)
Assets Sale - Participants	(47.5)	—	—	(47.5)
Net changes attributed to conversions, liquidations, and fees	(45.4)	4.9	(1.9)	(42.4)
Net activity during Q2 2025	192.1	5.5	(0.1)	197.5
Balances at Cost at June 30, 2025	\$ 3,977.3	\$ 184.0	\$ 31.2	\$ 4,192.5
Balances at Fair Value at March 31, 2025	\$ 3,739.2	\$ 153.8	\$ 31.5	\$ 3,924.5
Net activity during Q2 2025	192.1	5.5	(0.1)	197.5
Net change in unrealized appreciation (depreciation)	38.9	2.6	4.1	45.6
FX unrealized gain (loss)	8.5	0.4	—	8.9
Total net activity during Q2 2025	239.5	8.5	4.0	252.0
Balances at Fair Value at June 30, 2025	\$ 3,978.7	\$ 162.3	\$ 35.5	\$ 4,176.5

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Net Asset Value

As of June 30, 2025, the Company's net assets were 2.2 billion, compared to \$2.0 billion at the end of Q1 2025. NAV per share increased 2.5% to \$11.84 on 181.7 million outstanding shares of common stock as of June 30, 2025, compared to \$11.55 on 173.3 million outstanding shares of common stock as of March 31, 2025. The increase in NAV per share was primarily attributed to the accretion from ATM issuance.

20. On July 31, 2025, the Company submitted its quarterly report for the period ended June 30, 2025 on a Form 10-Q filed with the SEC, affirming the previously reported financial results. The quarterly report further reported the purported valuation procedure the Company takes, the fair value of the Company's portfolio by industry sector, and the Company's portfolio and investment activity, including that prospective portfolio companies are "*subject to completion of our due diligence and final investment committee approval process,*" and commitments are subject to "*underwriting and ongoing portfolio maintenance.*" Specifically, the quarterly report stated as follows, in relevant part:

In accordance with procedures approved by its Board, the Company values investments on a quarterly basis following a multistep valuation process. The quarterly Board approved multi-step valuation process is 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 and business-based assumptions, along with any applicable fair value marks provided by an independent firm, are reviewed with

1 the Company's investment committee and certain member(s) of credit group as
2 necessary;

3 (3) The Valuation Committee reviews the preliminary valuations recommended by
4 the investment committee and certain member(s) of the credit group of each
5 investment in the portfolio and determines the fair value of each investment in the
6 Company's portfolio in good faith and recommends the valuation determinations to
7 the Audit Committee of the Board;

8 (4) The Audit Committee of the Board provides oversight of the quarterly valuation
9 process in accordance with Rule 2a-5, which includes a review of the quarterly
10 reports prepared by the Valuation Committee, reviews the fair valuation
11 determinations made by the Valuation Committee, and approves such valuations for
12 inclusion in public reporting and disclosures, as appropriate; and

13 (5) The Board, upon the recommendation of the Audit Committee, discusses
14 valuations and approves the fair value of each investment in the Company's
15 portfolio.

16 * * *

17 The following table shows the fair value of the Company's portfolio by industry
18 sector as of June 30, 2025 and December 31, 2024:

19 (in thousands)

	June 30, 2025		December 31, 2024	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Software	\$ 1,471,080	35.2%	\$ 1,081,100	29.5%
Drug Discovery & Development	1,035,769	24.8%	1,080,390	29.5%
Healthcare Services, Other	755,202	18.1%	610,184	16.7%
Consumer & Business Services	375,233	9.0%	372,641	10.2%
Defense Technologies	139,991	3.4%	—	0.0%
Diversified Financial Services	118,110	2.8%	113,491	3.1%
Medical Devices & Equipment	75,436	1.8%	74,962	2.0%
Electronics & Computer Hardware	50,666	1.2%	162,888	4.5%
Biotechnology Tools	34,836	0.8%	35,434	1.0%
Communications & Networking	27,937	0.7%	27,700	0.8%
Information Services	24,233	0.6%	24,356	0.7%
Sustainable and Renewable Technology	22,723	0.5%	27,696	0.8%
Manufacturing Technology	20,650	0.5%	1,162	0.0%
Space Technologies	15,446	0.4%	45,700	1.2%
Consumer & Business Products	8,663	0.2%	1,497	0.0%
Semiconductors	345	0.0%	704	0.0%
Media/Content/Info	157	0.0%	63	0.0%
Drug Delivery	9	0.0%	10	0.0%
Total	\$ 4,176,486	100.0%	\$ 3,659,978	100.0%

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21 *Portfolio and Investment Activity*

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1 The total fair value of our investment portfolio as of June 30, 2025 and December 31,
2 2024 was as follows:

(in millions)	Fair Value	
	June 30, 2025	December 31, 2024
Debt	\$ 3,978.7	\$ 3,494.6
Equity	155.8	128.7
Warrants	35.5	30.5
Investment Funds & Vehicles	6.5	6.2
Total Investment Portfolio	\$ 4,176.5	\$ 3,660.0

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6 Our investments in portfolio companies take a variety of forms, including unfunded
7 contractual commitments and funded investments. Not all debt commitments
8 represent future cash requirements. Unfunded contractual commitments depend upon
9 a portfolio company reaching certain milestones before the debt commitment is
10 available to the portfolio company, which is expected to affect our funding levels.
*These commitments are subject to the same underwriting and ongoing portfolio
11 maintenance as the on-balance sheet financial instruments that we hold.* Debt
12 commitments generally fund over the year following the underwriting of such debt
13 commitment. From time to time, unfunded contractual commitments may expire
14 without being drawn and thus do not represent future cash requirements.

15 Prior to entering into a contractual commitment, we generally issue a non-binding
16 term sheet to a prospective portfolio company. *Non-binding term sheets are subject
17 to completion of our due diligence and final investment committee approval
18 process,* as well as the negotiation of definitive documentation with the prospective
19 portfolio companies. These non-binding term sheets generally convert to contractual
20 commitments in approximately 90 days from signing and some portion may be
21 assigned or allocated to or directly originated by the Adviser Funds prior to or after
22 closing. Not all non-binding term sheets are expected to close and do not necessarily
23 represent future cash requirements.

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21. On October 30, 2025, Hercules Capital issued a press release announcing its
earnings for the quarter ended September 30, 2025. The press release touted the Company's
financial results, including the purported value of its total investment portfolio and alleged NAV of
\$12.05. Specifically, the press release stated as follows, in relevant part:

Debt Investment Portfolio

Hercules delivered Q3 new debt and equity commitments totaling \$846.2 million and
Q3 new fundings totaling \$504.6 million.

During the third quarter, Hercules realized early loan repayments of \$262.3 million
which, along with normal scheduled amortization of \$2.3 million, resulted in total
debt repayments of \$264.6 million.

The new debt investment origination and funding activities led to a net debt
investment portfolio increase of \$95.9 million during the third quarter on a cost basis.

