

Hercules Capital, Inc.  
Form 497  
January 16, 2018  
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**Filed Pursuant to Rule 497  
Registration No. 333-214767**

**This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JANUARY 16, 2018**

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated September 7, 2017)

\$

**4.625% Notes due 2022**

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's total return by generating current income from our debt investments and capital appreciation from our warrant and equity-related investments.

We are offering \$\_\_\_\_\_ in aggregate principal amount of 4.625% Notes due 2022, or the \_\_\_\_\_ Notes. The Notes will mature on October 23, 2022. We will pay interest on the Notes on April 23 and October 23 of each year, beginning on April 23, 2018.

The Notes offered hereby are a further issuance of the 4.625% notes due 2022 that we issued on October 23, 2017 in the aggregate principal amount of \$150,000,000, or the \_\_\_\_\_ Existing Notes. The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture (as defined herein) and will have the same terms as the Existing Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the Existing Notes. Upon the issuance of the Notes offered hereby, the outstanding aggregate principal amount of our 4.625% notes due 2022 will be \$\_\_\_\_\_. Interest on the Notes offered hereby will accrue from October 23, 2017. Unless the context otherwise requires, references herein to the \_\_\_\_\_ Notes include the Notes offered hereby and the Existing Notes.

We may redeem the Notes in whole or in part at any time or from time to time, at the redemption price set forth under \_\_\_\_\_ Description of Notes and the Offering \_\_\_\_\_ Optional Redemption in this prospectus supplement. In addition, holders of the Notes can require us to repurchase the Notes at 100% of their principal amount upon the occurrence of a Change of Control Repurchase Event (as defined herein). The Notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The Notes will be our unsecured obligations and rank *pari passu*, or equally in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by Hercules Capital, Inc.

An investment in the Notes involves risks that are described in the Supplementary Risk Factors section beginning on page S-18 in this prospectus supplement and the Risk Factors section beginning on page 14 of the accompanying prospectus.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in the Notes offered hereby. Please read this prospectus supplement and the accompanying prospectus before investing and keep it for future reference. 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 the websites referred to herein 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 information about us.

	Per Note	Total
Public offering price <sup>(1)</sup>	%	\$
Sales load (underwriting discounts and commissions)	%	\$
Proceeds to us (before expenses) <sup>(2)</sup>	%	\$

- (1) The public offering price set forth above does not include accrued interest of \$ \_\_\_\_\_ in the aggregate from October 23, 2017 up to, but not including, the date of delivery of the Notes offered hereby, which will be paid by the purchasers of the Notes offered hereby. On April 23, 2018, we will pay this pre-issuance accrued interest to the holders of the Notes offered hereby.
- (2) Before deducting expenses payable by us related to this offering, estimated at \$ \_\_\_\_\_. See Underwriting in this prospectus supplement for complete details of underwriters' compensation.

**THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.**

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.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about January \_\_\_\_, 2018.

*Joint Book-Running Managers*

**Citigroup**

**Jefferies**

**Wells Fargo Securities**

The date of this prospectus supplement is January \_\_\_\_, 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 the underwriters have 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 the underwriters are 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 or such 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 Notes.

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**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 Capital, Hercules, we, us and our refer to Hercules Capital, Inc. and our wholly-owned subsidiaries.*

**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, or BDC, under the 1940 Act. Effective January 1, 2006, we elected to be treated for tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of September 30, 2017, our total assets were approximately \$1.6 billion, of which our investments comprised \$1.4 billion at fair value and \$1.5 billion at cost. Since inception through September 30, 2017, we have made debt and equity commitments of more than \$7.0 billion to our portfolio companies.

We also make investments in qualifying small businesses through our two wholly owned small business investment companies, or SBICs. Our SBIC subsidiaries, Hercules Technology II, L.P., or HT II, and Hercules Technology III, L.P., or HT III, hold approximately \$107.9 million and \$279.9 million in assets, respectively, and accounted for approximately 5.4% and 13.9% of our total assets, respectively, prior to consolidation at September 30, 2017. At September 30, 2017, we have issued \$190.2 million in Small Business Administration, or 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 September 30, 2017, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 34 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 January 10, 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 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.

