Hercules Capital, Inc.
Form 497
August 09, 2018
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Filed Pursuant to Rule 497
Registration No. 333-224281

PROSPECTUS SUPPLEMENT

(To prospectus dated June 5, 2018)

Up to 12,000,000 Shares

Common Stock

We have entered into an equity distribution agreement, dated September 8, 2017, or the Equity Distribution Agreement, with JMP Securities LLC, or JMP Securities, relating to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol HTGC. The last reported sale price on the NYSE on August 6, 2018 was $13.57 per share. The net asset value per share of our common stock at June 30, 2018 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $10.22.

We are an internally managed, non-diversified, closed-end investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our warrant and equity-related investments.

The Equity Distribution Agreement provides that we may offer and sell up to 12,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent. Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus 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, or 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. As of the date of this prospectus supplement, we have sold approximately 5.8 million shares of our common stock under the Equity Distribution Agreement.

JMP Securities will receive a commission from us to be negotiated from time to time, but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities under the Equity Distribution Agreement. JMP Securities is not required to sell any specific number or dollar amount of common stock, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-16 of this prospectus supplement. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities commission, will not be less than the net asset value per share of our common stock at the time of such sale.

Please read this prospectus supplement, and the accompanying prospectus, before investing, and keep it for future reference. The prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. This information is available free of charge by contacting us at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, or by telephone by calling collect at (650) 289-3060 or on our website at www.htgc.com. The information on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus. The SEC also maintains a website at www.sec.gov that contains such information.

An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See the Risk Factors section beginning on page 14 of the accompanying prospectus to read about risks that you should consider before investing in our common stock, including the risk of leverage.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

JMP Securities

The date of this prospectus supplement is August 9, 2018.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and JMP Securities has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and JMP Securities is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement and the accompanying prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading, Available Information before investing in our common stock.

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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]	2.00%
Offering expenses	0.66%[2]
Dividend reinvestment plan fees	[3]
Total stockholder transaction expenses (as a percentage of the public offering price)	2.66%
Annual Expenses (as a percentage of net assets attributable to common stock):[4]	
Operating expenses	6.01%[5][6]
Interest and fees paid in connection with borrowed funds	5.58%[7]
Total annual expenses	11.59%[8]

(1) Represents the estimated commission with respect to the shares of common stock being sold in this offering. JMP Securities will be entitled to compensation up to 2.00% of the gross proceeds of the sale of any shares of our common stock under the Equity Distribution Agreement, with the exact amount of such compensation to be mutually agreed upon by the Company and JMP Securities from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately $1,036,000, assuming all shares are offered under this prospectus supplement.

(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 in the accompanying prospectus.

(4) Net assets attributable to common stock equals the weighted average net assets for the six-months ended June 30, 2018, which is approximately $853.2 million.

(5) Operating expenses represents our estimated operating expenses by annualizing our actual operating expenses incurred for the six-months ended June 30, 2018, including all fees and expenses of our consolidated subsidiaries and excluding interests and fees on indebtedness. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and Management and Executive Compensation

in the accompanying prospectus.

(6) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.

(7) Interest and fees paid in connection with borrowed funds represents our estimated interest, fees and credit facility expenses by annualizing our actual interest, fees, and credit facility expenses incurred for the six-months ended June 30, 2018, including our $120.0 million revolving senior secured credit facility with Wells Fargo Capital Finance, LLC (the Wells Facility), $100.0 million revolving senior secured credit facility with MUFG Union Bank, N.A. (the Union Bank Facility, and, together with the Wells Facility, the Credit Facilities), 4.625% notes due 2022 (the 2022 Notes), 6.25% notes due 2024 (the 2024 Notes), 5.25% notes due 2025 (the 2025 Notes), 4.375% convertible notes due 2022 (the 2022 Convertible Notes), fixed rate asset-backed notes (the 2021 Asset-Backed Notes), and the Small Business Administration (SBA) debentures.

(8) Total annual expenses is the sum of operating expenses, and interest and fees paid in connection with borrowed funds. 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.

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Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 common stock investment, assuming a 5% annual return	$ 136	$ 334	$ 507	$ 853

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown. Moreover, while the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or lesser than 5%. In addition, while the example assumes reinvestment of all distributions at net asset value (NAV), participants in our dividend reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below NAV. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus supplement and the accompanying prospectus, 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, 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 prospectus supplement and the accompanying prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus include statements as to:

- our current and future management structure;
- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- our informal relationships with third parties including in the venture capital industry;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access debt markets and equity markets;
- the ability of our portfolio companies to achieve their objectives;

- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company, a small business investment company, or SBIC, and a regulated investment company, or RIC;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any distributions;
- the impact of fluctuations in interest rates on our business;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus supplement and the accompanying prospectus, please see the discussion under Risk Factors beginning on page 14 of the accompanying prospectus. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus 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 prospectus.

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INDUSTRY AND MARKET DATA

We have compiled certain industry estimates presented in this prospectus supplement and the accompanying prospectus from internally generated information and data. While we believe our estimates are reliable, they have not been verified by any independent sources. The estimates are based on a number of assumptions, including increasing investment in venture capital and private equity-backed companies. Actual results may differ from projections and estimates, and this market may not grow at the rates projected, or at all. If this market fails to grow at projected rates, our business and the market price of our securities, including our common stock, could be materially adversely affected.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus and the documents that are referenced in this prospectus supplement and the accompanying prospectus, together with any accompanying supplements. In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, the Company, Hercules, HTGC, we, us and our refer to Hercules Capital, Inc. and its wholly-owned subsidiaries and its affiliated securitization trusts.

Our Company

We are a specialty finance company focused on providing senior secured loans to high-growth, innovative venture capital-backed companies in a variety of technology, life sciences, and sustainable and renewable technology industries. Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and capital appreciation from our warrant and equity-related investments. We are an internally-managed, non-diversified, closed-end investment company that has elected to be regulated as a business development company under the 1940 Act. Effective January 1, 2006, we elected to be treated for tax purposes as a RIC under the Internal Revenue Code of 1986, as amended, or the Code.

As of June 30, 2018, our total assets were approximately $1.8 billion, of which our investments comprised $1.7 billion at fair value and $1.8 billion at cost. Since inception through June 30, 2018, we have made debt and equity commitments of more than $8.0 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly-owned SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately $115.4 million and $294.8 million in assets, respectively, and accounted for approximately 5.2% and 13.4% of our total assets, respectively, prior to consolidation at June 30, 2018. At June 30, 2018, we have issued $190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. See Regulation Small Business Administration Regulations in the accompanying prospectus for additional information regarding our SBIC subsidiaries.

As of June 30, 2018, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 35 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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Organizational Chart

The following chart summarizes our organizational structure as of August 6, 2018. This chart is provided for illustrative purposes only.

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

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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.

Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities. We expect that our investments have the potential to produce attractive risk-adjusted returns through current income, in the form of

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interest and fee income, as well as capital appreciation from warrant and equity-related securities. We believe that we can mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities (typically between 24 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.

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.

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.

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.

Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive structured query language-based database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance.

Recent Developments

Distribution Declaration

On July 25, 2018, our Board of Directors declared a cash distribution of $0.31 per share to be paid on August 20, 2018 to stockholders of record as of August 13, 2018. This distribution represents our fifty-second consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to $14.64 per share.

Closed and Pending Commitments

As of August 6, 2018, we have:

- Closed debt and equity commitments of approximately $74.3 million to new and existing portfolio companies and funded approximately $44.3 million subsequent to June 30, 2018.

- Pending commitments (signed non-binding term sheets) of approximately $106 million.

The table below summarizes our year-to-date closed and pending commitments as follows:

Closed Commitments and Pending Commitments (in millions)	
January 1 June 30, 2018 Closed Commitments	$ 728.7
July 1 August 6, 2018 Closed Commitments[(a)]	$ 74.3
Pending Commitments (as of August 6, 2018)[(b)]	$ 106.0
Closed and Pending Commitments as of August 6, 2018	$ 909.0

a. Closed Commitments may include renewals of existing credit facilities. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.
b. Not all pending commitments (signed non-binding term sheets) are expected to close and they do not necessarily represent any future cash requirements.

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ATM Equity Program Issuances

Subsequent to June 30, 2018 and as of August 6, 2018, we sold 1.6 million shares of common stock for total accumulated net proceeds of approximately $19.8 million, including $150,000 of offering expenses, under the Equity Distribution Agreement. As of August 6, 2018, approximately 6.2 million shares remain available for issuance and sale under the Equity Distribution Agreement.

Hercules Technology II Debentures Full Redemption

On July 13, 2018, we completed repayment of the $41.2 million of outstanding HT II debentures.

Amendment to Wells Facility

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

Portfolio Company Developments

As of August 6, 2018, we held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. Both companies filed confidentially under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all. Subsequent to June 30, 2018 and as of August 6, 2018, there were no companies that announced or completed liquidity events.

General Information

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, Washington, DC, Hartford, CT, Reston, VA, and San Diego, CA. We maintain a website on the Internet at www.htgc.com. 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 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. This information is available at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC s public reference room by calling the SEC at (202) 551-8090. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

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THE OFFERING

Common stock offered by us	Up to 12,000,000 shares of our common stock. As of the date of this prospectus supplement, approximately 6.2 million shares of common stock remain available for sale under the Equity Distribution Agreement.
Common stock outstanding prior to this offering	95,831,773 shares
Manner of offering	At the market offering that may be made from time to time through JMP Securities, as sales agent, using commercially reasonable efforts. See Plan of Distribution in this prospectus supplement.
Use of proceeds	We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objectives, to make acquisitions, to retire certain debt obligations and for other general corporate purposes.
	Pending such uses and investments, we will invest a portion of the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. Our ability to achieve our investment objectives may be limited to the extent that the net proceeds of this offering, pending full investment, are held in lower yielding short-term instruments. See Use of Proceeds in this prospectus supplement.
Distribution	To the extent that we have income available, we intend to distribute quarterly distributions to our stockholders. The amount of our distributions, if any, will be determined by our Board of Directors. Any distributions to our stockholders will be declared out of assets legally available for distribution. See Price Range of Common Stock in this prospectus supplement.
Taxation	We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as distributions. To

	maintain our RIC tax status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Price Range of Common Stock in this prospectus supplement and Certain United States Federal Income Tax Considerations in the accompanying prospectus.
New York Stock Exchange symbol	HTGC
Risk factors	An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 14 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Senior Securities and the consolidated financial statements and related notes included elsewhere herein. The selected balance sheet data as of the end of fiscal year 2017, 2016, 2015, 2014, and 2013 and the financial statement of operations data for fiscal years 2017, 2016, 2015, 2014, and 2013 has been derived from our audited financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, but not all of which are presented in this prospectus supplement. The historical data are not necessarily indicative of results to be expected for any future period. The selected financial and other data for the six-months ended June 30, 2018 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six-months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