**The Company's total investment portfolio, (at cost and fair value) by category,
quarter-over-quarter is highlighted below:**

Total Investment Portfolio: Q2 2025 to Q3 2025

(in millions)	Debt	Equity & Other Investments	Warrants	Total Portfolio
Balances at Cost at June 30, 2025	\$ 3,977.3	\$ 184.0	\$ 31.2	\$ 4,192.5
New fundings ^(a)	493.9	5.8	4.9	504.6
Fundings assigned to or directly funded by Adviser Funds	(130.1)	(1.1)	(1.1)	(132.3)
Principal payments received on investments	(2.3)	—	—	(2.3)
Early payoffs ^(b)	(262.3)	—	—	(262.3)
Proceeds from sale of debt investments	(20.0)	—	—	(20.0)
Net changes attributed to conversions, liquidations, and fees	16.7	(5.2)	(0.9)	10.6
Net activity during Q3 2025	95.9	(0.5)	2.9	98.3
Balances at Cost at September 30, 2025	\$ 4,073.2	\$ 183.5	\$ 34.1	\$ 4,290.8
Balances at Fair Value at June 30, 2025	\$ 3,978.7	\$ 162.3	\$ 35.5	\$ 4,176.5
Net activity during Q3 2025	95.9	(0.5)	2.9	98.3
Net change in unrealized appreciation (depreciation)	21.8	8.1	2.4	32.3
FX unrealized gain (loss)	(0.8)	—	(0.1)	(0.9)
Total net activity during Q3 2025	116.9	7.6	5.2	129.7
Balances at Fair Value at September 30, 2025	\$ 4,095.6	\$ 169.9	\$ 40.7	\$ 4,306.2
	*	*	*	

Net Asset Value

As of September 30, 2025, the Company's net assets were \$2.2 billion, compared to \$2.2 billion at the end of Q2 2025. NAV per share increased 1.8% to \$12.05 on 181.8 million outstanding shares of common stock as of September 30, 2025, compared to \$11.84 on 181.7 million outstanding shares of common stock as of June 30, 2025. The increase in NAV per share was primarily attributed to the unrealized appreciation on our investment portfolio.

22. On October 30, 2025, the Company submitted its quarterly report for the period ended October 30, 2025, on a Form 10-Q filed with the SEC, affirming the previously reported financial results. The quarterly report further reported the purported valuation procedure the Company takes, the fair value of the Company's portfolio by industry sector, and the Company's portfolio and investment activity, including that prospective portfolio companies are "*subject to completion of our due diligence and final investment committee approval process,*" and commitments are subject to "*underwriting and ongoing portfolio maintenance.*" Specifically, the quarterly report stated as follows, in relevant part:

In accordance with procedures approved by its Board, the Company values investments on a quarterly basis following a multistep valuation process. The quarterly Board approved multi-step valuation process is 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 and business-based assumptions, along with any applicable fair value marks provided by an independent firm, are reviewed with

1 the Company's investment committee and certain member(s) of credit group as
2 necessary;

3 (3) The Valuation Committee reviews the preliminary valuations recommended by
4 the investment committee and certain member(s) of the credit group of each
5 investment in the portfolio and determines the fair value of each investment in the
6 Company's portfolio in good faith and recommends the valuation determinations to
7 the Audit Committee of the Board;

8 (4) The Audit Committee of the Board provides oversight of the quarterly valuation
9 process in accordance with Rule 2a-5, which includes a review of the quarterly
10 reports prepared by the Valuation Committee, reviews the fair valuation
11 determinations made by the Valuation Committee, and approves such valuations for
12 inclusion in public reporting and disclosures, as appropriate; and

13 (5) The Board, upon the recommendation of the Audit Committee, discusses
14 valuations and approves the fair value of each investment in the Company's
15 portfolio.

16 * * *

17 The following table shows the fair value of the Company's portfolio by industry
18 sector as of September 30, 2025 and December 31, 2024:

19 (in thousands)

	September 30, 2025		December 31, 2024	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Software	\$ 1,519,464	35.3%	\$ 1,081,100	29.5%
Drug Discovery & Development	988,816	23.0%	1,080,390	29.5%
Healthcare Services, Other	833,492	19.3%	610,184	16.7%
Consumer & Business Services	433,323	10.1%	372,641	10.2%
Defense Technologies	140,622	3.3%	—	0.0%
Diversified Financial Services	104,221	2.4%	113,491	3.1%
Medical Devices & Equipment	76,389	1.8%	74,962	2.0%
Electronics & Computer Hardware	51,080	1.2%	162,888	4.5%
Space Technologies	34,019	0.8%	45,700	1.2%
Communications & Networking	27,535	0.6%	27,700	0.8%
Information Services	23,988	0.5%	24,356	0.7%
Biotechnology Tools	22,326	0.5%	35,434	1.0%
Sustainable and Renewable Technology	21,300	0.5%	27,696	0.8%
Manufacturing Technology	20,419	0.5%	1,162	0.0%
Consumer & Business Products	8,716	0.2%	1,497	0.0%
Semiconductors	339	0.0%	704	0.0%
Media/Content/Info	93	0.0%	63	0.0%
Drug Delivery	12	0.0%	10	0.0%
Total	\$ 4,306,154	100.0%	\$ 3,659,978	100.0%

22 * * *

23 *Portfolio and Investment Activity*

24 The total fair value of our investment portfolio as of September 30, 2025 and
25 December 31, 2024 was as follows:

26 (in millions)

	Fair Value	
	September 30, 2025	December 31, 2024
Debt	\$ 4,095.6	\$ 3,494.6
Equity	163.3	128.7
Warrants	40.7	30.5
Investment Funds & Vehicles	6.6	6.2
Total Investment Portfolio	\$ 4,306.2	\$ 3,660.0

28

1 Our investments in portfolio companies take a variety of forms, including unfunded
2 contractual commitments and funded investments. Not all debt commitments
3 represent future cash requirements. Unfunded contractual commitments depend upon
4 a portfolio company reaching certain milestones before the debt commitment is
5 available to the portfolio company, which is expected to affect our funding levels.
6 ***These commitments are subject to the same underwriting and ongoing portfolio
7 maintenance as the on-balance sheet financial instruments that we hold.*** Debt
8 commitments generally fund over the year following the underwriting of such debt
9 commitment. From time to time, unfunded contractual commitments may expire
10 without being drawn and thus do not represent future cash requirements.

11 Prior to entering into a contractual commitment, we generally issue a non-binding
12 term sheet to a prospective portfolio company. ***Non-binding term sheets are subject
13 to completion of our due diligence and final investment committee approval
14 process,*** as well as the negotiation of definitive documentation with the prospective
15 portfolio companies. These non-binding term sheets generally convert to contractual
16 commitments in approximately 90 days from signing and some portion may be
17 assigned or allocated to or directly originated by the Adviser Funds prior to or after
18 closing. Not all non-binding term sheets are expected to close and do not necessarily
19 represent future cash requirements.

20 23. On February 3, 2026, the Company filed a form 8-K with the SEC, reporting financial
21 results for the quarter ended December 31, 2025, including a NAV of \$12.10 to \$12.16. Specifically
22 the report stated as follows in relevant part:

23 As of the date hereof:

- 24 • The preliminary estimate of our net asset value (“NAV”) per share of our
25 common stock as of December 31, 2025 is in the range of \$12.10 to \$12.16,
26 representing an increase of \$0.05 to \$0.11 per share, or 0.4% to 0.9%, from the
27 NAV per share of \$12.05 as of September 30, 2025.
- 28 • The preliminary estimate of our fourth quarter 2025 net realized gains/(losses) is
approximately \$20 million of realized gains.
- The preliminary estimate of our fourth quarter 2025 net investment income is in
the range of \$0.47 to \$0.49 per share of our common stock.
- The preliminary estimate of our fourth quarter 2025 gross new debt and equity
commitments and fundings is approximately \$1.0 billion and \$0.5 billion,
respectively.
- We preliminarily estimate that our investments on non-accrual status total
comprised <0.5% of the total investment portfolio at both fair value and cost as
of December 31, 2025, representing a decrease from 1.2% of the total investment
portfolio of cost as of September 30, 2025.