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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 provides 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 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

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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 October 25, 2017, our board of directors, or the Board of Directors, declared a cash distribution of \$0.31 per share. The cash distribution was paid on November 20, 2017 to stockholders of record as of November 13, 2017. This distribution represented our forty-ninth consecutive distribution since our initial public offering, bringing the total cumulative distribution to date to \$13.71 per share.

**Closed and Pending Commitments**

As of January 10, 2018, we have:

Closed debt and equity commitments of approximately \$365.5 million to new and existing portfolio companies and funded approximately \$313.8 million subsequent to September 30, 2017.

Pending commitments (signed non-binding term sheets) of approximately \$122.0 million.

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

<b>Closed Commitments and Pending Commitments (in millions)</b>			
January 1	September 30, 2017	Closed Commitments	\$ 551.4
October 1, 2017	January 10, 2018	Closed Commitment <sup>(a)</sup>	\$ 365.5
		Pending Commitments (as of January 10, 2018) <sup>(b)</sup>	\$ 122.0
<b>Closed and Pending Commitments as of January 10, 2018</b>			<b>\$ 1,038.9</b>



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- 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.

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b. Not all pending commitments (signed non-binding term sheets) are expected to close and they do not necessarily represent any future cash requirements. Strong Originations Momentum Continued in Q4 2017

Closed total new debt and equity commitments of approximately \$330.6 million to twenty five (25) companies including twenty (20) new and five (5) existing portfolio companies in Q4 2017. Closed total new debt and equity commitments of approximately \$882.0 million for the year ended December 31, 2017.

Early loan pay-offs, or unscheduled principal repayments of approximately \$124.2 million, for Q4 2017. Early loan pay-offs for the year ended December 31, 2017 of approximately \$505.6 million.

### **Existing Notes**

On October 23, 2017, we issued \$150.0 million in aggregate principal amount of the Existing Notes. The Existing Notes were issued pursuant to an Indenture, dated October 23, 2017, or the Indenture, between us and U.S. Bank, National Association, as trustee, or the Trustee. The sale of the Existing Notes generated net proceeds to us of approximately \$147.6 million. Aggregate estimated offering expenses in connection with the transaction, including the underwriter discounts and commissions of approximately \$1.0 million, were approximately \$1.5 million.

We used the net proceeds from the offering (i) to redeem a portion of our 6.25% notes due 2024, or the 2024 Notes, on November 23, 2017 as described below, (ii) to fund investments in debt and equity securities in accordance with our investment objective and (iii) for working capital and other general corporate purposes.

The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture and will have the same terms as the Existing Notes. See Description of Notes.

### **Redemption of 2024 Notes**

On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of our outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use a portion of the proceeds of this offering to redeem the outstanding 2024 Notes.

### **Appointment of Directors**

On October 25, 2017, our Board of Directors appointed Jorge Titinger and Brad Koenig as directors of the Company. Following their appointment, both Mr. Titinger and Mr. Koenig were each entitled to the applicable annual retainer pursuant to our director compensation arrangements, under terms consistent with those previously disclosed by the Company. They are also entitled to enter an indemnification agreement with the Company.

Mr. Titinger's Board appointment became effective at the time of the 2017 Annual Meeting of Stockholders, or the Annual Meeting, and he filled the position vacated by Susanne Lyons who stepped down at the Annual Meeting. His appointment was ratified at the Annual Meeting as a Class I director for a term expiring in 2020. At the time Mr. Titinger joined the Board of Directors, he was appointed to the Compensation Committee and serves as chairman of such committee.

Mr. Koenig's Board appointment was effective immediately and he will hold office as a Class II director for a term expiring in 2018. Following his appointment to the Board of Directors, Mr. Koenig was appointed to the Audit Committee and Nominating and Corporate Governance Committee, on which he now serves.



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#### **ATM Equity Program Issuances**

Between September 30, 2017 and January 10, 2018, we sold 1.0 million shares of our common stock for total accumulated net proceeds of approximately \$13.0 million, including \$118,300 of offering expenses, under the at-the-market, or ATM, equity distribution agreement, dated September 8, 2017, or the Equity Distribution Agreement, with JMP Securities LLC, or JMP. As of January 10, 2018, approximately 10.2 million shares remain available for issuance and sale under the equity ATM program.