	For the Six-Months Ended June 30, (unaudited)		For the Year Ended December 31,				
(in thousands, except per share amounts)	**2018**	**2017**	**2017**	**2016**	**2015**	**2014**	**2013**
Investment income:							
Interest	$ 88,857	$ 83,367	$ 172,196	$ 158,727	$ 140,266	$ 126,618	$ 123,671
Fees	9,405	11,450	18,684	16,324	16,866	17,047	16,042
Total investment income	98,262	94,817	190,880	175,051	157,132	143,665	139,713
Operating expenses:							
Interest	19,264	18,861	37,857	32,016	30,834	28,041	30,334
Loan fees	4,537	4,186	8,728	5,042	6,055	5,919	4,807
General and administrative:							
Legal expenses	1,212	2,867	4,572	4,823	3,079	1,366	1,440
Other expenses	6,471	5,947	11,533	11,283	13,579	8,843	7,914
Total general and administrative	7,683	8,814	16,105	16,106	16,658	10,209	9,354
Employee Compensation:							
Compensation and benefits	12,775	11,262	24,555	22,500	20,713	16,604	16,179
Stock-based compensation	5,166	3,742	7,191	7,043	9,370	9,561	5,974
Total employee compensation	17,941	15,004	31,746	29,543	30,083	26,165	22,153
Total operating expenses	49,425	46,865	94,436	82,707	83,630	70,334	66,648
Other income (loss)				8,000	(1)	(1,581)	
Net investment income	48,837	47,952	96,444	100,344	73,501	71,750	73,065
Net realized gain (loss) on investments	(13,831)	(2,475)	(26,711)	4,576	5,147	20,112	14,836

Net change in unrealized appreciation (depreciation) on investments	23,000	(17,916)	9,265	(36,217)	(35,732)	(20,674)	11,545
Total net realized and unrealized gain (loss)	9,169	(20,391)	(17,446)	(31,641)	(30,585)	(562)	26,381
Net increase in net assets resulting from operations	$ 58,006	$ 27,561	$ 78,998	$ 68,703	$ 42,916	$ 71,188	$ 99,446
Change in net assets per common share (basic)	$ 0.67	$ 0.33	$ 0.95	$ 0.91	$ 0.60	$ 1.12	$ 1.67
Distributions declared per common share:	$ 0.62	$ 0.62	$ 1.24	$ 1.24	$ 1.24	$ 1.24	$ 1.11

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thousands, cept per share amounts)	For the Six-Months Ended June 30, (unaudited) 2018	2017	2017	For the Year Ended December 31, 2016	2015	2014	2013
lance sheet data:							
vestments, at value	$ 1,701,936	$ 1,395,469	$ 1,542,214	$ 1,423,942	$ 1,200,638	$ 1,020,737	$ 910,295
sh and cash equivalents	59,461	160,412	91,309	13,044	95,196	227,116	268,368
tal assets	1,792,597	1,588,709	1,654,715	1,464,204	1,334,761	1,299,223	1,221,715
tal liabilities	828,900	771,258	813,748	676,260	617,627	640,359	571,708
tal net assets	963,697	817,451	840,967	787,944	717,134	658,864	650,007
her Data:							
tal return(3)	1.24%	(2.04%)	1.47%	26.87%	(9.70%)	(1.75%)	58.49
tal debt investments, at lue	1,545,997	1,287,623	1,415,984	1,328,803	1,110,209	923,906	821,988
tal warrant investments, value	34,430	32,530	36,869	27,485	22,987	25,098	35,637
tal equity investments, at lue	121,509	75,316	89,361	67,654	67,442	71,733	52,670
nfunded Commitments(2)	129,716	57,595	73,604	59,683	75,402	147,689	69,091
t asset value per share(1)	$ 10.22	$ 9.87	$ 9.96	$ 9.90	$ 9.94	$ 10.18	$ 10.51

(1) Based on common shares outstanding at period end.

(2) 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.

(3) 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 issuance. The total return does not reflect any sales load that must be paid by investors.

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2017 and the quarters ending March 31, 2018 and June 30, 2018. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(in thousands, except per share data)	Quarter Ended March 31, 2018	June 30, 2018
Total investment income	$ 48,700	$ 49,562
Net investment income	26,063	22,774
Net increase (decrease) in net assets resulting from operations	5,946	52,060
Change in net assets resulting from operations per common share (basic)	$ 0.07	$ 0.59

(in thousands, except per share data)	Quarter Ended March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Total investment income	$ 46,365	$ 48,452	$ 45,865	$ 50,198
Net investment income	22,678	25,275	23,973	24,518
Net increase (decrease) in net assets resulting from operations	(5,588)	33,149	33,072	18,365
Change in net assets resulting from operations per common share (basic)	$ (0.07)	$ 0.40	$ 0.40	$ 0.22

	Quarter Ended March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Total investment income	$ 38,939	$ 43,538	$ 45,102	$ 47,472
Net investment income	20,097	23,354	23,776	33,117
Net increase in net assets resulting from operations	14,295	9,475	30,812	14,121
Change in net assets resulting from operations per common share (basic)	$ 0.20	$ 0.13	$ 0.41	$ 0.18

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USE OF PROCEEDS

Overview

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus 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 sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of the remaining 6,231,135 shares of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of $13.57 per share for our common stock on the NYSE as of August 6, 2018, we estimate that the net proceeds of this offering will be approximately $82.7 million after deducting the estimated sales commission payable to JMP Securities and our estimated offering expenses.

We intend to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objectives, to make acquisitions, to retire certain debt obligations and for other general corporate purposes.

We intend to seek to invest the net proceeds received in this offering as promptly as practicable after receipt thereof consistent with our investment objective. We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within three to six months, depending on market conditions. We anticipate that the remainder will be used for working capital and general corporate purposes, including potential payments or distributions to shareholders. Pending such uses and investments, we will invest a portion of the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. Our ability to achieve our investment objectives may be limited to the extent that the net proceeds of this offering, pending full investment, are held in lower yielding short-term instruments.

Status of the Offering

On September 8, 2017, we established an at-the-market, or ATM, program to which this prospectus supplement relates and through which we may sell, from time to time and at our sole discretion up to 12,000,000 shares of our common stock. During the period from September 8, 2017 through the date of this prospectus supplement, approximately 5.8 million shares of common stock have been issued and sold pursuant to the Equity Distribution Agreement and approximately 6.2 million shares of common stock remain available for sale. Gross proceeds raised through the date of this prospectus were approximately $72.7 million based on an average sale price of $12.60 per share, offset by related underwriting fees and offering expenses of approximately $1.5 million for net proceeds of approximately $71.2 million.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NYSE under the symbol HTGC.

The following table sets forth the range of high and low 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.

		Price Range		Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Distribution per Share
	NAV(1)	High	Low			
2016						
First quarter	$ 9.81	$ 12.39	$ 10.03	26.3%	2.2%	$ 0.310
Second quarter	$ 9.66	$ 12.43	$ 11.74	28.7%	21.6%	$ 0.310
Third quarter	$ 9.86	$ 14.00	$ 12.42	41.9%	25.9%	$ 0.310
Fourth quarter	$ 9.90	$ 14.25	$ 12.90	43.9%	30.2%	$ 0.310
2017						
First quarter	$ 9.76	$ 15.43	$ 14.12	58.1%	44.7%	$ 0.310
Second quarter	$ 9.87	$ 15.56	$ 12.66	57.6%	28.3%	$ 0.310
Third quarter	$ 10.00	$ 13.50	$ 12.04	35.0%	20.4%	$ 0.310
Fourth quarter	$ 9.96	$ 13.94	$ 12.44	39.9%	24.9%	$ 0.310
2018						
First quarter	$ 9.72	$ 13.25	$ 11.89	36.3%	22.3%	$ 0.310
Second quarter	$ 10.22	$ 12.97	$ 11.99	26.9%	17.3%	$ 0.310
Third quarter (through August 6, 2018)	*	$ 13.58	$ 12.71	*	*	**

(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.

* NAV has not yet been calculated for this period.

** Cash distribution per share has not yet been determined for this period.

The last reported price for our common stock on August 6, 2018 was $13.57 per share.

Shares of business development companies may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility 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 and at times our shares of common stock have traded at a discount to the net assets attributable to those shares. It is not possible to predict whether the shares offered hereby will trade at, above, or below NAV.

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CAPITALIZATION

The Equity Distribution Agreement provides that we may offer and sell up to 12,000,000 shares of our common stock from time to time through JMP Securities, as our sales agent for the offer and sale of such common stock. The table below assumes that we will sell the remaining 6,231,135 shares at a price of $13.57 per share (the last reported sale price per share of our common stock on the NYSE on August 6, 2018), but there is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than $13.57 depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of June 30, 2018:

- on an actual basis; and

- on an as adjusted basis giving effect to the transactions noted above, the sale of 1,572,327 shares of common stock for total accumulated net proceeds of approximately $19.8 million subsequent to June 30, 2018 and as of August 6, 2018, and the assumed sale of 6,231,135 shares of our common stock at a price of $13.57 per share (the last reported sale price per share of our common stock on the NYSE on August 6, 2018) less commissions and expenses.

This table should be read in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement. The adjusted information is illustrative only.

	As of June 30, 2018	
	Actual	As Adjusted
	(in thousands)	
Investments at fair value	$ 1,701,936	$ 1,701,936
Cash and cash equivalents	$ 59,461	$ 161,974
Debt:		
Accounts payable and accrued liabilities	$ 25,115	$ 25,115
Long-term SBA debentures	188,457	188,457
2022 Convertible Notes	224,269	224,269
2021 Asset-Backed Notes	30,698	30,698
2022 Notes	147,728	147,728
2024 Notes	81,694	81,694
2025 Notes	72,616	72,616
Credit Facilities	58,323	58,323
Total debt	$ 828,900	$ 828,900

Stockholders equity:		
Common stock, par value $0.001 per share; 200,000,000 shares authorized; 94,259,954 shares issued and outstanding, actual, 102,063,416 shares issued and outstanding, as adjusted, respectively	$ 94	$ 102
Capital in excess of par value	1,026,313	1,128,818
Unrealized depreciation on investments	(56,760)	(56,760)
Accumulated realized gains (losses) on investments	(34,205)	(34,205)
Undistributed net investment income	28,255	28,255
Total stockholders equity	$ 963,697	$ 1,066,210
Total capitalization	$ 1,792,597	$ 1,895,110

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PLAN OF DISTRIBUTION

JMP Securities LLC is acting as our sales agent in connection with the offer and sale of shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Upon written instructions from us, JMP Securities LLC will use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, our common stock under the terms and subject to the conditions set forth in the Equity Distribution Agreement. We will instruct JMP Securities LLC as to the amount of common stock to be sold by it. We may instruct JMP Securities LLC not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less JMP Securities LLC s commission, will not be less than the NAV per share of our common stock at the time of such sale. We or JMP Securities LLC may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus 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.

JMP Securities LLC will provide written confirmation of a sale to us no later than the opening of the trading day on the NYSE following each trading day in which shares of our common stock are sold under the Equity Distribution Agreement. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to JMP Securities LLC in connection with the sales.

JMP Securities LLC will receive a commission from us to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of any shares of our common stock sold through JMP Securities LLC under the Equity Distribution Agreement. We estimate that the total expenses for the offering, excluding compensation payable to JMP Securities LLC under the terms of the Equity Distribution Agreement, will be approximately $1.0 million assuming all shares are offered under this prospectus supplement (including up to $10,000 in reimbursement of the underwriters counsel fees in connection with the review of the terms of the offering by the Financial Industry Regulatory Authority, Inc.).

Settlement for sales of shares of common stock will occur on the second trading day following the date on which such sales are made, or on some other date that is agreed upon by us and JMP Securities LLC in connection with a particular transaction, in return for payment of the net proceeds to us. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

We will report at least quarterly the number of shares of our common stock sold through JMP Securities LLC under the Equity Distribution Agreement and the net proceeds to us.