29 24. On February 12, 2026, Hercules Capital issued a press release announcing its
30 earnings for the quarter and year ended December 31, 2025. The press release touted the Company’s
31 financial results, including the purported value of its total investment portfolio and alleged NAV of

1 \$12.13. The press release further touted the Company’s purported “*disciplined underwriting that is*
 2 *the hallmark of our Company*” as well as its “*Continued Credit Discipline and Strong Credit*
 3 *Performance*.” Specifically, the press release stated as follows, in relevant part:

4 **Full-Year ending December 31, 2025 Financial Highlights**

- 5 • *Record full-year 2025 Total Investment Income of \$532.5 million, an increase of 7.9% year-over-year*
- 6 • *Record full-year 2025 NII of \$341.7 million, or \$1.91 per share, an increase of 4.9% year-over-year*
- 7 • *Record full-year 2025 total gross debt and equity commitments of \$3.92 billion, an increase of 45.7% year-over-year*
- 8 • *Record full-year 2025 total gross fundings of \$2.28 billion, an increase of 25.9% year-over-year*
- 9 • *Record full-year 2025 net debt investment portfolio growth of \$748.5 million*
- 10 • *Unscheduled early loan repayments of \$811.2 million*

11 * * *

12 “Our record-breaking performance in 2025 - which included achieving all-time highs
 13 in new debt and equity commitments, gross fundings, net debt portfolio growth, and
 14 investment income - reflects our differentiated approach to investing, the strength of
 15 the Hercules platform and our unrivaled standing in the venture lending market,”
 16 stated Scott Bluestein, chief executive officer and chief investment officer of
 17 Hercules. “*Reaching \$3.92 billion in new commitments and \$2.28 billion in gross
 18 fundings, up 45.7% and 25.9% year-over-year, respectively, demonstrates our
 19 ability to scale and support the world’s most innovative companies while
 20 maintaining the disciplined underwriting that is the hallmark of our Company.*”

21 * * *

22 Bluestein concluded, “We remain committed to our *fundamental principles of*
 23 *disciplined credit and underwriting*, maintaining ample liquidity and prudent
 24 leverage, and expanding the capacity of our private funds. These principles position
 25 the Company to maintain our strong growth trajectory throughout 2026 and
 26 maximize shareholder returns.”

27 * * *

28 **Debt Investment Portfolio**

Hercules delivered Q4 total gross debt and equity commitments totaling \$1,058.3 million and Q4 gross new fundings totaling \$522.3 million.

During the fourth quarter, Hercules realized early loan repayments of \$149.7 million which, along with normal scheduled amortization of \$19.5 million, resulted in total debt repayments of \$169.2 million.

The new debt investment origination and funding activities led to a net debt investment portfolio increase of \$190.7 million during the fourth quarter on a cost basis.

The Company's total investment portfolio, (at cost and fair value) by category, quarter-over-quarter is highlighted below:

Total Investment Portfolio: Q3 2025 to Q4 2025

(in millions)	Debt	Equity & Other Investments	Warrants	Total Portfolio
Balances at Cost at September 30, 2025	\$ 4,073.2	\$ 183.5	\$ 34.1	\$ 4,290.8
New fundings ^(a)	518.8	1.1	2.4	522.3
Fundings assigned to or directly funded by Adviser Funds	(170.2)	—	(0.8)	(171.0)
Principal payments received on investments	(19.5)	—	—	(19.5)
Early payoffs ^(b)	(149.7)	—	—	(149.7)
Assets Sale - Participants	(7.0)	—	—	(7.0)
Net changes attributed to conversions, liquidations, and fees	18.3	(14.1)	(2.3)	1.9
Net activity during Q4 2025	190.7	(13.0)	(0.7)	177.0
Balances at Cost at December 31, 2025	\$ 4,263.9	\$ 170.5	\$ 33.4	\$ 4,467.8
Balances at Fair Value at September 30, 2025	\$ 4,095.6	\$ 169.9	\$ 40.7	\$ 4,306.2
Net activity during Q4 2025	190.7	(13.0)	(0.7)	177.0
Net change in unrealized appreciation (depreciation)	(7.0)	(10.8)	1.1	(16.7)
FX unrealized gain (loss)	0.1	—	—	0.1
Total net activity during Q4 2025	183.8	(23.8)	0.4	160.4
Balances at Fair Value at December 31, 2025	\$ 4,279.4	\$ 146.1	\$ 41.1	\$ 4,466.6
	*	*	*	

Continued Credit Discipline and Strong Credit Performance

Hercules' net cumulative realized gain/(loss) position, since its first origination activities in October 2004 through December 31, 2025, (including net loan, warrant and equity activity and excluding loss on debt extinguishment, foreign exchange movements and other non-credit related losses) on investments totaled (\$114.4) million, on a GAAP basis, spanning more than 21 years of investment activities.

When compared to total net new debt investment commitments during the same period of \$22.3 billion, the total realized gain/(loss) since inception of (\$114.4) million represents approximately 51 basis points ("bps"), or 0.51%, of cumulative debt commitments, or an effective annualized loss rate of 2.4 bps, or 0.024%.

* * *

Net Asset Value

As of December 31, 2025, the Company's net assets were \$2.2 billion, compared to \$2.2 billion at the end of Q3 2025. NAV per share increased 0.7% to \$12.13 on 182.7 million outstanding shares of common stock as of December 31, 2025, compared to \$12.05 on 181.8 million outstanding shares of common stock as of September 30, 2025. The increase in NAV per share was primarily attributed to the accretion from the sale of ATM equity at a price above NAV and net realized and unrealized gains during the quarter.

25. On February 12, 2026, the Company submitted its annual report for the fiscal year ended December 31, 2025 on a Form 10-K filed with the SEC (the "FY25 10-K"). The FY25 10-K described the Company's purported deal sourcing pipeline, including that the Company "use[s] [its]

1 relationships in the financial sponsor community to originate investment opportunities,” and that
 2 the “*origination process for our investments includes sourcing, screening, preliminary due*
 3 *diligence and deal structuring and negotiation*” with a team “*which consists of more than 50*
 4 *investment professionals.*” Specifically the FY25 10-K stated as follows, in relevant part:

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

15 * * *

16 *Origination*

17 *The origination process for our investments includes sourcing, screening,*
 18 *preliminary due diligence and deal structuring and negotiation,* all leading to an
 19 executed non-binding term sheet. As of December 31, 2025, *our investment*
 20 *origination team, which consists of more than 50 investment professionals, is*
 21 *headed by our Chief Investment Officer and Chief Executive Officer. The*
 22 *origination team is responsible for sourcing potential investment opportunities and*
 23 *members of the investment origination team use their extensive relationships with*
 24 *various leading financial sponsors, management contacts within technology-*
 25 *related companies, trade sources, industry conferences and various publications*
 26 *to source prospective portfolio companies.* Our investment origination team is
 27 divided into life sciences, venture-backed technology, and private equity/ sponsor-
 28 backed technology 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.