#### **Departure of Officer**

On October 27, 2017, we and Mark Harris mutually agreed that Mr. Harris would separate from the Company and end his tenure as Chief Financial Officer and Chief Accounting Officer effective November 2, 2017. Mr. Harris' separation did not result from any disagreements with the Company regarding its operations, policies, practices or any issues regarding financial disclosures, accounting or legal matters.

#### **Appointment of Officers**

Effective October 31, 2017, the Board of Directors appointed David Lund, our former Chief Financial Officer, as our Interim Chief Financial Officer and Gerard R. Waldt, Jr., our current Controller, as our Interim Chief Accounting Officer.

#### **Asset Acquisition**

On November 1, 2017, we, through a wholly owned subsidiary, Bearcub Acquisitions LLC, entered into, and consummated the transactions contemplated by, a definitive asset purchase agreement with Ares Capital Corporation to acquire select venture loan assets for approximately \$125.8 million in cash.

#### **Management Structure**

On May 3, 2017, we filed preliminary proxy materials with the SEC for a special meeting of stockholders to seek approval for a proposed advisory agreement with Hamilton Advisers LLC. However, after receiving feedback from our stockholders, on May 15, 2017, we decided to postpone the proposed special meeting of stockholders indefinitely and formally withdrew the proxy materials containing our proposal seeking stockholder approval of our plans to externalize our management structure to expand our ongoing review process. After evaluating alternatives, we have decided to suspend our review of alternative investment management structures and will remain an internally managed business development company for the foreseeable future.

#### **Portfolio Company Developments**

As of January 10, 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 and two companies which filed confidentially under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all. In addition, subsequent to September 30, 2017, our portfolio companies announced or completed the following liquidity events:

1. In August 2017, our portfolio companies Cempra, Inc. (NASDAQ: CEMP), a clinical-stage pharmaceutical company focused on developing differentiated anti-infectives for acute care and community settings to meet critical medical needs in the treatment of infectious diseases, and Melinta Therapeutics, Inc., a privately held company focused on discovering, developing, and commercializing novel antibiotics to treat serious bacterial infections, announced that the companies had entered into a



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definitive agreement under which Melinta will merge with a subsidiary of Cemptra. The transaction closed on November 6, 2017. Melinta Therapeutics commenced trading on November 6, 2017 on the NASDAQ Global Market under the symbol MLNT. We committed \$40.0 million in venture debt financing to Cemptra from 2011 to 2014. We initially committed \$30.0 million in venture debt financing to Melinta in December 2014 and held 1,914,448 shares of Preferred Series 4 stock and warrants for 1,382,323 shares of Preferred Series 3 stock as of September 30, 2017.

2. In November 2017, our portfolio company Sonian Inc., a leading provider of public cloud archiving and business insights, was acquired by Barracuda Networks, Inc. (NYSE: CUDA), a leading provider of cloud-enabled security and data protection solutions. Terms of the transaction were not disclosed. We initially committed \$5.5 million in venture debt financing in December 2013 and held warrants for 185,949 shares of Preferred Series C stock as of September 30, 2017.

**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, and San Diego, CA. We maintain a website on the Internet at [www.htgc.com](http://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](http://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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*This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes under the heading "Description of Notes" in this prospectus supplement and in the accompanying prospectus under the heading "Description of Our Debt Securities" before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes (as amended from time to time, the "indenture").*

Issuer	Hercules Capital, Inc.
Title of the Securities	4.625% Notes due 2022
Aggregate Principal Amount Being Offered	\$
The Notes offered hereby are a further issuance of the Existing Notes. The Notes offered hereby will be treated as a single series with the Existing Notes under the Indenture and will have the same terms as the Existing Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the Existing Notes. Upon the issuance of the Notes offered hereby, the outstanding aggregate principal amount of our 4.625% notes due 2022 will be \$ .	
Initial Public Offering Price	% of the aggregate principal amount, plus accrued and unpaid interest from October 23, 2017 up to, but not including, the date of delivery.
Aggregate Accrued Interest	\$ of accrued and unpaid interest from October 23, 2017 up to, but not including, the date of delivery.
Interest Rate	4.625%
Yield to Maturity	%
Trade Date	January , 2018
Settlement Date	January , 2018
Date Interest Starts Accruing on the Notes	October 23, 2017
Stated Maturity Date	October 23, 2022