In connection with the sale of the common stock on our behalf, JMP Securities LLC may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of JMP Securities LLC may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to JMP Securities LLC against certain civil liabilities, including liabilities under the Securities Act.

The offering of our shares of common stock pursuant to the Equity Distribution Agreement will terminate upon the earlier of (i) the sale of all common stock subject to the Equity Distribution Agreement or (ii) the termination of the

Equity Distribution Agreement. The Equity Distribution Agreement may be terminated by us in our sole discretion under the circumstances specified in the Equity Distribution Agreement by giving notice to JMP Securities LLC. In addition, JMP Securities LLC may terminate the Equity Distribution Agreement under the circumstances specified in the Equity Distribution Agreement by giving notice to us.

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Potential Conflicts of Interest

JMP Securities LLC and its affiliates have provided, or may in the future provide, various investment banking, commercial banking, financial advisory, brokerage and other services to us and our affiliates for which services they have received, and may in the future receive, customary fees and expense reimbursement. JMP Securities LLC and its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, JMP Securities LLC and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of our company.

The principal business address of JMP Securities LLC is 600 Montgomery Street, San Francisco, CA 94111.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement and the accompanying prospectus. In addition to historical information, the following discussion and other parts of this prospectus supplement and the accompanying prospectus 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 Forward-Looking Statements in this prospectus supplement and Risk Factors in the accompanying prospectus. Capitalized terms used and not otherwise defined herein have the meaning given in the accompanying prospectus.

Overview

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

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

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

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

We also make investments in qualifying small businesses through our two wholly owned SBICs. Our SBIC subsidiaries, HT II and HT III, hold approximately $115.4 million and $294.8 million in assets, respectively, and accounted for approximately 5.2% and 13.4% of our total assets, respectively, prior to consolidation at June 30, 2018.

In aggregate, at June 30, 2018, with our net investment of $118.5 million, HT II and HT III have the capacity to issue a total of $190.2 million of SBA-guaranteed debentures, subject to SBA approval. At June 30, 2018, we have issued $190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. On July 13, 2018, we fully redeemed the principal outstanding on our SBA HT II debenture. See Subsequent Events.

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

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

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

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

Portfolio and Investment Activity

The total fair value of our investment portfolio was approximately $1.7 billion at June 30, 2018 and $1.5 billion at December 31, 2017. The fair value of our debt investment portfolio at June 30, 2018 was approximately $1.5 billion, compared to a fair value of approximately $1.4 billion December 31, 2017. The fair value of the equity portfolio at June 30, 2018 was approximately $121.5 million, compared to a fair value of approximately $89.4 million at December 31, 2017. The fair value of the warrant portfolio at June 30, 2018 was approximately $34.4 million, compared to a fair value of approximately $36.8 million at December 31, 2017.

Portfolio Activity

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

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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. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

(in millions)	June 30, 2018		December 31, 2017	
Debt Commitments[1]				
New portfolio company	$	637.1	$	773.2
Existing portfolio company		59.5		98.8
Total	$	696.6	$	872.0
Funded and Restructured Debt Investments [2]				
New portfolio company	$	412.6	$	578.9
Existing portfolio company		118.7		175.9
Total	$	531.3	$	754.8
Funded Equity Investments				
New portfolio company	$	27.7		7.1
Existing portfolio company		4.7		2.9
Total	$	32.4	$	10.0
Unfunded Contractual Commitments[3]				
Total	$	129.7	$	73.6
Non-Binding Term Sheets				
New portfolio company	$	70.0	$	122.0
Existing portfolio company		10.0		
Total	$	80.0	$	122.0

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

We receive principal payments on our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the six months ended June 30, 2018, we received approximately $404.3 million in aggregate principal repayments. Of the approximately $404.3 million of aggregate principal repayments, approximately $46.5 million were scheduled principal payments and approximately $357.8 million were early principal repayments related to 26 portfolio companies. Of the approximately $357.8 million early principal repayments, approximately $38.5 million were early repayments due to merger and acquisition transactions for three portfolio companies.

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

(in millions)	June 30, 2018	December 31, 2017
Beginning portfolio	$ 1,542.2	$ 1,423.9
New fundings and restructures	563.7	764.8
Warrants not related to current period fundings	0.2	0.6
Principal payments received on investments	(46.5)	(119.5)
Early payoffs	(357.8)	(505.6)
Accretion of loan discounts and paid-in-kind principal	16.9	36.5
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(8.1)	(8.1)
New loan fees	(7.0)	(9.8)
Sale of investments	(1.6)	(11.0)
Loss on investments due to write offs	(22.0)	(39.6)
Net change in unrealized appreciation (depreciation)	21.9	10.0
Ending portfolio	$ 1,701.9	$ 1,542.2

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

Changes in Portfolio

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Interest income is recognized in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from $12.0 million to $40.0 million, although we may make investments in amounts above or below that range. As of June 30, 2018, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from 6.0% to 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, payment-in-kind (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 $33.7 million of unamortized fees at June 30, 2018, of which approximately $27.9 million was included as an offset to the cost basis of our current debt investments and approximately $5.8 million was deferred contingent upon the occurrence of a funding or milestone. At

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December 31, 2017, we had approximately $33.3 million of unamortized fees, of which approximately $29.3 million was included as an offset to the cost basis of our current debt investments and approximately $4.0 million was deferred contingent upon the occurrence of a funding or milestone.

Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. At June 30, 2018, we had approximately $23.8 million in exit fees receivable, of which approximately $21.6 million was included as a component of the cost basis of our current debt investments and approximately $2.2 million was a deferred receivable related to expired commitments. At December 31, 2017, we had approximately $27.5 million in exit fees receivable, of which approximately $23.9 million was included as a component of the cost basis of our current debt investments and approximately $3.6 million was a deferred receivable related to expired commitments.

We have debt investments in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is recorded as interest income and added to the principal balance of the loan on specified capitalization dates. To maintain our ability to be subject to tax as a RIC, this non-cash source of income must be distributed to stockholders with other sources of income in the form of dividend distributions even though we have not yet collected the cash. Amounts necessary to pay these distributions may come from available cash or the liquidation of certain investments. We recorded approximately $2.3 million and $2.5 million in PIK income during the three months ended June 30, 2018 and 2017, respectively. We recorded approximately $4.6 million and $4.7 million in PIK income during the six months ended June 30, 2018 and 2017, respectively.

The core yield on our debt investments, which excludes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events and includes income from expired commitments, was 12.7% and 12.1% during the three months ended June 30, 2018 and 2017, respectively. The effective yield on our debt investments, which includes the effects of fee and income accelerations attributed to early payoffs, restructuring, loan modifications and other one-time events, was 13.5% and 14.9% for the three months ended June 30, 2018 and 2017, respectively. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter, excluding non-interest earning assets such as warrants and equity investments. Both the core yield and effective yield may be higher than what our common stockholders may realize as the core yield and effective yield do not reflect our expenses and any sales load paid by our common stockholders. The total yield on our investment portfolio was 11.8% and 12.8% during the three months ended June 30, 2018 and 2017, respectively. The total yield is derived by dividing total investment income by the weighted average investment portfolio assets outstanding during the quarter, including non-interest earning assets such as warrants and equity investments at amortized cost.

The total return for our investors was approximately 1.2% and -2.0% during the six months ended June 30, 2018 and 2017, respectively. The total return equals the change in the ending market value over the beginning of the period price per share plus dividend distributions paid per share during the period, divided by the beginning price assuming the distribution is reinvested on the date of the distribution. The total return does not reflect any sales load that must be paid by investors. See Note 9 Financial Highlights included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

Portfolio Composition

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

As of June 30, 2018, approximately 80.5% of the fair value of our portfolio was composed of investments in five industries: 26.3% investments in the drug discovery & development industry, 26.2% investments in the software industry, 15.1% investments in the internet consumer & business services industry, 7.1% investments in the sustainable and renewable technology industry, and 5.8% investments in the Medical Devices & Equipment industry.

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

For the six months ended June 30, 2018 and the year ended December 31, 2017, our ten largest portfolio companies represented approximately 27.4% and 34.6% of the total fair value of our investments in portfolio companies, respectively. At June 30, 2018 and December 31, 2017, we had five and seven investments, respectively, that represented 5% or more of our net assets. At June 30, 2018, we had six equity investments representing approximately 65.4% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2017, we had nine equity investments which represented approximately 67.1% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments.

As of June 30, 2018, approximately 97.2% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR-based interest rate floor. As a result, we believe we are well positioned to benefit should market interest rates continue to rise.

In the majority of cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company s assets, which may include its intellectual property. In other cases, we may obtain a negative pledge covering a company s intellectual property. As of June 30, 2018, approximately 85.9% of our debt investments were in a senior secured first lien position, with 49.2% secured by a first priority security in all of the assets of the portfolio company, including its intellectual property, 29.3% secured by a first priority security in all of the assets of the portfolio company and the portfolio company was prohibited from pledging or encumbering its intellectual property, 1.4% of our debt investments were senior secured by the equipment of the portfolio company, and 6.1% 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 13.5% of our debt investments were secured by a second priority security interest in all of the portfolio company s assets, and 0.6% were unsecured.

Our investments in senior secured debt with warrants have detachable equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. These features are treated as original issue discount 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 June 30, 2018, we held warrants in 133 portfolio companies, with a fair value of approximately $34.4 million. The fair value of our warrant portfolio decreased by approximately $2.4 million, as compared to a fair value of $36.8 million at December 31, 2017 primarily related to the slight decrease in portfolio companies and valuation of the portfolio.

Our existing warrant holdings would require us to invest approximately $79.6 million to exercise such warrants as of June 30, 2018. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company s performance and overall market conditions. Of the warrants that we have

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monetized since inception, we have realized multiples in the range of approximately 1.02x to 29.06x based on the historical rate of return on our investments. However, our warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may experience losses from our warrant portfolio.

Portfolio Grading

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

(in thousands)	June 30, 2018			December 31, 2017		
Investment Grading	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio
1	14	$ 247,542	16.0%	12	$ 345,191	24.4%
2	43	791,931	51.2%	32	583,017	41.2%
3	25	463,702	30.0%	32	443,775	31.3%
4	4	41,960	2.7%	4	41,744	2.9%
5	2	862	0.1%	5	2,257	0.2%
	88	$ 1,545,997	100.0%	85	$ 1,415,984	100.0%

As of June 30, 2018, our debt investments had a weighted average investment grading of 2.21 on a cost basis, as compared to 2.17 at December 31, 2017. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve. The decline in weighted average investment grading at June 30, 2018 from December 31, 2017 is primarily due to the payoff of four positions with a credit rating 1 as well as the downgrade of three positions from a credit rating 2 to a credit rating 3. In addition, one position was downgraded to a credit rating 5, while four positions that were rated 5 as of December 31, 2017 were sold or liquidated during the period.

At June 30, 2018, we had two debt investments on non-accrual with a cumulative investment cost and fair value of approximately $2.8 million and $33,000, respectively. At December 31, 2017, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately $14.8 million and $340,000, respectively. The decrease in the cumulative cost of debt investments on non-accrual between June 30, 2018 and December 31, 2017 is the result of the liquidation of two debt investments that were on non-accrual at December 31, 2017, which resulted in a realized loss of approximately $10.3 million, slightly offset by a loan repayment in full from one debt investment.