28 *Underwriting*

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

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

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

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26. The FY25 10-K further reported the purported the fair value of the Company’s portfolio by industry sector, as well as the Company’s individual portfolio company investment amounts and classification, including companies Houzz and AppDirect, among others, classified as “consumer & business services” companies as opposed to “Application Software.” Specifically, the FY25 10-K stated as follows, in relevant part:

Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value
Sisense Ltd.	Senior Secured	July 2027	Prime + 1.50%, Floor rate 9.50%, PIK Interest 1.95%, 5.95% Exit Fee	\$ 30,613	\$ 31,624	\$ 31,029
Smartsheet Inc.	Senior Secured	January 2031	3-month SOFR + 6.50%, Floor rate 7.25%	\$ 46,785	45,957	46,204
Snappt, Inc.	Senior Secured	April 2029	Prime + 2.35%, Floor rate 8.85%, PIK Interest 1.00%, 4.25% Exit Fee	\$ 20,139	20,071	19,753
Streamline Healthcare Solutions	Senior Secured	June 2030	3-month SOFR + 7.30%, Floor rate 8.30%	\$ 21,000	20,403	20,443
Suzy, Inc.	Senior Secured	August 2027	Prime + 1.75%, Floor rate 10.00%, PIK Interest 1.95%, 3.45% Exit Fee	\$ 24,827	24,901	24,378
TaxCalc	Senior Secured	November 2029	Daily SONIA + 8.17%, Floor rate 8.67%	£ 8,250	10,557	10,897
Tipalti Solutions Ltd.	Senior Secured	April 2029	Prime + 0.45%, Floor rate 6.45%, PIK Interest 2.30%	\$ 72,488	72,141	70,507
	Senior Secured	April 2029	Prime + 0.45%, Floor rate 6.45%, PIK Interest 2.30%, 3.75% Exit Fee	\$ 42,673	42,708	42,622
Total Tipalti Solutions Ltd.				\$ 115,161	114,849	113,129
Ushur, Inc.	Senior Secured	June 2028	Prime + 2.20%, Floor rate 9.20%, 3.95% Exit Fee	\$ 14,400	14,191	14,106
Zappi, Inc.	Senior Secured	December 2027	3-month SOFR + 8.03%, Floor rate 9.03%	\$ 12,600	12,456	12,614
ZeroEyes, Inc.	Senior Secured	May 2030	Prime + 2.00%, Floor rate 9.50%, PIK Interest 2.00%, 1.50% Exit Fee	\$ 16,414	16,146	16,218
Subtotal: Application Software (48.30%)*					1,066,058	1,070,369
Biotechnology Tools						
Antheia, Inc.	Senior Secured	August 2029	Prime + 2.85%, Floor rate 10.35%, 5.55% Exit Fee	\$ 21,250	19,683	19,683
Subtotal: Biotechnology Tools (0.89%)*					19,683	19,683
Communications & Networking						
Aryaka Networks, Inc.	Senior Secured	December 2028	Prime + 1.80%, Floor rate 9.30%, PIK Interest 1.25%, 6.73% Exit Fee	\$ 28,271	28,536	26,263
Subtotal: Communications & Networking (1.19%)*					28,536	26,263
Consumer & Business Products						
Weee! Inc.	Senior Secured	April 2028	Prime + 2.25%, Floor rate 9.75%, 2.50% Exit Fee	\$ 7,500	7,472	7,583
Subtotal: Consumer & Business Products (0.34%)*					7,472	7,583
Consumer & Business Services						
AppDirect, Inc.	Senior Secured	September 2029	Prime + 2.05%, Floor rate 8.55%, PIK Interest 1.00%, 4.70% Exit Fee	\$ 55,357	54,713	54,713
Carwow LTD	Senior Secured	December 2027	Prime + 4.70%, Floor rate 11.45%, PIK Interest 1.45%, 4.95% Exit Fee	£ 20,662	28,533	27,960
Finix Payments, Inc.	Senior Secured	December 2029	Prime + 2.50%, Floor rate 9.25%, 4.95% Exit Fee	\$ 7,000	6,889	6,889
GoEuro Travel GmbH	Senior Secured	November 2029	Prime + 3.45%, Floor rate 10.45%, 4.50% Exit Fee	\$ 48,750	48,750	49,137
Houzz, Inc.	Convertible Debt	May 2028	PIK Interest 12.00%	\$ 28,901	28,901	30,986
Jobandtalent USA, Inc.	Senior Secured	October 2028	1-month SOFR + 3.50%, Floor rate 4.50%, PIK Interest 3.25%, 6.42% Exit Fee	\$ 14,270	14,839	14,082
Nerdy Inc.	Senior Secured	November 2029	Prime + 3.50%, Floor rate 10.75%, 7.50% Exit Fee	\$ 14,000	13,867	13,867
Peek Travel, Inc.	Senior Secured	October 2028	Prime + 1.75%, Floor rate 9.25%, PIK Interest 1.00%, 4.95% Exit Fee	\$ 16,515	16,280	16,280
Plentific Ltd	Senior Secured	October 2026	Prime + 2.55%, Floor rate 11.05%, 2.95% Exit Fee	\$ 3,035	3,073	3,073
Provi	Senior Secured	December 2027	Prime + 4.40%, Floor rate 10.65%, 1.00% Exit Fee	\$ 15,443	15,394	15,389
Riviera Partners LLC	Senior Secured	March 2028	1-month SOFR + 8.28%, Floor rate 9.28%	\$ 36,126	35,850	35,546
RVShare, LLC	Senior Secured	December 2026	3-month SOFR + 9.50%, Floor rate 10.50%	\$ 25,809	25,719	25,719
SeatGeek, Inc.	Senior Secured	May 2026	Prime + 7.00%, Floor rate 10.50%, PIK Interest 0.50%, 4.50% Exit Fee	\$ 25,456	26,250	26,250
	Senior Secured	July 2026	Prime + 2.50%, Floor rate 10.75%, PIK Interest 0.50%, 3.50% Exit Fee	\$ 78,434	79,685	79,685
Total SeatGeek, Inc.				\$ 103,890	105,935	105,935

* * *

The following table shows the fair value of the Company's portfolio by industry sector as of December 31, 2025 and December 31, 2024:

(in thousands)	December 31, 2025		December 31, 2024	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Application Software ⁽¹⁾	\$ 1,087,954	24.3%	\$ 790,180	21.6%
Drug Discovery & Development	1,039,712	23.3%	1,080,390	29.5%
Healthcare Services, Other	838,508	18.8%	610,184	16.7%
System Software ⁽¹⁾	472,144	10.6%	290,920	7.9%
Consumer & Business Services	449,631	10.1%	372,641	10.2%
Defense Technologies	140,458	3.1%	—	0.0%
Diversified Financial Services	105,896	2.4%	113,491	3.1%
Medical Devices & Equipment	77,257	1.7%	74,962	2.0%
Electronics & Computer Hardware	66,992	1.5%	162,888	4.5%
Space Technologies	47,816	1.1%	45,700	1.2%
Sustainable and Renewable Technology	35,759	0.8%	27,696	0.8%
Communications & Networking	26,263	0.6%	27,700	0.8%
Information Services	25,889	0.6%	24,356	0.7%
Biotechnology Tools	23,164	0.5%	35,434	1.0%
Manufacturing Technology	20,190	0.4%	1,162	0.0%
Consumer & Business Products	8,810	0.2%	1,497	0.0%
Semiconductors	158	0.0%	704	0.0%
Media/Content/Info	32	0.0%	63	0.0%
Drug Delivery	14	0.0%	10	0.0%
Total	\$ 4,466,647	100.0%	\$ 3,659,978	100.0%

27. The FY25 10-K further reported the purported valuation procedure the Company takes and the Company's portfolio and investment activity, including that prospective portfolio companies are "*subject to completion of our due diligence and final investment committee approval process*," and commitments are subject to "*underwriting and ongoing portfolio maintenance*." Specifically, the FY25 10-K stated as follows, in relevant part:

In accordance with procedures approved by its Board, the Company values investments on a quarterly basis following a multistep valuation process. The quarterly Board approved multi-step valuation process is 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 and business-based assumptions, along with any applicable fair value marks provided by an independent firm, are reviewed with the Company's investment committee and certain member(s) of credit group as necessary;

(3) The Valuation Committee reviews the preliminary valuations recommended by the investment committee and certain member(s) of the credit group of each investment in the portfolio and determines the fair value of each investment in the Company's portfolio in good faith and recommends the valuation determinations to the Audit Committee of the Board;

(4) The Audit Committee of the Board provides oversight of the quarterly valuation process in accordance with Rule 2a-5, which includes a review of the quarterly

1 reports prepared by the Valuation Committee, reviews the fair valuation
2 determinations made by the Valuation Committee, and approves such valuations for
inclusion in public reporting and disclosures, as appropriate; and

3 (5) The Board, upon the recommendation of the Audit Committee, discusses
4 valuations and approves the fair value of each investment in the Company's
portfolio.