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Day Count Basis

360-day year of twelve 30-day months

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Interest Payment Dates	Each April 23 and October 23 commencing April 23, 2018. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Regular Record Dates for Interest	Each April 8 and October 8.
Specified Currency	U.S. Dollars
Place of Payment	New York City or such other office designated by the Trustee
Ranking of Notes	The Notes will be our unsecured obligations that rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated, or junior, in right of payment to the Notes. The Notes will not be guaranteed by any of our current or future subsidiaries. The Notes will rank <i>pari passu</i> , or equally, in right of payment with all of our existing and future liabilities that are not so subordinated, or junior. The Notes will effectively rank subordinated, or junior, to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness. The Notes will rank structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

As of September 30, 2017, our total consolidated indebtedness was approximately \$744.2 million, which included:

approximately \$258.5 million of the 2024 Notes; approximately \$230.0 million in aggregate principal amount of 4.375% convertible notes due 2022 (the 2022 Convertible Notes ).

indebtedness and other obligations of any of our subsidiaries, including, without limitation, the indebtedness of HT II and HT III, borrowings under the \$120.0 million revolving senior credit facility with Wells Fargo Capital Finance, LLC, or the Wells Facility, borrowings under the \$75.0 million revolving senior secured credit facility with MUFG Union Bank, N.A., or the Union Bank Facility, and together with the Wells Facility, the Credit Facilities, and approximately \$65.5 million of fixed rate asset-backed notes, or the 2021 Asset-Backed Notes, each as of September 30, 2017. Note that there were no borrowings outstanding under the Wells Facility or Union Bank Facility as of September 30, 2017.

We expect to use a portion of the proceeds of this offering to repurchase or redeem the outstanding 2024 Notes, see Use of Proceeds. After giving effect to the issuance of the Notes offered hereby and assuming the proceeds therefrom are used to repurchase or redeem the outstanding 2024 Notes, our total consolidated indebtedness would have been approximately \$ million aggregate principal amount outstanding as of September 30, 2017. See Capitalization. Upon the issuance of the Notes offered hereby, the



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outstanding aggregate principal amount of our 4.625% Notes due 2022 will be \$ .

Denominations We will issue the Notes in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Business Day Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City, or in such other place of payment designated by the Trustee, are authorized or required by law or executive order to close.

Optional Redemption We may redeem some or all of the Notes at any time, or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on the Notes to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using the applicable Treasury Rate plus 45 basis points, plus, in each case, accrued and unpaid interest to the redemption date; *provided*, however, that if we redeem any Notes on or after September 23, 2022 (the date falling one month prior to the maturity date of the Notes), the redemption price for the Notes will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

You may be prevented from exchanging or transferring the Notes when they are subject to redemption.

If we are redeeming less than all of the Notes, the particular Notes to be redeemed will be selected in accordance with the applicable procedures of the Trustee and, so long as the Notes are registered to The Depository Trust Company or its nominee, DTC; *provided*, however, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than \$2,000. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes or portions of the Notes called for redemption.

Sinking Fund The Notes will not be subject to any sinking fund. A sinking fund is a reserve fund accumulated over a period of time for the retirement of debt.

Offer to Purchase upon a Change of Control Repurchase Event If a Change of Control Repurchase Event occurs prior to maturity, holders will have the right, at their option, to require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.



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Defeasance and Covenant Defeasance

The Notes are subject to defeasance by us, which means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and/or U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel as described herein under Description of Notes Satisfaction and Discharge; Defeasance, we can legally release ourselves from all payment and other obligations on the Notes.

The Notes are subject to covenant defeasance by us, which means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and/or U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel as described herein under Description of Notes Satisfaction and Discharge; Defeasance, we will be released from some of the restrictive covenants in the indenture.

Form of Notes

The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. Except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations which are participants in DTC.