Results of Operations

Comparison of the three and six months ended June 30, 2018 and 2017

Investment Income

Interest Income

Total investment income for the three months ended June 30, 2018 was approximately $49.6 million as compared to approximately $48.5 million for the three months ended June 30, 2017. Total investment income for the six months ended June 30, 2018 was approximately $98.3 million as compared to approximately $94.8 million for the six months ended June 30, 2017.

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Interest income for the three months ended June 30, 2018 totaled approximately $45.9 million as compared to approximately $40.5 million for the three months ended June 30, 2017. Interest income for the six months ended June 30, 2018 totaled approximately $88.9 million as compared to approximately $83.4 million for the six months ended June 30, 2017. The increase in interest income for the three and six months ended June 30, 2018 as compared to the same periods ended June 30, 2017, is primarily attributable to an increase in recurring interest income and an increase in the weighted average principal outstanding of loans.

Of the $45.9 million in interest income for the three months ended June 30, 2018, approximately $45.0 million represents recurring income from the contractual servicing of our loan portfolio and approximately $911,000 represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented $37.9 million and $2.6 million, respectively, of the $40.5 million interest income for the three months ended June 30, 2017.

Of the $88.9 million in interest income for the six months ended June 30, 2018, approximately $84.3 million represents recurring income from the contractual servicing of our loan portfolio and approximately $4.6 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented $77.9 million and $5.5 million, respectively, of the $83.4 million interest income for the six months ended June 30, 2017.

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

	Six Months Ended June 30,	
(in thousands)	**2018**	**2017**
Beginning PIK interest receivable balance	$ 15,487	$ 9,930
PIK interest income during the period	4,621	4,666
PIK accrued (capitalized) to principal	(1,153)	
Payments received from PIK loans	(9,107)	(2,031)
Realized gain (loss)		
Ending PIK interest receivable balance	$ 9,848	$ 12,565

The slight decrease in PIK interest income during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 is due to a decrease in the weighted average principal outstanding of loans which bear PIK interest. This decrease is offset by an increase in the number of PIK loans which bear interest.

Fee Income

Fee income from commitment, facility and loan related fees for the three months ended June 30, 2018 totaled approximately $3.7 million as compared to approximately $7.9 million for the three months ended June 30, 2017. Fee income from commitment, facility and loan related fees for the six months ended June 30, 2018 totaled approximately $9.4 million as compared to approximately $11.5 million for the six months ended June 30, 2017. The decrease in fee income for both three and six months ended June 30, 2018 is primarily due to a decrease in the acceleration of unamortized fees and one-time fees due to early repayments.

Of the $3.7 million in fee income for the three months ended June 30, 2018, approximately $1.8 million represents income from recurring fee amortization and approximately $1.9 million represents income related to the acceleration of unamortized fees due to early repayments, including one-time fees of $1.7 million for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented $1.4 million and $6.5 million, respectively, of the $7.9 million in income for the three months ended June 30, 2017.

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Of the $9.4 million in fee income for the six months ended June 30, 2018, approximately $3.1 million represents income from recurring fee amortization and approximately $6.3 million represents income related to the acceleration of unamortized fees due to early repayments, including one-time fees of $4.8 million for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented $3.6 million and $7.9 million, respectively, of the $11.5 million in income for the six months ended June 30, 2017.

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

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately $26.8 million and $23.2 million during the three months ended June 30, 2018 and 2017, respectively. Our operating expenses totaled approximately $49.4 million and $46.9 million during the six months ended June 30, 2018 and 2017, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately $13.2 million and $10.6 million for the three months ended June 30, 2018 and 2017, respectively, and approximately $23.8 million and $23.0 million during the six months ended June 30, 2018 and 2017, respectively. Interest and fee expense during the three and six months ended June 30, 2018, as compared to the three and six months ended June 30, 2017, increased due to the issuance of our 2022 Notes in October 2017, 2025 Notes in April 2018 and interest related to our credit facilities, offset by the partial redemptions of our 2024 Notes and amortization of our 2021 Asset-Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 6.4% and 5.5% for the three months ended June 30, 2018 and 2017, respectively, and a weighted average cost of debt of approximately 5.8% and 6.5% for the six months ended June 30, 2018 and 2017, respectively. The increase in the weighted average cost of debt for the three months ended June 30, 2018, as compared to the same period ended June 30, 2017 is attributable to the one-time non-cash acceleration of unamortized fees due to the partial redemption of our 2024 Notes in April 2018. The decrease in the weighted average cost of debt for the six months ended June 30, 2018 is primarily driven by a reduction in the weighted average principal outstanding on our higher yielding debt instruments compared to the prior period.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses decreased to $3.7 million from $4.7 million for the three months ended June 30, 2018 and 2017. Our general and administrative expenses decreased to $7.7 million from $8.8 million for the six months ended June 30, 2018 and 2017. The decrease for both three and six months ended June 30, 2018 was primarily attributable to a reduction in corporate legal and other expenses.

Employee Compensation

Employee compensation and benefits totaled $7.0 million for the three months ended June 30, 2018 as compared to $5.9 million for the three months ended June 30, 2017, and $12.8 million for the six months ended June 30, 2018 as compared to $11.3 million for the six months ended June 30, 2017. The increase between the comparative periods was primarily due to increased salaries and changes in variable compensation expenses due to company performance objectives.

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Employee stock-based compensation totaled $2.9 million for the three months ended June 30, 2018 as compared to $1.9 million for the three months ended June 30, 2017, and $5.2 million for the six months ended June 30, 2018 as compared to $3.7 million for the six months ended June 30, 2017. The increase for the comparative periods was primarily related to restricted stock award vesting and retention rewards.

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Realized gains	$ 6,880	$ 5,083	$ 7,988	$ 11,553
Realized losses	(15,791)	(10,796)	(21,819)	(14,028)
Net realized gains (losses)	$ (8,911)	$ (5,713)	$ (13,831)	$ (2,475)

During the three and six months ended June 30, 2018 we recognized net realized losses of $8.9 million and $13.8 million, respectively. During the three months ended June 30, 2018, we recorded gross realized gains of $6.9 million primarily from the sale or acquisition of our holdings. These gains were offset by gross realized losses of $15.8 million primarily from the liquidation or write-off of our warrant and equity investments in seven portfolio companies and our debt investment in one portfolio company.

During the six months ended June 30, 2018, we recorded gross realized gains of $8.0 million primarily from the sale or acquisition of our holdings. These gains were offset by gross realized losses of $21.8 million primarily from the liquidation or write-off of our warrant and equity investments in thirteen portfolio companies and our debt investments in three portfolio companies

During the three and six months ended June 30, 2017, we recognized net realized losses of $5.7 million and $2.5 million respectively. During the three months ended June 30, 2017, we recorded gross realized gains of $5.1 million primarily from the sale of our holdings in one portfolio company. These gains were offset by gross realized losses of $10.8 million primarily from the liquidation or write-off of our warrant and equity investments in ten portfolio companies.

During the six months ended June 30, 2017, we recorded gross realized gains of $11.5 million primarily from the sale of our holdings in four portfolio companies. These gains were offset by gross realized losses of $14.0 million primarily from the liquidation or write-off of our warrant and equity investments in twelve portfolio companies and our debt investment in one portfolio company.

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The following table summarizes the change in net unrealized appreciation/depreciation of investments for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Gross unrealized appreciation on portfolio investments	$ 30,970	$ 68,389	$ 38,767	$ 87,867
Gross unrealized depreciation on portfolio investments	(14,819)	(61,292)	(44,367)	(109,562)
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	20,925	6,015	27,591	3,610
Net unrealized appreciation (depreciation) on debt, equity, and warrant investments	37,076	13,112	21,991	(18,085)
Other net unrealized appreciation (depreciation)	1,121	475	1,009	169
Total net unrealized appreciation (depreciation) on investments	$ 38,197	$ 13,587	$ 23,000	$ (17,916)

During the three months ended June 30, 2018, we recorded $38.2 million of net unrealized appreciation, of which $37.1 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded $24.2 million of net unrealized appreciation on our debt investments which was attributable to $20.1 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon write-off of one portfolio company and loan repayments from three portfolio companies, along with $4.1 million of unrealized appreciation on the debt portfolio, including $1.8 million of unrealized appreciation on collateral-based impairments on one portfolio company.

We recorded $8.2 million of net unrealized appreciation on our equity investments and $4.7 million of net unrealized appreciation on our warrant investments during the three months ended June 30, 2018. This net unrealized appreciation of $12.9 million was primarily due to $12.1 million of unrealized appreciation on the equity and warrant portfolio investments.

During the six months ended June 30, 2018, we recorded $23.0 million of net unrealized appreciation, of which $22.0 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded $15.9 million of net unrealized appreciation on our debt investments which was primarily related to $25.4 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon write-off of three portfolio companies and loan repayments from three portfolio companies. This unrealized appreciation was partially offset by $9.5 million of unrealized depreciation on the debt portfolio, including $8.3 million of unrealized depreciation on collateral-based impairments on four portfolio companies.

We recorded $4.1 million of net unrealized appreciation on our equity investments and $1.9 million of net unrealized appreciation on our warrant investments during the six months ended June 30, 2018. This net unrealized appreciation of $6.0 million was due to $3.9 million of unrealized appreciation on the equity and warrant portfolio and $2.1 million of unrealized appreciation primarily due to the reversal of unrealized depreciation upon being realized as a gain or loss due to the acquisition or liquidation of our equity and warrant investments.

During the three months ended June 30, 2017, we recorded $13.6 million of net unrealized appreciation, of which $13.2 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded $50.9 million of net unrealized appreciation on our debt investments, which was primarily was attributed to the reversal of prior period collateral based impairments of $48.8 million unrealized depreciation for the prior period collateral-based impairments on two portfolio companies.

We recorded $42.9 million of net unrealized depreciation on our equity investments primarily due to the collateral-based impairment on one portfolio company, slightly offset by $6.8 million of unrealized appreciation

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for one portfolio company upon being realized as a gain. We also recorded $5.2 million of net unrealized appreciation on our warrant investments during the three months ended June 30, 2017.

During the six months ended June 30, 2017, we recorded $17.9 million of net unrealized depreciation, of which $18.0 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded $19.7 million of net unrealized depreciation on our debt investments, which was primarily related to $38.5 million of unrealized depreciation for collateral-based impairments on seven portfolio companies offset by the reversal of $52.0 million unrealized depreciation for the prior period collateral-based impairments on three portfolio companies.

We recorded $45.7 million of net unrealized depreciation on our equity investments primarily due to $54.4 million of collateral based impairment on five portfolio companies and the reversal of approximately $2.1 million of unrealized appreciation for one portfolio company upon being realized as a gain. We also recorded $8.0 million of net unrealized appreciation on our warrant investments during six months ended June 30, 2017.

Income and Excise Taxes

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

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

For the three months ended June 30, 2018, we had a net increase in net assets resulting from operations of approximately $52.1 million and for the three months ended June 30, 2017, we had a net increase in net assets resulting from operations of approximately $33.1 million. For the six months ended June 30, 2018, we had a net increase in net assets resulting from operations of approximately $58.0 million and for the six months ended June 30, 2017, we had a net increase in net assets resulting from operations of approximately $27.6 million.

Both the basic and fully diluted net change in net assets per common share were $0.59 per share for the three months ended June 30, 2018 and $0.67 per share for the six months ended June 30, 2018. Both the basic and fully diluted net change in net assets per common share were $0.40 per share and $0.33 per share for the three and six months ended June 30, 2017.