5 * * *

6 ***Portfolio and Investment Activity***

7 The total fair value of our investment portfolio as of December 31, 2025 and
8 December 31, 2024 was as follows:

9 (in millions)

	Fair Value	
	December 31, 2025	December 31, 2024
Debt	\$ 4,279.4	\$ 3,494.6
Equity	139.0	128.7
Warrants	41.1	30.5
Investment Funds & Vehicles	7.1	6.2
Total Investment Portfolio	\$ 4,466.6	\$ 3,660.0

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

17 Prior to entering into a contractual commitment, we generally issue a non-binding
18 term sheet to a prospective portfolio company. ***Non-binding term sheets are subject
19 to completion of our due diligence*** and final investment committee approval process,
20 as well as the negotiation of definitive documentation with the prospective portfolio
21 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.

22 28. The above statements identified in ¶¶ 17-27 were materially false and/or misleading,
23 and failed to disclose material adverse facts about the Company's business, operations, and
24 prospects. Specifically, Defendants failed to disclose to investors: (1) the Company overstated the
25 due diligence with which it conducted its deal sourcing and/or loan origination process; (2) the
26 Company overstated the due diligence with which it conducted its portfolio valuation process; (3)
27 the Company reported misclassified portfolio investments; (4) as a result of the foregoing, the
28 Company overstated and/or misrepresented its portfolio valuations; and (5) that, as a result of the

1 foregoing, Defendants’ positive statements about the Company’s business, operations, and
2 prospects were materially misleading and/or lacked a reasonable basis.

3 **Disclosures at the End of the Class Period**

4 29. On February 27, 2026, at approximately 11:00 a.m. EST, Hunterbrook Media, an
5 investment focused reporting outlet, published a report entitled “The Myth of Hercules Capital” (the
6 “Report”). The Report stated that, “according to a former Hercules analyst who worked on deal
7 sourcing” the Company’s process for deal sourcing essentially amounted to “[g]o[ing] on the
8 website for Google Ventures and just see what they invest in and just copy it.” The Report stated,
9 according to a former employee, deal sourcing managers “don’t want anything else,” and essentially
10 just rely on other investors to have done due diligence, instead of doing their own. Specifically, the
11 Report stated as follows, in relevant part:

12 But the sourcing process for those deals was not exactly scientific, according to a
13 former Hercules analyst who worked on deal sourcing.

14 “I got into the meeting with my manager and I was like, ‘How do you do sourcing?
15 Like, what’s the juice? Like, what’s your secret sauce?’ And he was like, ‘Go on the
16 website for Google Ventures and just see what they invest in and just copy it. I don’t
17 want anything else.’”

18 “That’s actually a really bad way to do your due diligence,” they added. “And that’s
19 actually a way that a lot of these, you know, like, FTX and all these things, that’s
20 how it happens because once these companies get one brand name on their investor
21 list, right? Like Sequoia or something like that? Everybody else just freaking flocks
22 to them.”

23 30. The Report continued, revealing that, “once Hercules makes the loans, the valuation
24 process itself may warrant scrutiny,” as “[a] former member of Hercules’ finance team described a
25 small, overstretched team with few checks in place.” This second former employee revealed the
26 valuations team “consisted of just four people in a single reporting line responsible for dozens of
27 companies,” with “few checks or cross-team review.” The former employee noted this was contrary
28 to how things were done at other public companies where, in contrast “[t]here is a strong push to do
things the right way, to reinvent, to make sure that we’re double-checking, triple-checking.” The
Report stated the former employee found this was not the case at Hercules. Specifically, the Report
stated as follows, in relevant part:

1 And once Hercules makes the loans, the valuation process itself may warrant
2 scrutiny. A former member of Hercules’ finance team described a small,
overstretched team with few checks in place.

3 “There wasn’t a whole lot of fail-safes or backup checks,” they said. “We would have
4 kind of one stream of resources and backups,” compared to other public companies
where “there are multiple streams and cross-checking and cross-team development.”

5 According to this former employee, a team responsible for preparing certain
6 valuations that fed directly into the financial statements consisted of four people
— arranged in a single reporting line — an analyst, a senior, a manager, and a director
— handling an important subset of valuations for Hercules.

7 “I don’t think the team got the support that it needed,” they said. “It was a small team
8 and it was stretched quite thin.”

9 Review was concentrated at the manager level. By the time work reached the
10 director, the former employee recalled seeing few comments or corrections. The
former employee, who now works in a similar role at another public company,
11 described a starkly different environment.

12 “There is a strong push to do things the right way, to reinvent, to make sure that we’re
double-checking, triple-checking.” Not so at Hercules.

13 31. The Report also alleged that Hercules Capital underrepresents its significant software
14 debt exposure, including by “assign[ing] certain businesses that describe themselves as software
15 companies to categories outside of software.” The report also cast doubt on to the Company’s book
16 value, which marks its software debt “at 100 cents on the dollar” despite “billions worth of
17 [software] debt across the industry falling into distressed territory.” Specifically, the Report stated
18 as follows, in relevant part:
19

20 The firm values its software loan portfolio, comprised of loans to smaller, often
21 unprofitable startups, at more than 100 cents on the dollar — even in its 10-K
released on February 12.

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* * *

HERCULES CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2025
(dollars in thousands)