Trustee, Paying Agent and Security Registrar

U.S. Bank National Association

Other Covenants

In addition to the covenants described in the prospectus attached to this prospectus supplement, the following covenants shall apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate, whether or not we are subject to, Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, giving effect to any exemptive relief granted to us by the SEC (even if we are no longer subject to the 1940 Act). Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. See Risk Factor Risks Related to our Business Structure Legislation may allow us to incur additional leverage, in the accompanying prospectus.



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If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles ( GAAP ), as applicable.

Events of Default

If an event of default (as described herein under Description of Notes ) on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest, may be declared immediately due and payable, subject to conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events involving us.

No Established Trading Market

We cannot assure you that an active and liquid market for the Notes will be established or maintained following the issuance of the Notes offered hereby. The Existing Notes are not and the Notes offered hereby will not be listed on any securities exchange or quoted on any automated dealer quotation system. Although the underwriters have informed us that they intend to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market making activities at any time without notice. See Underwriting. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Global Clearance and Settlement Procedures

Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the issuer, the Trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Further Issuances

We have the ability to issue additional debt securities under the indenture with terms different from the Notes and, without the consent of the holders thereof, to reopen the Notes and issue additional Notes.

Use of Proceeds

We estimate that the net proceeds we receive from the sale of the \$ million aggregate principal amount of Notes in this offering will be approximately \$ million after deducting the underwriting discount of approximately \$ payable by us and estimated offering expenses of approximately \$ payable by us. We expect to use the net proceeds from this offering (i) to repurchase or redeem the

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outstanding 2024 Notes, (ii) to fund investments in debt and equity securities in accordance with our investment objective, and (iii) for other general corporate purposes.

Governing Law

The Notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.

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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, project, believes, estimates, predicts, potential or continue or the negative of these terms or other similar expressions. Important assumptions include 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 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 BDC, a SBIC and a RIC;

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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 **Supplementary Risk Factors** in this prospectus supplement and **Risk Factors** in the accompanying prospectus. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus supplement.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus supplement relate only to events as of the date on which the statements are made and are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act.

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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 the Notes, could be materially adversely affected.

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Table of ContentsIndex to Financial Statements**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 2016, 2015, 2014, 2013, and 2012 and the financial statement of operations data for fiscal years 2016, 2015, 2014, 2013, and 2012 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 nine months ended September 30, 2017 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 nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

(in thousands, except per share amounts)	For the Nine Months Ended September 30 (unaudited)		For the Year Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
<b>Investment income:</b>							
Interest	\$ 125,802	\$ 116,047	\$ 158,727	\$ 140,266	\$ 126,618	\$ 123,671	\$ 87,603
Fees	14,880	11,532	16,324	16,866	17,047	16,042	9,917
<b>Total investment income</b>	<b>140,682</b>	<b>127,579</b>	<b>175,051</b>	<b>157,132</b>	<b>143,665</b>	<b>139,713</b>	<b>97,520</b>
<b>Operating expenses:</b>							
Interest	28,046	23,306	32,016	30,834	28,041	30,334	19,835
Loan fees	5,500	3,698	5,042	6,055	5,919	4,807	3,917
General and administrative	12,362	12,095	16,106	16,658	10,209	9,354	8,108
Employee Compensation:							
Compensation and benefits	17,276	15,637	22,500	20,713	16,604	16,179	13,326
Stock-based compensation	5,573	5,616	7,043	9,370	9,561	5,974	4,227
Total employee compensation	22,849	21,253	29,543	30,083	26,165	22,153	17,553
<b>Total operating expenses</b>	<b>68,757</b>	<b>60,352</b>	<b>82,707</b>	<b>83,630</b>	<b>70,334</b>	<b>66,648</b>	<b>49,413</b>
Other income (loss)			8,000	(1)	(1,581)		
<b>Net investment income</b>	<b>71,925</b>	<b>67,227</b>	<b>100,344</b>	<b>73,501</b>	<b>71,750</b>	<b>73,065</b>	<b>48,107</b>
Net realized gain (loss) on investments	(26,929)	3,427	4,576	5,147	20,112	14,836	3,168
Net change in unrealized appreciation (depreciation) on investments	15,637	(16,072)	(36,217)	(35,732)	(20,674)	11,545	(4,516)
<b>Total net realized and unrealized gain (loss)</b>	<b>(11,292)</b>	<b>(12,645)</b>	<b>(31,641)</b>	<b>(30,585)</b>	<b>(562)</b>	<b>26,381</b>	<b>(1,348)</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 60,633</b>	<b>\$ 54,582</b>	<b>\$ 68,703</b>	<b>\$ 42,916</b>	<b>\$ 71,188</b>	<b>\$ 99,446</b>	<b>\$ 46,759</b>
Change in net assets per common share (basic)	\$ 0.73	\$ 0.74	\$ 0.91	\$ 0.60	\$ 1.12	\$ 1.67	\$ 0.93
Distributions declared per common share	\$ 0.93	\$ 0.93	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.11	\$ 0.95