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

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, Credit Facilities and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations

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includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the turnover of our portfolio and from public and private offerings of securities to finance our investment objectives. We may also raise additional equity or debt capital through registered offerings off a shelf registration, ATM and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries.

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

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

During the six months ended June 30, 2018, we sold 2.6 million shares of common stock, which were issued under the Equity Distribution Agreement, for a total accumulated net proceeds of approximately $31.4 million, including $877,000 of offering expenses. As of June 30, 2018, approximately 7.8 million shares remain available for issuance and sale under the Equity Distribution Agreement. See Subsequent Events.

Our 6.00% convertible notes due 2016 (the 2016 Convertible Notes) were fully settled on or before their contractual maturity date of April 15, 2016. Throughout the life of the 2016 Convertible Notes, holders of approximately $74.8 million of our 2016 Convertible Notes exercised their conversion rights. These 2016 Convertible Notes were settled with a combination of cash equal to the outstanding principal amount of the converted notes and approximately 1.6 million shares of our common stock, or $24.3 million.

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

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

Union Bank Facility.

On October 11, 2016, we entered into a debt distribution agreement, pursuant to which we may offer for sale, from time to time, up to $150.0 million in aggregate principal amount of 2024 Notes through FBR Capital

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Markets & Co. acting as our sales agent. Sales of the 2024 Notes, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

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

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

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

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

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

On April 26, 2018, we issued $75.0 million in aggregate principal amount of the 2025 Notes pursuant to the 2025 Notes Indenture. The sale of the 2025 Notes generated net proceeds of approximately $72.6 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter s discount and commissions were approximately $2.4 million.

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

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

At June 30, 2018, we had $190.2 million of SBA debentures, $150.0 million of 2022 Notes, $83.5 million of 2024 Notes, $75.0 million of 2025 Notes, $31.1 million of 2021 Asset-Backed Notes, and $230.0 million of 2022 Convertible Notes payable, and $58.3 million of borrowings outstanding on the Union Bank Facility. We had no borrowings outstanding under the Wells Facility.

At June 30, 2018, we had $221.2 million in available liquidity, including $59.5 million in cash and cash equivalents. We had available borrowing capacity of $120.0 million under the Wells Facility and $41.7 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

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At June 30, 2018, we had $118.5 million of capital outstanding in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of $44.0 million and $74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of $190.2 million of SBA guaranteed debentures, subject to SBA approval. At June 30, 2018, we have issued $190.2 million in SBA guaranteed debentures in our SBIC subsidiaries. On July 13, 2018, we fully redeemed the principal outstanding on our SBA HT II debentures.

At June 30, 2018, we had approximately $15.9 million of restricted cash, which consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized 2021 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations.

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

During the six months ended June 30, 2018, our operating activities used $93.9 million of cash and cash equivalents, compared to $67.6 million provided during the six months ended June 30, 2017. This $161.5 million increase in cash used in operating activities is primarily related to an increase in investment purchases of $223.1 million, partially offset by an increase in investment repayments of $64.8 million.

During the six months ended June 30, 2018, our investing activities used approximately $116,000 of cash, compared to $89,000 used during the six months ended June 30, 2017.

During the six months ended June 30, 2018, our financing activities provided $74.3 million of cash, compared to $88.8 million provided during the six months ended June 30, 2017. $14.4 million decrease in cash provided by financing activities was primarily due to the repayment of $100.0 million of our 2024 Notes in April 2018, an increase of $63.3 million of net credit facilities repayments, offset by the increase in issuance of our common stock of $65.7 million and the issuance of $75.0 million of our 2025 Notes in April 2018.

As of June 30, 2018, net assets totaled $963.7 million, with a NAV per share of $10.22. 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.

As required by the 1940 Act, our asset coverage must be at least 200% (or 150%, subject to certain approval and disclosure requirements) after each issuance of senior securities. As of June 30, 2018 our asset coverage ratio under our regulatory requirements as a business development company was 252.7% excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200% (or 150%, subject to certain approval and disclosure requirements), which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total asset coverage ratio when including our SBA debentures was 217.2% at June 30, 2018.

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Outstanding Borrowings

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

	June 30, 2018			December 31, 2017		
(in thousands)	**Total Available**	**Principal**	**Carrying Value[(1)]**	**Total Available**	**Principal**	**Carrying Value[(1)]**
SBA Debentures[(2)]	$ 190,200	$ 190,200	$ 188,457	$ 190,200	$ 190,200	$ 188,141
2022 Notes	150,000	150,000	147,728	150,000	150,000	147,572
2024 Notes	83,510	83,510	81,694	183,510	183,510	179,001
2025 Notes	75,000	75,000	72,616			
2021 Asset-Backed Notes	31,088	31,088	30,698	49,153	49,153	48,650
2022 Convertible Notes	230,000	230,000	224,269	230,000	230,000	223,488
Wells Facility[(3)]	120,000			120,000		
Union Bank Facility[(3)]	100,000	58,323	58,323	75,000		
Total	$ 979,798	$ 818,121	$ 803,785	$ 997,863	$ 802,863	$ 786,852

(1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See below for the amount of debt issuance cost associated with each borrowing.
(2) At both June 30, 2018 and December 31, 2017, the total available borrowings under the SBA debentures were $190.2 million, of which $41.2 million was available in HT II and $149.0 million was available in HT III.
(3) Availability subject to us meeting the borrowing base requirements.

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

(in thousands)	**June 30, 2018**	**December 31, 2017**
SBA Debentures	$ 1,743	$ 2,059
2022 Notes	1,559	1,633
2024 Notes	1,871	4,591
2025 Notes	416	
2021 Asset-Backed Notes	390	503
2022 Convertible Notes	3,269	3,715

Wells Facility[1]		188		227
Union Bank Facility[1]		273		379
Total	$	9,709	$	13,107

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

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

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Commitments

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

At June 30, 2018, we had approximately $129.7 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

We also had approximately $80.0 million of non-binding term sheets outstanding to two new and one existing company, 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.

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

(in thousands)

Portfolio Company	**Unfunded Commitments[1]**
ThumbTack, Inc.	$ 25,000
Tricida, Inc.	25,000
Contentful, Inc.	15,000
Impossible Foods, Inc.	15,000
Chemocentryx, Inc.	10,000
Proterra, Inc.	10,000
Evernote Corporation	7,500
Businessolver.com, Inc.	6,375
Achronix Semiconductor Corporation	5,000
Xometry, Inc.	4,000
Emma, Inc.	2,963
First Insight, Inc.	1,500
Lithium Technologies, Inc.	878
Greenphire, Inc.	500
Insurance Technologies Corporation	500
Salsa Labs, Inc.	500
Total	$ 129,716

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

Contractual Obligations

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

	Payments due by period (in thousands)				
Contractual Obligations[1]	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Borrowings[2][3][5]	$ 818,121	$ 72,288	$ 97,073	$ 490,250	$ 158,510
Operating Lease Obligations[4]	16,655	2,352	5,614	5,868	2,821
Total	$ 834,776	$ 74,640	$ 102,687	$ 496,118	$ 161,331

(1) Excludes commitments to extend credit to our portfolio companies.
(2) Includes $190.2 million in principal outstanding under the SBA debentures, $150.0 million of the 2022 Notes, $83.5 million of the 2024 Notes, $75.0 million of the 2025 Notes, $31.1 million of the 2021 Asset-Backed Notes, $230.0 million of the 2022 Convertible Notes and $58.3 million under the Union Bank Facility as of June 30, 2018.
(3) Amounts represent future principal repayments and not the carrying value of each liability. See Note 4 to our consolidated financial statements appearing elsewhere in this prospectus supplement.
(4) Facility leases and licenses.
(5) Reflects our intention to repay the remaining outstanding debentures in HT II in Q3 2018. See Subsequent Events.

Certain premises are leased or licensed under agreements which expire at various dates through June 2027. Total rent expense amounted to approximately $510,000 and $961,000 during the three and six months ended June 30, 2018. Total rent expense amounted to approximately $449,000 and $893,000 during the three and six months ended June 30, 2017.

Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers. The indemnification agreements are intended to provide our directors and executive officers the maximum

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indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that we shall indemnify the director or executive officer who is a party to the agreement, or an Indemnitee, including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, to the maximum extent permitted by Maryland law and the 1940 Act.

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

Distributions

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

Date Declared	Record Date	Payment Date	Amount Per Share
Cumulative distributions declared and paid prior to January 1, 2016			$ 11.23
February 17, 2016	March 7, 2016	March 14, 2016	0.31
April 27, 2016	May 16, 2016	May 23, 2016	0.31
July 27, 2016	August 15, 2016	August 22, 2016	0.31
October 26, 2016	November 14, 2016	November 21, 2016	0.31
February 16, 2017	March 6, 2017	March 13, 2017	0.31
April 26, 2017	May 15, 2017	May 22, 2017	0.31
July 26, 2017	August 14, 2017	August 21, 2017	0.31
October 25, 2017	November 13, 2017	November 20, 2017	0.31
February 14, 2018	March 5, 2018	March 12, 2018	0.31
April 25, 2018	May 14, 2018	May 21, 2018	0.31
July 25, 2018	August 13, 2018	August 20, 2018	0.31
			$ 14.64

On July 25, 2018, the Board of Directors declared a cash distribution of $0.31 per share to be paid on August 20, 2018 to stockholders of record as of August 13, 2018. This distribution represents our fifty-second consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to $14.64 per share.

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

Distributions from our taxable income (including gains) to a stockholder generally will be treated as a dividend for U.S. federal income tax purposes to the extent of such stockholder s allocable share of our current or accumulated earnings and profits. Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of a stockholder s tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions paid for the full taxable year. As a result, any determination of the tax attributes of our

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distributions made on a quarterly basis may not be representative of the actual tax attributes of the Company s distributions for a full taxable year. Of the distributions declared during the year ended December 31, 2017, 100% were distributions derived from our current and accumulated earnings and profits.

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

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

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

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

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

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

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

We intend to distribute 100% of our spillover earnings, which consists of ordinary income, from the year ended December 31, 2017 to our stockholders during 2018.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (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.

Reclassification

Certain balances from prior years have been reclassified in order to conform to the current year presentation.

Valuation of Investments

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

At June 30, 2018, approximately 94.9% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

Refer to Note 2 Summary of Significant Accounting Policies included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement for a discussion of our valuation policies for the three and six months ended June 30, 2018.

Income Recognition

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

Stock Based Compensation

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

Recent Accounting Pronouncements

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

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

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

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

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

Subsequent Events

Distribution Declaration

On July 25, 2018, our Board of Directors declared a cash distribution of $0.31 per share to be paid on August 20, 2018 to stockholders of record as of August 13, 2018. This distribution represents our fifty-second consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to $14.64 per share.

ATM Equity Program Issuances

Subsequent to June 30, 2018 and as of August 6, 2018, we sold 1.6 million shares of common stock for total accumulated net proceeds of approximately $19.8 million, including $150,000 of offering expenses, under the Equity Distribution Agreement. As of August 6, 2018, approximately 6.2 million shares remain available for issuance and sale under the Equity Distribution Agreement.

Hercules Technology II Debentures Full Redemption

On July 13, 2018, we completed repayment of the $41.2 million of outstanding HT II debentures.