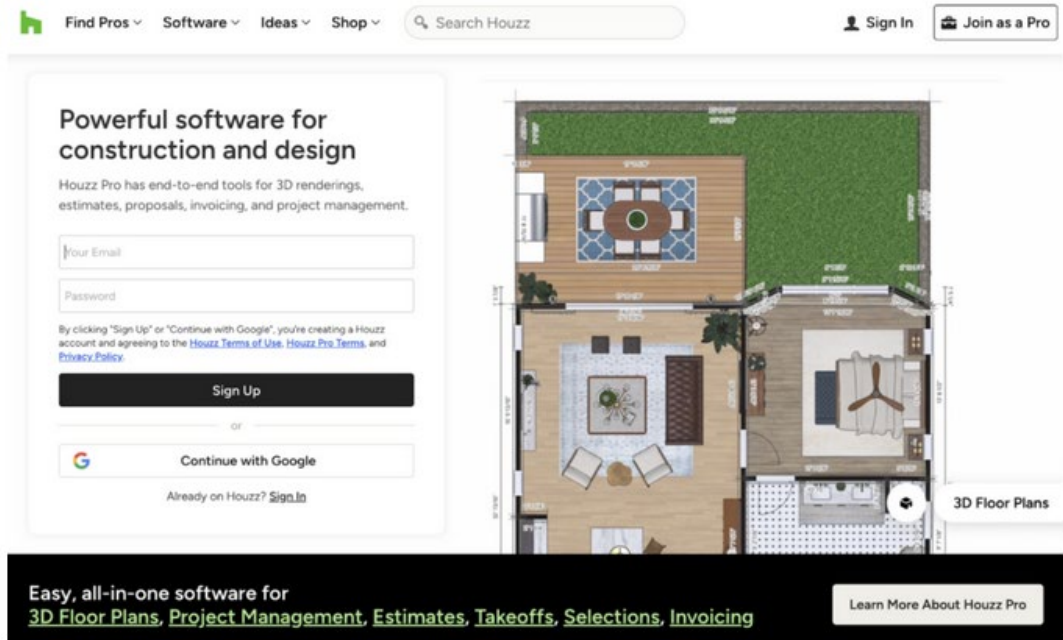
Portfolio Company	Type of Investment	Maturity Date	Interest Rate and Floor ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value	Footnotes
Debt Investments							
Application Software⁽²⁷⁾							
Alchemer LLC	Senior Secured	May 2028	1-month SOFR + 8.14%, Floor rate 9.14%	\$ 20,163	\$ 19,919	\$ 20,163	(17)(18)
AlphaSense, Inc.	Senior Secured	June 2029	3-month SOFR + 6.25%, Floor rate 8.25%	\$ 20,000	19,849	19,916	(11)
Annex Cloud	Senior Secured	June 2028	PIK Interest 3-month SOFR + 9.99%, Floor rate 10.99%	\$ 5,642	5,642	2,257	(8)(13)(18)
	Senior Secured	December 2025	PIK Interest 3-month SOFR + 9.99%, Floor rate 10.99%	\$ 3,325	3,325	3,325	(8)(18)(26)
	Senior Secured	June 2028	PIK Interest 3-month SOFR + 5.73%, Floor rate 6.73%	\$ 1,716	1,717	687	(8)(18)
Total Annex Cloud				\$ 10,683	10,684	6,269	
Babel Street	Senior Secured	December 2027	3-month SOFR + 8.01%, Floor rate 9.01%	\$ 65,937	65,038	64,738	(17)(18)
Behavox Limited	Senior Secured	September 2027	Prime - 0.55%, Floor rate 7.45%, PIK Interest 3.00%, 4.95% Exit Fee	\$ 19,444	19,596	19,598	(5)(10)(11)(14)(17)
Brain Corporation	Senior Secured	September 2028	Prime + 1.35%, Floor rate 9.85%, PIK Interest 2.50%, 3.95% Exit Fee	\$ 32,830	32,865	33,410	(13)(14)
Carbyne, Inc.	Senior Secured	February 2029	Prime + 3.50%, Floor rate 10.00%, 3.50% Exit Fee	\$ 7,450	7,430	7,711	(17)
Ceros, Inc.	Senior Secured	June 2027	3-month SOFR + 8.99%, Floor rate 9.89%	\$ 22,656	22,543	22,506	(18)
Chainalysis, Inc.	Senior Secured	June 2029	Prime + 2.95%, Floor rate 10.45%	\$ 36,412	35,954	36,143	
Dashlane, Inc.	Senior Secured	December 2027	Prime + 3.05%, Floor rate 11.55%, PIK Interest 1.10%, 6.28% Exit Fee	\$ 45,986	46,789	48,034	(11)(13)(14)(19)
Dispatch Technologies, Inc.	Senior Secured	April 2028	3-month SOFR + 7.86%, Floor rate 8.61%	\$ 8,751	8,634	8,524	(17)(18)
Distributed Creation Inc.	Senior Secured	April 2029	Prime + 3.00%, Floor rate 10.25%, 4.50% Exit Fee	\$ 25,000	24,825	25,024	(11)(17)
DocPlanner	Senior Secured	January 2030	Prime + 2.75%, Floor rate 9.75%, 4.25% Exit Fee	€ 68,200	69,857	80,519	(5)(10)(17)
Earnix, Inc.	Senior Secured	June 2029	Prime - 1.15%, Floor rate 5.35%, PIK Interest 4.45%	\$ 20,049	19,790	20,126	(11)(14)(17)
Elation Health, Inc.	Senior Secured	April 2029	Prime + 1.75%, Floor rate 9.25%, PIK Interest 1.30%, 3.95% Exit Fee	\$ 13,575	13,283	13,477	(11)(14)(17)(19)
Funnel Holding AB (publ)	Senior Secured	October 2029	Prime + 0.60%, Floor rate 7.10%, Cap rate 8.60%, PIK Interest 3.00%, 2.25% Exit Fee	\$ 18,433	18,196	18,196	(5)(10)(14)(17)(19)
Imagen Technologies, Inc.	Senior Secured	November 2028	Prime + 1.55%, Floor rate 9.05%, PIK Interest 1.00%, 3.95% Exit Fee	\$ 7,501	7,360	7,360	(8)(14)(17)
iSpot.tv, Inc.	Senior Secured	January 2029	Prime + 2.25%, Floor rate 8.75%, PIK Interest 1.00%, 5.70% Exit Fee	\$ 3,282	3,285	3,265	(14)(17)
	Senior Secured	January 2029	Prime + 1.40%, Floor rate 7.90%, PIK Interest 0.75%, 4.50% Exit Fee	\$ 39,139	38,980	39,147	(12)(14)(17)
Total iSpot.tv, Inc.				\$ 42,421	42,265	42,412	
Khoros, LLC	Senior Secured	May 2030	FIXED 10.00%	\$ 11,704	11,704	11,399	
LinenMaster, LLC	Senior Secured	August 2029	1-month SOFR + 8.28%, Floor rate 9.28%	\$ 11,500	11,179	11,096	(17)(18)
Loftware, Inc.	Senior Secured	March 2028	3-month SOFR + 7.88%, Floor rate 8.88%	\$ 29,660	29,247	29,660	(17)(18)
LogicSource	Senior Secured	July 2027	3-month SOFR + 8.93%, Floor rate 9.93%	\$ 11,113	11,020	11,113	(17)(18)
Mango Technologies, Inc.	Senior Secured	August 2030	Prime + 2.25%, Floor rate 8.25%, 2.00% Exit Fee	\$ 16,750	16,528	16,528	(17)
Marigold Group, Inc.	Senior Secured	April 2028	6-month SOFR + 4.75%, Floor rate 5.75%, PIK Interest 5.25%	\$ 44,555	43,960	40,736	(13)(14)(19)
Omada Holdings, LLC	Senior Secured	July 2027	3-month SOFR + 8.05%, Floor rate 9.05%	\$ 7,303	7,207	7,303	(11)(17)(18)
Pindrop Security, Inc.	Senior Secured	June 2029	Prime + 3.50%, Floor rate 10.00%, 2.00% Exit Fee	\$ 31,000	30,759	31,338	(15)(17)
Proven Optics, LLC	Senior Secured	December 2030	3-month SOFR + 7.30%, Floor rate 8.30%	\$ 15,000	14,726	14,726	(17)(18)
Remodel Health Holdco, LLC	Senior Secured	December 2028	Prime + 2.35%, Floor rate 10.35%, 6.50% Exit Fee	\$ 25,000	25,126	25,334	(8)(17)
Revealer	Senior Secured	February 2027	Prime + 0.65%, Floor rate 9.15%, PIK Interest 2.00%, 5.05% Exit Fee	\$ 50,052	51,052	50,938	(8)(14)(15)
ShadowDragon, LLC	Senior Secured	December 2026	3-month SOFR + 8.79%, Floor rate 9.69%	\$ 6,000	5,958	5,958	(17)(18)
Simon Data, Inc.	Senior Secured	March 2027	Prime + 1.00%, Floor rate 8.75%, PIK Interest 1.95%, 3.58% Exit Fee	\$ 11,350	11,560	11,343	(12)(14)

Hercules describes itself as the largest nonbank venture lender in the United States. The firm has committed over \$25 billion since launching in 2003. The founder, Manuel Henriquez, resigned as CEO in 2019 after being charged in the college admissions fraud Operation Varsity Blues. Hercules has been led since by Scott Bluestein, who also serves as its chief investment officer.

In total, Hercules has software debt valued at \$1.5 billion on its books, according to its financial statements: roughly 35% of the value of its total loan portfolio. That means 70 cents on every dollar of its net asset value (NAV) is backed by a software loan — because Hercules, like other BDCs, uses leverage to fund its portfolio, in its case at roughly a 1:1 ratio.