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(in thousands, except per share amounts)	For the Nine Months Ended September 30 (unaudited)			For the Year Ended December 31,			
	2017	2016	2016	2015	2014	2013	2012
<b>Balance sheet data:</b>							
Investments, at value	\$ 1,417,114	\$ 1,320,610	\$ 1,423,942	\$ 1,200,638	\$ 1,020,737	\$ 910,295	\$ 906,300
Cash and cash equivalents	140,568	69,012	13,044	95,196	227,116	268,368	182,994
Total assets	1,582,997	1,419,424	1,464,204	1,334,761	1,299,223	1,221,715	1,123,643
Total liabilities	746,713	665,835	676,260	617,627	640,359	571,708	607,675
Total net assets	836,284	753,589	787,944	717,134	658,864	650,007	515,968
<b>Other Data:</b>							
Total debt investments, at value	1,300,068	1,224,121	1,328,803	1,110,209	923,906	821,988	827,540
Total warrant investments, at value	32,729	27,738	27,485	22,987	25,098	35,637	29,550
Total equity investments, at value	84,317	68,751	67,654	67,442	71,733	52,670	49,210
Unfunded Commitments <sup>(2)</sup>	46,302	73,865	59,683	75,402	147,689	69,091	19,265
Net asset value per share <sup>(1)</sup>	\$ 10.00	\$ 9.86	\$ 9.90	\$ 9.94	\$ 10.18	\$ 10.51	\$ 9.75

(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.

The following tables set forth certain quarterly financial information for each of the eight quarters up to and ending December 31, 2016 and the quarters ending March 31, 2017, June 30, 2017 and September 30, 2017. 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)	For the Quarter Ended (unaudited)		
	September 30, 2017	June 30, 2017	March 31, 2017
Total investment income	\$ 45,865	\$ 48,452	\$ 46,365
Net investment income before investment gains and losses	23,973	25,275	22,678
Net increase (decrease) in net assets resulting from operations	33,072	33,149	(5,588)
Change in net assets per common share (basic)	\$ 0.40	\$ 0.40	\$ (0.07)

(in thousands, except per share data)	For the 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 before investment gains and losses	20,097	23,354	23,776	33,117
Net increase (decrease) in net assets resulting from operations	14,295	9,475	30,812	14,121
Change in net assets per common share (basic)	\$ 0.20	\$ 0.13	\$ 0.41	\$ 0.18

(in thousands, except per share data)	For the Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Total investment income	\$ 32,494	\$ 38,126	\$ 47,132	\$ 39,380
Net investment income before investment gains and losses	12,993	16,781	23,590	20,137
Net increase (decrease) in net assets resulting from operations	21,919	2,752	4,075	14,170
Change in net assets per common share (basic)	\$ 0.33	\$ 0.03	\$ 0.05	\$ 0.20

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**SUPPLEMENTARY RISK FACTORS**

*Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our securities. The risks set out below and in the accompanying prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected which could materially adversely affect our ability to repay principal and interest on the Notes. In addition, the market price of the Notes and our net asset value could decline, and you may lose all or part of your investment. The risk factors described below, together with those set forth in the accompanying prospectus, are the principal risk factors associated with an investment in our securities, including the Notes, as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.*

**Risks Related to the Notes**

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

The Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of September 30, 2017, we had no outstanding borrowings under our Union Bank Facility, which is secured by debt investments in our portfolio companies and related assets, and no outstanding borrowings under our Wells Facility, which is secured by loans in the borrowing base for the Wells Facility.