Amendment to Wells Facility

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

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Portfolio Company Developments

As of August 6, 2018, we held warrants or equity positions in two companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. Both companies filed confidentially under the JOBS Act. There can be no assurance that companies that have yet to complete their initial public offerings will do so in a timely manner or at all. Subsequent to June 30, 2018 and as of August 6, 2018, there were no companies that announced or completed liquidity events.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle fund investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of June 30, 2018, approximately 97.2% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. 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 June 30, 2018, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

Basis Point Change	**Interest Income**	**Interest Expense**	**Net Income**	**EPS[(1)]**
25	$ 3,489	$ 36	$ 3,453	$ 0.04
50	$ 7,061	$ 71	$ 6,990	$ 0.08
75	$ 10,632	$ 107	$ 10,525	$ 0.12
100	$ 14,353	$ 143	$ 14,210	$ 0.16
200	$ 28,988	$ 286	$ 28,702	$ 0.33
300	$ 43,172	$ 429	$ 42,743	$ 0.49

(1) Earnings per share impact calculated based on basic weighted average shares outstanding of 87,125.

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 six months ended June 30, 2018 we did not engage in interest rate (or foreign currency) hedging activities.

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

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

For additional information regarding the interest rate associated with each of our, SBA debentures, 2022 Notes, 2024 Notes, 2025 Notes, 2021 Asset-Backed Notes, 2022 Convertible Notes, and Credit Facilities, please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Outstanding Borrowings and Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement.

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SENIOR SECURITIES

Information about our senior securities is shown in the following table for the periods as of December 31, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, and 2008. The information as of December 31, 2017, 2016, 2015, 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2017 is attached as an exhibit to the registration statement of which this prospectus is a part. 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, 2008	$ 89,582,000	$ 6,689	N/A
December 31, 2009[6]			N/A
December 31, 2010[6]			N/A
December 31, 2011	$ 10,186,830	$ 73,369	N/A
December 31, 2012[6]			N/A
December 31, 2013[6]			N/A
December 31, 2014[6]			N/A
December 31, 2015	$ 50,000,000	$ 26,352	N/A
December 31, 2016	$ 5,015,620	$ 290,234	N/A
December 31, 2017[6]			N/A
December 31, 2018 (as of June 30, 2018, unaudited)[6]			N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2009[6]			N/A
December 31, 2010[6]			N/A
December 31, 2011[6]			N/A
December 31, 2012[6]			N/A
December 31, 2013[6]			N/A
December 31, 2014[6]			N/A
December 31, 2015[6]			N/A
December 31, 2016[6]			N/A
December 31, 2017[6]			N/A
December 31, 2018 (as of June 30, 2018, unaudited)	$ 58,322,619	$ 30,498	N/A
Small Business Administration Debentures (HT II)[4]			
December 31, 2008	$ 127,200,000	$ 4,711	N/A
December 31, 2009	$ 130,600,000	$ 3,806	N/A
December 31, 2010	$ 150,000,000	$ 3,942	N/A

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 (as of June 30, 2018, unaudited)	$	41,200,000	$	43,172	N/A
Small Business Administration Debentures (HT III)(5)					
December 31, 2010	$	20,000,000	$	29,564	N/A
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 (as of June 30, 2018, unaudited)	$	149,000,000	$	11,938	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage per Unit[2]	Average Market Value per Unit[3]
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			
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			
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			
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 (as of June 30, 2018, unaudited)	$ 83,509,600	$ 21,299	$ 1,011
2025 Notes			
December 31, 2018 (as of June 30, 2018, unaudited)	$ 75,000,000	$ 23,716	$ 993
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			
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 (as of June 30, 2018, unaudited)	$ 31,087,858	$ 57,215	$ 1,000
2022 Convertible Notes			
December 31, 2017	$ 230,000,000	$ 7,132	$ 1,028

December 31, 2018 (as of June 30, 2018, unaudited)	$	230,000,000	$	7,733	$	1,012
2022 Notes						
December 31, 2017	$	150,000,000	$	10,935	$	1,014
December 31, 2018 (as of June 30, 2018, unaudited)	$	150,000,000	$	11,858	$	999
Total Senior Securities[(7)]						
December 31, 2008	$	216,782,000	$	2,764		N/A
December 31, 2009	$	130,600,000	$	3,806		N/A
December 31, 2010	$	170,000,000	$	3,478		N/A
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 (as of June 30, 2018, unaudited)	$	818,120,077	$	2,174		N/A

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(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 HT II, one of our SBIC subsidiaries, to the SBA. 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 SBIC subsidiaries, to the SBA. 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) The Company s Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.
(7) 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 June 30, 2018, our asset coverage ratio under our regulatory requirements as a business development company was 253.0% 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.

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LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Dechert LLP, New York, NY. Certain legal matters in connection with the securities offered hereby will be passed upon for JMP Securities by Skadden, Arps, Slate, Meagher & Flom LLP.

EXPERTS

The consolidated financial statements as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Annual Report on Internal Control over Financial Reporting) as of December 31, 2017 included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our securities offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and our securities being offered by this prospectus supplement and the accompanying prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus supplement and accompanying prospectus form a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 202-551-8090. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC s Internet website at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	June 30, 2018	December 31, 2017
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of $1,614,160 and $1,506,454, respectively)	$ 1,616,515	$ 1,491,458
Control investments (cost of $59,337 and $25,419, respectively)	56,716	19,461
Affiliate investments (cost of $84,063 and $87,956, respectively)	28,705	31,295
Total investments in securities, at value (cost of $1,757,560 and $1,619,829, respectively)	1,701,936	1,542,214
Cash and cash equivalents	59,461	91,309
Restricted cash	15,886	3,686
Interest receivable	14,408	12,262
Other assets	906	5,244
Total assets	$ 1,792,597	$ 1,654,715
Liabilities		
Accounts payable and accrued liabilities	$ 25,115	$ 26,896
SBA Debentures, net (principal of $190,200 and $190,200, respectively)(1)	188,457	188,141
2022 Notes, net (principal of $150,000 and $150,000, respectively)(1)	147,728	147,572
2024 Notes, net (principal of $83,510 and $183,510, respectively) (1)	81,694	179,001
2025 Notes, net (principal of $75,000 and $0, respectively)(1)	72,616	
2021 Asset-Backed Notes, net (principal of $31,088 and $49,153, respectively)(1)	30,698	48,650
2022 Convertible Notes, net (principal of $230,000 and $230,000, respectively)(1)	224,269	223,488
Credit Facilities	58,323	
Total liabilities	$ 828,900	$ 813,748
Net assets consist of:		
Common stock, par value	94	85
Capital in excess of par value	1,026,313	908,501
Unrealized appreciation (depreciation) on investments(2)	(56,760)	(79,760)

Accumulated undistributed realized gains (losses) on investments		(34,205)		(20,374)
Undistributed net investment income		28,255		32,515
Total net assets	$	963,697	$	840,967
Total liabilities and net assets	$	1,792,597	$	1,654,715
Shares of common stock outstanding ($0.001 par value, 200,000,000 authorized)		94,260		84,424
Net asset value per share	$	10.22	$	9.96

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

(2) Amounts include $1.1 million and $2.1 million in net unrealized depreciation on other assets and accrued liabilities, including escrow receivables, and estimated taxes payable as of June 30, 2018 and December 31, 2017, respectively.

See notes to consolidated financial statements.

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

(Dollars in thousands)	June 30, 2018	December 31, 2017
Assets		
Restricted Cash	$ 15,886	$ 3,686
Total investments in securities, at value (cost of $98,105 and $146,208, respectively)	97,924	144,513
Total assets	$ 113,810	$ 148,199
Liabilities		
2021 Asset-Backed Notes, net (principal of $31,088 and $49,153, respectively)(1)	$ 30,698	$ 48,650
Total liabilities	$ 30,698	$ 48,650

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

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Investment income:				
Interest income				
Non-control/Non-affiliate investments	$ 44,535	$ 39,979	$ 86,369	$ 82,324
Control investments	841	527	1,427	1,041
Affiliate investments	500		1,061	2
Total interest income	45,876	40,506	88,857	83,367
Fee income				
Commitment, facility and loan fee income:				
Non-control/Non-affiliate investments	1,930	2,440	4,370	5,374
Control investments		5		10
Affiliate investments	84		192	
Total commitment, facility and loan fee income	2,014	2,445	4,562	5,384
One-time fee income:				
Non-control/Non-affiliate investments	1,672	5,501	4,843	6,066
Total one-time fee income	1,672	5,501	4,843	6,066
Total fee income	3,686	7,946	9,405	11,450
Total investment income	49,562	48,452	98,262	94,817
Operating expenses:				
Interest	9,878	9,254	19,264	18,861
Loan fees	3,362	1,348	4,537	4,186
General and administrative				
Legal Expenses	637	2,141	1,212	2,867
Other Expenses	3,037	2,609	6,471	5,947
Total general and administrative	3,674	4,750	7,683	8,814

Employee compensation:				
Compensation and benefits	7,017	5,916	12,775	11,262
Stock-based compensation	2,857	1,909	5,166	3,742
Total employee compensation	9,874	7,825	17,941	15,004
Total operating expenses	26,788	23,177	49,425	46,865
Net investment income	22,774	25,275	48,837	47,952
Net realized gain (loss) on investments				
Non-control/Non-affiliate investments	(3,953)	(5,319)	(7,465)	(2,030)
Control investments	(2,900)	(394)	(4,308)	(445)
Affiliate investments	(2,058)		(2,058)	
Total net realized gain (loss) on investments	(8,911)	(5,713)	(13,831)	(2,475)
Net change in unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	32,700	66,255	18,360	34,100
Control investments	3,957	(53,349)	3,337	(53,135)
Affiliate investments	1,540	681	1,303	1,119
Total net unrealized appreciation (depreciation) on investments	38,197	13,587	23,000	(17,916)
Total net realized and unrealized gain (loss)	29,286	7,874	9,169	(20,391)
Net increase (decrease) in net assets resulting from operations	$ 52,060	$ 33,149	$ 58,006	$ 27,561
Net investment income before investment gains and losses per common share:				
Basic	$ 0.26	$ 0.31	$ 0.57	$ 0.58
Change in net assets resulting from operations per common share:				
Basic	$ 0.59	$ 0.40	$ 0.67	$ 0.33
Diluted	$ 0.59	$ 0.40	$ 0.67	$ 0.33
Weighted average shares outstanding				
Basic	87,125	82,292	85,868	81,858
Diluted	87,199	82,395	85,939	81,953
Distributions declared per common share:				
Basic	$ 0.31	$ 0.31	$ 0.62	$ 0.62

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(dollars and shares in thousands)

	Common Stock		Capital in excess of par value	Unrealized Appreciation (Depreciation) on Investments	Accumulated Undistributed Realized Gains (Losses) on Investments	Undistributed Net Investment Income	Net Assets
	Shares	Par Value					
Balance at December 31, 2016	79,555	$ 80	$ 839,657	$ (89,025)	$ 14,314	$ 22,918	$ 787,944
Net increase (decrease) in net assets resulting from operations				(17,916)	(2,475)	47,952	27,561
Public offering, net of offering expenses	3,309	3	46,908				46,911
Issuance of common stock due to stock option exercises	27		211				211
Retired shares from net issuance	(18)		(170)				(170)
Issuance of common stock under restricted stock plan	10						
Retired shares for restricted stock vesting	(145)		(1,988)				(1,988)
Distributions reinvested in common stock	81		1,122				1,122
Issuance of Convertible Notes			3,413				3,413
Distributions						(51,330)	(51,330)
Stock-based compensation[(1)]			3,777				3,777
Balance at June 30, 2017	82,819	$ 83	$ 892,930	$ (106,941)	$ 11,839	$ 19,540	$ 817,451
Balance at December 31, 2017	84,424	$ 85	$ 908,501	$ (79,760)	$ (20,374)	$ 32,515	$ 840,967

Net increase (decrease) in net assets resulting from operations				23,000	(13,831)	48,837	58,006
Public offering, net of offering expenses	9,486	9	112,617				112,626
Issuance of common stock due to stock option exercises	38		433				433
Retired shares from net issuance	(36)		(447)				(447)
Issuance of common stock under restricted stock plan	336						
Retired shares for restricted stock vesting	(57)		(688)				(688)
Distributions reinvested in common stock	69		854				854
Distributions						(53,097)	(53,097)
Stock-based compensation(1)			5,043				5,043
Balance at June 30, 2018	94,260	$ 94	$ 1,026,313	$ (56,760)	$ (34,205)	$ 28,255	$ 963,697

(1) Stock-based compensation includes $20 and $35 of restricted stock and option expense related to director compensation for the six months ended June 30, 2018 and 2017, respectively.