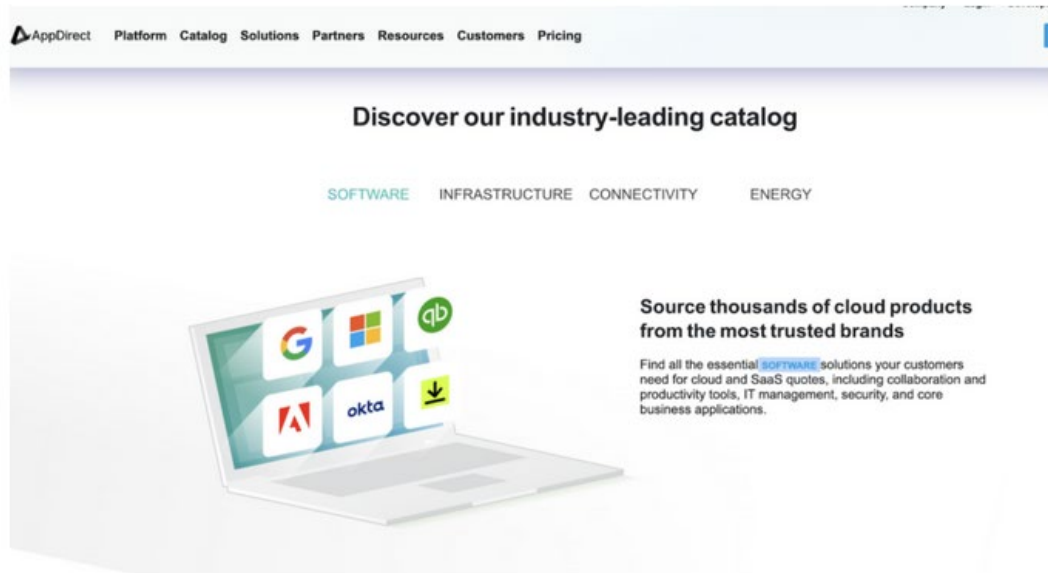
According to JPMorgan’s recent assessment of the sector, this makes Hercules the most software-exposed lender of any meaningful size in America. And these numbers likely underestimate true exposure. Hunterbrook Media analyzed each loan Hercules disclosed in its most recent annual report and found that the firm assigns certain businesses that describe themselves as software companies to categories outside of software.

Take Houzz, which declares on its homepage that it offers, “Powerful software for construction and design.”



Houzz website describing itself as "powerful software." Source: [Houzz](https://www.houzz.com).

Another company that Hercules classifies as unrelated to software is AppDirect. That company describes itself as “the leading platform for selling, buying, and managing recurring technology services.” In other words: It’s a middleman for software companies, as the company lays out pretty clearly on its website.



The AppDirect website describes the company as “the leading platform for selling, buying, and managing recurring technology services.” Source: [AppDirect](https://www.appdirect.com)

* * *

Hercules values its \$1.5 billion software portfolio at around par — which is to say: The company doesn’t expect meaningful losses. But the borrowers behind those loans operate in a sector that has just experienced a systemic pullback.

1 (a) whether the federal securities laws were violated by Defendants' acts as
2 alleged herein;

3 (b) whether statements made by Defendants to the investing public during the
4 Class Period omitted and/or misrepresented material facts about the business, operations, and
5 prospects of Hercules Capital; and

6 (c) to what extent the members of the Class have sustained damages and the
7 proper measure of damages.

8 38. A class action is superior to all other available methods for the fair and efficient
9 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
10 damages suffered by individual Class members may be relatively small, the expense and burden of
11 individual litigation makes it impossible for members of the Class to individually redress the wrongs
12 done to them. There will be no difficulty in the management of this action as a class action.

13 **UNDISCLOSED ADVERSE FACTS**

14 39. The market for Hercules Capital's securities was open, well-developed and efficient
15 at all relevant times. As a result of these materially false and/or misleading statements, and/or
16 failures to disclose, Hercules Capital's securities traded at artificially inflated prices during the Class
17 Period. Plaintiff and other members of the Class purchased or otherwise acquired Hercules Capital's
18 securities relying upon the integrity of the market price of the Company's securities and market
19 information relating to Hercules Capital, and have been damaged thereby.

20 40. During the Class Period, Defendants materially misled the investing public, thereby
21 inflating the price of Hercules Capital's securities, by publicly issuing false and/or misleading
22 statements and/or omitting to disclose material facts necessary to make Defendants' statements, as
23 set forth herein, not false and/or misleading. The statements and omissions were materially false
24 and/or misleading because they failed to disclose material adverse information and/or
25 misrepresented the truth about Hercules Capital's business, operations, and prospects as alleged
26 herein.

27 41. At all relevant times, the material misrepresentations and omissions particularized in
28 this Complaint directly or proximately caused or were a substantial contributing cause of the

1 damages sustained by Plaintiff and other members of the Class. As described herein, during the
2 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
3 statements about Hercules Capital's financial well-being and prospects. These material
4 misstatements and/or omissions had the cause and effect of creating in the market an unrealistically
5 positive assessment of the Company and its financial well-being and prospects, thus causing the
6 Company's securities to be overvalued and artificially inflated at all relevant times. Defendants'
7 materially false and/or misleading statements during the Class Period resulted in Plaintiff and other
8 members of the Class purchasing the Company's securities at artificially inflated prices, thus
9 causing the damages complained of herein when the truth was revealed.

10 **LOSS CAUSATION**

11 42. Defendants' wrongful conduct, as alleged herein, directly and proximately caused
12 the economic loss suffered by Plaintiff and the Class.

13 43. During the Class Period, Plaintiff and the Class purchased Hercules Capital's
14 securities at artificially inflated prices and were damaged thereby. The price of the Company's
15 securities significantly declined when the misrepresentations made to the market, and/or the
16 information alleged herein to have been concealed from the market, and/or the effects thereof, were
17 revealed, causing investors' losses.

18 **SCIENTER ALLEGATIONS**

19 44. As alleged herein, Defendants acted with scienter since Defendants knew that the
20 public documents and statements issued or disseminated in the name of the Company were
21 materially false and/or misleading; knew that such statements or documents would be issued or
22 disseminated to the investing public; and knowingly and substantially participated or acquiesced in
23 the issuance or dissemination of such statements or documents as primary violations of the federal
24 securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their
25 receipt of information reflecting the true facts regarding Hercules Capital, their control over, and/or
26 receipt and/or modification of Hercules Capital's allegedly materially misleading misstatements
27 and/or their associations with the Company which made them privy to confidential proprietary
28 information concerning Hercules Capital, participated in the fraudulent scheme alleged herein.

1 **APPLICABILITY OF PRESUMPTION OF RELIANCE**

2 **(FRAUD-ON-THE-MARKET DOCTRINE)**

3 45. The market for Hercules Capital’s securities was open, well-developed and efficient
4 at all relevant times. As a result of the materially false and/or misleading statements and/or failures
5 to disclose, Hercules Capital’s securities traded at artificially inflated prices during the Class Period.
6 On September 11, 2025, the Company’s stock price closed at a Class Period high of \$19.53 per
7 share. Plaintiff and other members of the Class purchased or otherwise acquired the Company’s
8 securities relying upon the integrity of the market price of Hercules Capital’s securities and market
9 information relating to Hercules Capital, and have been damaged thereby.

10 46. During the Class Period, the artificial inflation of Hercules Capital’s shares was
11 caused by the material misrepresentations and/or omissions particularized in this Complaint causing
12 the damages sustained by Plaintiff and other members of the Class. As described herein, during the
13 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
14 statements about Hercules Capital’s business, prospects, and operations. These material
15 misstatements and/or omissions created an unrealistically positive assessment of Hercules Capital
16 and its business, operations, and prospects, thus causing the price of the Company’s securities to be
17 artificially inflated at all relevant times, and when disclosed, negatively affected the value of the
18 Company shares. Defendants’ materially false and/or misleading statements during the Class Period
19 resulted in Plaintiff and other members of the Class purchasing the Company’s securities at such
20 artificially inflated prices, and each of them has been damaged as a result.