See notes to consolidated financial statements.

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HERCULES CAPITAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(dollars in thousands)

	For the Six Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	$ 58,006	$ 27,561
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(563,744)	(340,632)
Principal and fee payments received on investments	414,347	349,519
Proceeds from the sale of investments	9,768	18,450
Net unrealized depreciation (appreciation) on investments	(23,000)	17,916
Net realized loss (gain) on investments	13,831	2,475
Accretion of paid-in-kind principal	(4,696)	(4,656)
Accretion of loan discounts	(1,562)	(3,776)
Accretion of loan discount on Convertible Notes	336	280
Accretion of loan exit fees	(8,923)	(10,653)
Change in deferred loan origination revenue	3,415	19
Unearned fees related to unfunded commitments	1,616	769
Amortization of debt fees and issuance costs	3,999	3,557
Depreciation	94	105
Stock-based compensation and amortization of restricted stock grants[(1)]	5,043	3,777
Change in operating assets and liabilities:		
Interest and fees receivable	(2,146)	1,410
Prepaid expenses and other assets	518	589
Accounts payable	244	
Accrued liabilities	(1,016)	898
Net cash provided by (used in) operating activities	(93,870)	67,608
Cash flows from investing activities:		
Purchases of capital equipment	(116)	(89)
Net cash provided by (used in) investing activities	(116)	(89)
Cash flows from financing activities:		
Issuance of common stock, net	112,626	46,911
Retirement of employee shares	(701)	(1,947)
Distributions paid	(52,243)	(50,208)

Issuance of 2022 Convertible Notes		230,000
Issuance of 2024 Notes		5,637
Issuance of 2025 Notes	75,000	
Repayments of 2019 Notes		(110,364)
Repayments of 2024 Notes	(100,000)	
Repayments of 2021 Asset-Backed Notes	(18,065)	(21,527)
Borrowings of credit facilities	150,700	8,497
Repayments of credit facilities	(92,377)	(13,513)
Cash paid for debt issuance costs	(519)	(4,480)
Fees paid for credit facilities and debentures	(83)	(253)
Net cash provided by (used in) financing activities	74,338	88,753
Net increase (decrease) in cash, cash equivalents and restricted cash	(19,648)	156,272
Cash, cash equivalents and restricted cash at beginning of period	94,995	21,366
Cash, cash equivalents and restricted cash at end of period	$ 75,347	$ 177,638
Supplemental non-cash investing and financing activities:		
Distributions reinvested	854	1,122

(1) Stock-based compensation includes $20 and $35 of restricted stock and option expense related to director compensation for the six months ended June 30, 2018 and 2017, respectively.

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

	For the Six Months Ended June 30,	
(Dollars in thousands)	**2018**	**2017**
Cash and cash equivalents	$ 59,461	$ 160,412
Restricted cash	15,886	17,226
Total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows	$ 75,347	$ 177,638

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

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(dollars in thousands)

Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
Debt Investments							
Biotechnology Tools							
1-5 Years Maturity							
Exicure, Inc.[12]	Biotechnology Tools	Senior Secured	September 2019	Interest rate PRIME + 6.45% or Floor rate of 9.95%, 3.85% Exit Fee	$ 4,999	$ 5,152	$ 5,172
Subtotal: 1-5 Years Maturity						5,152	5,172
Subtotal: Biotechnology Tools (0.54%)*						5,152	5,172
Consumer & Business Products							
Under 1 Year Maturity							
Gadget Guard (p.k.a Antenna79)[15]	Consumer & Business Products	Senior Secured	December 2018	Interest rate PRIME + 1.5% or Floor rate of 11.00%	$ 1,000	1,000	1,000
Subtotal: Under 1 Year Maturity						1,000	1,000
1-5 Years Maturity							
Gadget Guard (p.k.a Antenna79)[15]	Consumer & Business Products	Senior Secured	December 2019	Interest rate PRIME + 2.95% or Floor rate of 12.45%, 2.95% Exit Fee	$ 16,814	17,072	17,064
WHOOP, INC.	Consumer & Business Products	Senior Secured	July 2021	Interest rate PRIME + 3.75%	$ 6,000	5,915	5,916

				or Floor rate of 8.50%, 6.95% Exit Fee			
Subtotal: 1-5 Years Maturity						22,987	22,980
Subtotal: Consumer & Business Products (2.49%)*						23,987	23,980
Diversified Financial Services							
1-5 Years Maturity							
Gibraltar Business Capital, LLC.(7)	Diversified Financial Services	Unsecured	March 2023	Interest rate FIXED 14.50%	$ 10,000	9,809	9,809
Subtotal: 1-5 Years Maturity						9,809	9,809
Subtotal: Diversified Financial Services (1.02%)*						9,809	9,809
Drug Delivery							
Under 1 Year Maturity							
Agile Therapeutics, Inc.(11)	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 4.75% or Floor rate of 9.00%, 3.70% Exit Fee	$ 7,625	8,160	8,160
ZP Opco, Inc. (p.k.a. Zosano Pharma)(11)	Drug Delivery	Senior Secured	December 2018	Interest rate PRIME + 2.70% or Floor rate of 7.95%, 2.87% Exit Fee	$ 3,233	3,570	3,570
Subtotal: Under 1 Year Maturity						11,730	11,730
1-5 Years Maturity							
AcelRx Pharmaceuticals, Inc.(11)(15)	Drug Delivery	Senior Secured	March 2020	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 11.69% Exit Fee	$ 14,891	15,567	15,486
Antares Pharma Inc.(10)(15)	Drug Delivery	Senior Secured	July 2022	Interest rate PRIME + 4.50% or Floor rate of 9.25%, 4.25% Exit Fee	$ 25,000	25,155	25,124
Subtotal: 1-5 Years Maturity						40,722	40,610
Subtotal: Drug Delivery (5.43%)*						52,452	52,340

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
Drug Discovery & Development							
Under 1 Year Maturity							
Auris Medical Holding, AG[5][10]	Drug Discovery & Development	Senior Secured	February 2019	Interest rate PRIME + 6.05% or Floor rate of 9.55%, 5.75% Exit Fee	$ 3,067	$3,695	$3,695
CytRx Corporation[11][15]	Drug Discovery & Development	Senior Secured	August 2018	Interest rate PRIME + 6.00% or Floor rate of 9.50%, 7.09% Exit Fee	$ 7,884	9,576	9,576
Epirus Biopharmaceuticals, Inc.[8]	Drug Discovery & Development	Senior Secured	December 2018	Interest rate PRIME + 4.70% or Floor rate of 7.95%, 3.00% Exit Fee	$ 2,277	2,561	33
Subtotal: Under 1 Year Maturity						15,832	13,304
1-5 Years Maturity							
Acacia Pharma Inc.	Drug Discovery & Development	Senior Secured	January 2022	Interest rate PRIME + 4.50% or Floor rate of 9.25%, 3.95% Exit Fee	$ 10,000	9,759	9,759
Aveo Pharmaceuticals, Inc.[10][13]	Drug Discovery & Development	Senior Secured	July 2021	Interest rate PRIME + 4.70% or Floor rate of 9.45%, 5.40% Exit Fee	$ 10,000	9,993	9,861
		Senior Secured	July 2021		$ 10,000	10,066	10,011

	Drug Discovery & Development			Interest rate PRIME + 4.70% or Floor rate of 9.45%, 3.00% Exit Fee			
Total Aveo Pharmaceuticals, Inc.					$ 20,000	20,059	19,872
Axovant Sciences Ltd.(5)(10)(13)(16)	Drug Discovery & Development	Senior Secured	March 2021	Interest rate PRIME + 6.80% or Floor rate of 10.55%	$ 55,000	53,942	53,958
Brickell Biotech, Inc.(12)	Drug Discovery & Development	Senior Secured	September 2019	Interest rate PRIME + 5.70% or Floor rate of 9.20%, 7.49% Exit Fee	$ 5,581	5,960	5,967
BridgeBio Pharma LLC	Drug Discovery & Development	Senior Secured	January 2022	Interest rate PRIME + 4.35% or Floor rate of 9.35%, 6.35% Exit Fee	$ 35,000	34,651	34,651
Chemocentryx, Inc.(10)(15)(17)	Drug Discovery & Development	Senior Secured	December 2021	Interest rate PRIME + 3.30% or Floor rate of 8.05%, 6.25% Exit Fee	$ 15,000	14,892	14,833
Genocea Biosciences, Inc.(11)	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 2.75% or Floor rate of 7.75%, 10.12% Exit Fee	$ 14,000	14,591	14,568
Mesoblast(5)(10)	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 4.95% or Floor rate of 9.45%, 6.95% Exit Fee	$ 35,000	34,894	34,894
Metuchen Pharmaceuticals LLC(12)(14)	Drug Discovery & Development	Senior Secured	October 2020	Interest rate PRIME + 7.25% or Floor rate of 10.75%, PIK Interest 1.35%, 2.25% Exit Fee	$ 20,731	21,252	21,184
Motif BioSciences Inc.(5)(10)(15)	Drug Discovery & Development	Senior Secured	September 2021	Interest rate PRIME + 5.50% or Floor rate of 10.00%, 2.15% Exit Fee	$ 15,000	14,774	14,665
Myovant Sciences, Ltd.(5)(10)(13)	Drug Discovery & Development	Senior Secured	May 2021	Interest rate PRIME + 4.00%	$ 40,000	39,772	39,408

				or Floor rate of 8.25%, 6.55% Exit Fee			
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)(10)(15)(16)	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 40,000	40,558	40,128
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 4.50% Exit Fee	$ 10,000	10,151	10,033

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folio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Valu
	Drug Discovery & Development	Senior Secured	September 2020	Interest rate PRIME + 2.75% or Floor rate of 8.50%, 2.25% Exit Fee	$ 10,000	$ 10,029	$ 9
Paratek Pharmaceuticals, Inc. (p.k.a. Transcept Pharmaceuticals, Inc.)					$ 60,000	60,738	60
th Bio apeutics .[5][10][12]	Drug Discovery & Development	Senior Secured	January 2021	Interest rate PRIME + 5.50% or Floor rate of 9.50%, 5.00% Exit Fee	$ 20,000	20,069	19
da, Inc.[15][17]	Drug Discovery & Development	Senior Secured	March 2022	Interest rate PRIME + 3.35% or Floor rate of 8.35%, 11.14% Exit Fee	$ 25,000	24,864	24
ure 5)(10)(11)	Drug Discovery & Development	Senior Secured	May 2020	Interest rate PRIME + 3.00% or Floor rate of 8.25%, 5.48% Exit Fee	$ 20,000	20,761	20
stem, Inc.[12]	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,005	4
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,037	5
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 5,000	5,003	4
	Drug Discovery & Development	Senior Secured	December 2020	Interest rate PRIME + 6.00% or Floor rate of 10.50%, 4.50% Exit Fee	$ 10,000	9,904	9
Verastem, Inc.					$ 25,000	24,949	24
otal: 1-5 Years Maturity						415,927	414
otal: Drug Discovery & Development (44.35%)*						431,759	427

tronics & Computer dware							
Years Maturity							
DEVICES (15)	Electronics & Computer Hardware	Senior Secured	September 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, 4.25% Exit Fee	$ 10,000	10,016	9
AB(5)(10)(13)(14)	Electronics & Computer Hardware	Senior Secured	February 2021	Interest rate PRIME + 6.20% or Floor rate of 10.45%, PIK Interest 1.75%, 2.95% Exit Fee	$ 12,084	12,042	12
otal: 1-5 Years Maturity						22,058	22
otal: Electronics & Computer Hardware (2.28%)*						22,058	22
thcare Services, Other							
Years Maturity							
sphere Systems oration(14)(15)	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	$ 17,764	17,635	17
	Healthcare Services, Other	Senior Secured	February 2021	Interest rate PRIME + 4.75% or Floor rate of 9.00%, PIK Interest 1.75%	$ 5,053	5,019	5
Medsphere Systems Corporation					$ 22,817	22,654	22
Street th(12)	Healthcare Services, Other	Senior Secured	September 2021	Interest rate PRIME + 5.00% or Floor rate of 9.75%, 5.95% Exit Fee	$ 30,000	30,100	29
Group ings(13)	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 20,000	19,913	19

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ortfolio Company	Sub-Industry	Type of Investment(1)	Maturity Date	Interest Rate and Floor(2)	Principal Amount	Cost(3)	Value(4
	Healthcare Services, Other	Senior Secured	September 2020	Interest rate PRIME + 7.45% or Floor rate of 10.95%	$ 10,000	$ 9,944	$ 9,84
otal PH Group Holdings					$ 30,000	29,857	29,62
ubtotal: 1-5 Years Maturity						82,611	82,17
ubtotal: Healthcare Services, Other (8.53%)*						82,611	82,17
formation Services							
5 Years Maturity							
DX Medical, c.(14)(15)(19)	Information Services	Senior Secured	December 2020	Interest rate PRIME + 4.00% or Floor rate of 8.25%, PIK Interest 1.70%	$ 15,157	14,807	14,60
etbase Solutions, c.(13)(14)	Information Services	Senior Secured	August 2020	Interest rate PRIME + 6.00% or Floor rate of 10.00%, PIK Interest 2.00%, 3.00% Exit Fee	$ 9,142	8,985	8,96
ubtotal: 1-5 Years Maturity						23,792	23,57
ubtotal: Information Services (2.45%)*						23,792	23,57
ternet Consumer & Business ervices							
nder 1 Year Maturity							
tent Media, c.(14)(15)	Internet Consumer &	Senior Secured	May 2019	Interest rate PRIME + 5.25%	$ 5,076	5,096	5,09

	Business Services			or Floor rate of 8.75%, PIK Interest 1.00%, 2.00% Exit Fee			
	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.35%, 2.00% Exit Fee	$ 2,044	2,042	2,04
	Internet Consumer & Business Services	Senior Secured	May 2019	Interest rate PRIME + 5.50% or Floor rate of 9.00%, PIK Interest 2.50%, 2.00% Exit Fee	$ 2,047	2,045	2,04
otal Intent Media, Inc.					$ 9,167	9,183	9,18
ne Faction Group LC	Internet Consumer & Business Services	Senior Secured	January 2019	Interest rate PRIME + 4.75% or Floor rate of 8.25%	$ 2,000	2,000	2,00
ubtotal: Under 1 Year Maturity						11,183	11,18
5 Years Maturity							
ppDirect, c.(13)(19)	Internet Consumer & Business Services	Senior Secured	January 2022	Interest rate PRIME + 5.70% or Floor rate of 9.95%, 3.45% Exit Fee	$ 20,000	19,859	19,73
rt.com, Inc.(14)(15)	Internet Consumer & Business Services	Senior Secured	April 2021	Interest rate PRIME + 5.40% or Floor rate of 10.15%, PIK Interest 1.70%, 1.50% Exit Fee	$ 10,030	9,873	9,87
oudpay, Inc.(5)(10)	Internet Consumer & Business Services	Senior Secured	April 2022	Interest rate PRIME + 4.05% or Floor rate of 8.55%, 6.95% Exit Fee	$ 11,000	10,884	10,88
verFi, Inc.(14)(16)	Internet Consumer & Business Services	Senior Secured	May 2022	Interest rate PRIME + 3.90% or Floor rate of 8.65%, PIK Interest 2.30%	$ 50,115	50,067	50,06
rst Insight, c.(15)(17)	Internet Consumer & Business Services	Senior Secured	November 2021	Interest rate PRIME + 6.25% or Floor rate of 11.25%	$ 6,000	5,876	5,87

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
Greenphire, Inc.[17]	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 8.00% or Floor rate of 9.00%	$ 3,433	$ 3,432	$ 3,437
	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate PRIME + 3.75% or Floor rate of 7.00%	$ 1,500	1,500	1,488
Total Greenphire Inc.					$ 4,933	4,932	4,925
Interactions Corporation[19]	Internet Consumer & Business Services	Senior Secured	March 2021	Interest rate 3-month LIBOR + 8.60% or Floor rate of 9.85%, 1.75% Exit Fee	$ 25,000	25,052	25,128
LogicSource[15]	Internet Consumer & Business Services	Senior Secured	October 2019	Interest rate PRIME + 6.25% or Floor rate of 9.75%, 5.00% Exit Fee	$ 4,820	5,145	5,144
RumbleON, Inc.	Internet Consumer & Business Services	Senior Secured	May 2021	Interest rate PRIME + 5.75% or Floor rate of 10.25%, 4.55% Exit Fee	$ 5,000	4,945	4,945
Snagajob.com, Inc.[13][14]	Internet Consumer & Business Services	Senior Secured	July 2020	Interest rate PRIME + 5.15% or Floor rate of 9.15%, PIK Interest 1.95%, 2.55% Exit Fee	$ 41,429	41,398	41,552

Tectura Corporation[7][8][9][14]	Internet Consumer & Business Services	Senior Secured	June 2021	Interest rate FIXED 6.00%, PIK Interest 3.00%	$ 20,608	20,608	19,127
	Internet Consumer & Business Services	Senior Secured	June 2021	PIK Interest 8.00%	$ 10,680	240	
Total Tectura Corporation					$ 31,288	20,848	19,127
The Faction Group LLC.	Internet Consumer & Business Services	Senior Secured	January 2021	Interest rate 3-month LIBOR + 9.25% or Floor rate of 10.25%	$ 8,000	8,000	8,008
Wheels Up Partners LLC	Internet Consumer & Business Services	Senior Secured	July 2022	Interest rate 3-month LIBOR + 8.55% or Floor rate of 9.55%	$ 21,701	21,503	21,503
Xometry, Inc.[17][19]	Internet Consumer & Business Services	Senior Secured	May 2021	Interest rate PRIME + 3.95% or Floor rate of 8.45%, 7.45% Exit Fee	$ 7,000	6,942	6,942
Subtotal: 1-5 Years Maturity						235,324	233,712
Subtotal: Internet Consumer & Business Services (25.41%)*						246,507	244,895
Media/Content/Info							
1-5 Years Maturity							
Bustle[14][15]	Media/Content/Info	Senior Secured	June 2021	Interest rate PRIME + 4.10% or Floor rate of 8.35%, PIK Interest 1.95%, 1.95% Exit Fee	$ 15,164	15,133	15,156
FanDuel, Inc.[9][10][12][14]	Media/Content/Info	Senior Secured	November 2019	Interest rate PRIME + 7.25% or Floor rate of 10.75%, 10.41% Exit Fee	$ 19,354	20,380	20,380
	Media/Content/Info	Convertible Debt	September 2020	PIK Interest 25.00%	$ 1,000	1,000	1,723
Total FanDuel, Inc.					$ 20,354	21,380	22,103
Subtotal: 1-5 Years Maturity						36,513	37,259
Subtotal: Media/Content/Info (3.87%)*						36,513	37,259

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Portfolio Company	Sub-Industry	Type of Investment[1]	Maturity Date	Interest Rate and Floor[2]	Principal Amount	Cost[3]	Value[4]
Medical Devices & Equipment							
Under 1 Year Maturity							
Aspire Bariatrics, Inc.[15]	Medical Devices & Equipment	Senior Secured	October 2018	Interest rate PRIME + 4.00% or Floor rate of 9.25%, 6.85% Exit Fee	$ 1,793	$ 2,208	$ 829
Quanterix Corporation[11]	Medical Devices & Equipment	Senior Secured	March 2019	Interest rate PRIME + 2.75% or Floor rate of 8.00%	$ 7,688	7,673	7,673
Subtotal: Under 1 Year Maturity						9,881	8,502
1-5 Years Maturity							
Intuity Medical, Inc.[15]	Medical Devices & Equipment	Senior Secured	June 2021	Interest rate PRIME + 5.00% or Floor rate of 9.25%, 4.95% Exit Fee	$ 17,500	17,251	17,278
Micell Technologies, Inc.[12]	Medical Devices & Equipment	Senior Secured	August 2019	Interest rate PRIME + 7.25% or Floor rate of 10.50%, 5.00% Exit Fee	$ 3,942	4,291	4,251
Quanta Fluid Solutions[5][10][11]	Medical Devices & Equipment	Senior Secured	April 2020	Interest rate PRIME + 8.05% or Floor rate of 11.55%, 5.00% Exit Fee	$ 7,864	8,290	8,250
Rapid Micro Biosystems,	Medical Devices &	Senior Secured	April 2022	Interest rate PRIME + 5.15%	$ 18,000	17,929	17,929

Inc.(13)(15)	Equipment			or Floor rate of 9.65%, 7.25% Exit Fee			
Sebacia, Inc.(15)	Medical Devices & Equipment	Senior Secured	July 2020	Interest rate PRIME + 4.35% or Floor rate of 8.85%, 6.05% Exit Fee	$ 8,000	8,054	8,066
Transenterix, Inc.(10)	Medical Devices & Equipment	Senior Secured	June 2022	Interest rate PRIME + 4.55% or Floor rate of 9.55%, 6.95% Exit Fee	$ 20,000	19,827	19,827
Subtotal: 1-5 Years Maturity						75,642	75,601
Subtotal: Medical Devices & Equipment (8.73%)*						85,523	84,103
Software							
Under 1 Year Maturity							
Pollen, Inc.(15)	Software	Senior Secured	April 2019	Interest rate PRIME + 4.25% or Floor rate of 8.50%, 4.00% Exit Fee	$ 7,000	7,084	7,084
Subtotal: Under 1 Year Maturity						7,084	7,084
1-5 Years Maturity							