21 47. At all relevant times, the market for Hercules Capital’s securities was an efficient
22 market for the following reasons, among others:

23 (a) Hercules Capital shares met the requirements for listing, and was listed and
24 actively traded on the NYSE, a highly efficient and automated market;

25 (b) As a regulated issuer, Hercules Capital filed periodic public reports with the
26 SEC and/or the NYSE;

27 (c) Hercules Capital regularly communicated with public investors via
28 established market communication mechanisms, including through regular dissemination of press

1 releases on the national circuits of major newswire services and through other wide-ranging public
2 disclosures, such as communications with the financial press and other similar reporting services;
3 and/or

4 (d) Hercules Capital was followed by securities analysts employed by brokerage
5 firms who wrote reports about the Company, and these reports were distributed to the sales force
6 and certain customers of their respective brokerage firms. Each of these reports was publicly
7 available and entered the public marketplace.

8 48. As a result of the foregoing, the market for Hercules Capital's securities promptly
9 digested current information regarding Hercules Capital from all publicly available sources and
10 reflected such information in Hercules Capital's share price. Under these circumstances, all
11 purchasers of Hercules Capital's securities during the Class Period suffered similar injury through
12 their purchase of Hercules Capital's securities at artificially inflated prices and a presumption of
13 reliance applies.

14 49. A Class-wide presumption of reliance is also appropriate in this action under the
15 Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972),
16 because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or
17 omissions. Because this action involves Defendants' failure to disclose material adverse
18 information regarding the Company's business operations and financial prospects—information that
19 Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery.
20 All that is necessary is that the facts withheld be material in the sense that a reasonable investor
21 might have considered them important in making investment decisions. Given the importance of
22 the Class Period material misstatements and omissions set forth above, that requirement is satisfied
23 here.

24 **NO SAFE HARBOR**

25 50. The statutory safe harbor provided for forward-looking statements under certain
26 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The
27 statements alleged to be false and misleading herein all relate to then-existing facts and conditions.
28 In addition, to the extent certain of the statements alleged to be false may be characterized as forward

1 looking, they were not identified as “forward-looking statements” when made and there were no
2 meaningful cautionary statements identifying important factors that could cause actual results to
3 differ materially from those in the purportedly forward-looking statements. In the alternative, to the
4 extent that the statutory safe harbor is determined to apply to any forward-looking statements
5 pleaded herein, Defendants are liable for those false forward-looking statements because at the time
6 each of those forward-looking statements was made, the speaker had actual knowledge that the
7 forward-looking statement was materially false or misleading, and/or the forward-looking statement
8 was authorized or approved by an executive officer of Hercules Capital who knew that the statement
9 was false when made.

10 **FIRST CLAIM**

11 **Violation of Section 10(b) of The Exchange Act and**

12 **Rule 10b-5 Promulgated Thereunder**

13 **Against All Defendants**

14 51. Plaintiff repeats and re-alleges each and every allegation contained above as if fully
15 set forth herein.

16 52. During the Class Period, Defendants carried out a plan, scheme and course of conduct
17 which was intended to and, throughout the Class Period, did: (i) deceive the investing public,
18 including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other
19 members of the Class to purchase Hercules Capital’s securities at artificially inflated prices. In
20 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant,
21 took the actions set forth herein.

22 53. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue
23 statements of material fact and/or omitted to state material facts necessary to make the statements
24 not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a
25 fraud and deceit upon the purchasers of the Company’s securities in an effort to maintain artificially
26 high market prices for Hercules Capital’s securities in violation of Section 10(b) of the Exchange
27 Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and
28 illegal conduct charged herein or as controlling persons as alleged below.

1 54. Defendants, individually and in concert, directly and indirectly, by the use, means or
2 instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
3 continuous course of conduct to conceal adverse material information about Hercules Capital's
4 financial well-being and prospects, as specified herein.

5 55. Defendants employed devices, schemes and artifices to defraud, while in possession
6 of material adverse non-public information and engaged in acts, practices, and a course of conduct
7 as alleged herein in an effort to assure investors of Hercules Capital's value and performance and
8 continued substantial growth, which included the making of, or the participation in the making of,
9 untrue statements of material facts and/or omitting to state material facts necessary in order to make
10 the statements made about Hercules Capital and its business operations and future prospects in light
11 of the circumstances under which they were made, not misleading, as set forth more particularly
12 herein, and engaged in transactions, practices and a course of business which operated as a fraud
13 and deceit upon the purchasers of the Company's securities during the Class Period.

14 56. Each of the Individual Defendants' primary liability and controlling person liability
15 arises from the following facts: (i) the Individual Defendants were high-level executives and/or
16 directors at the Company during the Class Period and members of the Company's management team
17 or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities
18 as a senior officer and/or director of the Company, was privy to and participated in the creation,
19 development and reporting of the Company's internal budgets, plans, projections and/or reports;
20 (iii) each of these defendants enjoyed significant personal contact and familiarity with the other
21 defendants and was advised of, and had access to, other members of the Company's management
22 team, internal reports and other data and information about the Company's finances, operations, and
23 sales at all relevant times; and (iv) each of these defendants was aware of the Company's
24 dissemination of information to the investing public which they knew and/or recklessly disregarded
25 was materially false and misleading.

26 57. Defendants had actual knowledge of the misrepresentations and/or omissions of
27 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
28 ascertain and to disclose such facts, even though such facts were available to them. Such defendants'

1 material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose
2 and effect of concealing Hercules Capital's financial well-being and prospects from the investing
3 public and supporting the artificially inflated price of its securities. As demonstrated by Defendants'
4 overstatements and/or misstatements of the Company's business, operations, financial well-being,
5 and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the
6 misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by
7 deliberately refraining from taking those steps necessary to discover whether those statements were
8 false or misleading.

9 58. As a result of the dissemination of the materially false and/or misleading information
10 and/or failure to disclose material facts, as set forth above, the market price of Hercules Capital's
11 securities was artificially inflated during the Class Period. In ignorance of the fact that market prices
12 of the Company's securities were artificially inflated, and relying directly or indirectly on the false
13 and misleading statements made by Defendants, or upon the integrity of the market in which the
14 securities trades, and/or in the absence of material adverse information that was known to or
15 recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during
16 the Class Period, Plaintiff and the other members of the Class acquired Hercules Capital's securities
17 during the Class Period at artificially high prices and were damaged thereby.

18 59. At the time of said misrepresentations and/or omissions, Plaintiff and other members
19 of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other
20 members of the Class and the marketplace known the truth regarding the problems that Hercules
21 Capital was experiencing, which were not disclosed by Defendants, Plaintiff and other members of
22 the Class would not have purchased or otherwise acquired their Hercules Capital securities, or, if
23 they had acquired such securities during the Class Period, they would not have done so at the
24 artificially inflated prices which they paid.

25 60. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act
26 and Rule 10b-5 promulgated thereunder.

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1 members of the Class suffered damages in connection with their purchases of the Company's
2 securities during the Class Period.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

5 (a) Determining that this action is a proper class action under Rule 23 of the Federal
6 Rules of Civil Procedure;

7 (b) Awarding compensatory damages in favor of Plaintiff and the other Class members
8 against all defendants, jointly and severally, for all damages sustained as a result of Defendants'
9 wrongdoing, in an amount to be proven at trial, including interest thereon;

10 (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this
11 action, including counsel fees and expert fees; and

12 (d) Such other and further relief as the Court may deem just and proper.

13 **JURY TRIAL DEMANDED**

14 Plaintiff hereby demands a trial by jury.
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