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

The Notes are obligations exclusively of Hercules Capital, Inc. and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A significant portion of the indebtedness required to be consolidated on our balance sheet is held through our SBIC subsidiaries. For example, at September 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources in the accompanying prospectus for more detail on the SBA-guaranteed debentures.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors), if any, of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise.

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As of September 30, 2017, we had no outstanding borrowings under our Wells Facility, no outstanding borrowings under our Union Bank Facility and approximately \$190.2 million of indebtedness outstanding incurred by our SBIC subsidiaries, HT II and HT III. All of such indebtedness would be structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

*The indenture governing the Notes contains limited protection for holders of the Notes.*

The indenture governing the Notes offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes do not place any restrictions on our or our subsidiaries' ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect to any exemptive relief granted to us by the SEC (currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings);

pay distributions on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of distributions or other amounts to us from our subsidiaries.

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

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

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Certain of our current debt instruments include more protections for their holders than the indenture and the Notes. See [Risk Factors](#). In addition to regulatory requirements that restrict our ability to raise capital, our Credit Facilities and the 2024 Notes contain various covenants which, if not complied with, could accelerate

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repayment under the facility or require us to repurchase the 2024 Notes thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions in the accompanying prospectus. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for, and trading levels and prices of, the Notes.

***Our amount of debt outstanding may increase as a result of this offering. Our current indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.***

The use of debt could have significant consequences on our future operations, including:

making it more difficult for us to meet our payment and other obligations under the Notes and our other outstanding debt;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our financing arrangements, which event of default could result in substantially all of our debt becoming immediately due and payable;

reducing the availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our financing arrangements; and

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

Our ability to meet our payment and other obligations under our financing arrangements depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our financing arrangements or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt.

***We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.***

Upon the occurrence of a Change of Control Repurchase Event, as defined in the indenture that governs the Notes, as supplemented, subject to certain conditions, we will be required to offer to repurchase all outstanding Notes at 100% of their principal amount, plus accrued and unpaid interest. The source of funds for that purchase of Notes will be our available cash or cash generated from our operations or other potential sources, including borrowings, investment repayments, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of Notes tendered. The terms of certain of our and our subsidiaries' financing arrangements provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under the our and our subsidiaries' financing arrangements at that time and to terminate the financing arrangements. In addition, the indenture governing our 2022 Convertible Notes contains a provision that would require us to offer to purchase the 2022 Convertible Notes upon the occurrence



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of a fundamental change. A failure to purchase any tendered 2022 Convertible Notes would constitute an event of default under the indenture for the 2022 Convertible Notes, which would, in turn, constitute a default under the Credit Facilities and the indenture. Our and our subsidiaries future debt instruments may also contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our and our subsidiaries future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the Notes and/or our other debt. See Description of Notes Offer to Repurchase Upon a Change of Control Repurchase Event.

***We cannot assure you that an active trading market for the Notes will be established or maintained, which could limit the market price of the Notes or your ability to sell them.***

We cannot assure you that an active and liquid market for the Notes will be established or maintained. Although the underwriters have informed us that they intend to continue to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market making activities at their sole discretion at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. The liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally or other factors. Accordingly, we cannot assure you that an active trading market for the Notes will be established or maintained, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. If an active trading market is not established or maintained, the market price and liquidity of the Notes may be adversely affected. The Notes are not listed on any securities exchange or quoted on any automated dealer quotation system, and we do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system.

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

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agencies if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

***If we Default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.***

Any default under the agreements governing our indebtedness, including a default under the Wells Facility, the Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes and the 2021 Asset-Backed Notes or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with

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the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Wells Facility and the Union Bank Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the Wells Facility or Union Bank Facility or the required holders of our 2024 Notes prior to their redemption, 2022 Convertible Notes, 2021 Asset-Backed Notes or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Wells Facility, Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes, the 2021 Asset-Backed Notes or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Wells Facility or Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes, the 2021 Asset-Backed Notes or other debt, as applicable, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Wells Facility and the Union Bank Facility, could proceed against the collateral securing the debt. Because the Wells Facility and the Union Bank Facility have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Wells Facility, Union Bank Facility, the 2024 Notes prior to their redemption, the 2022 Convertible Notes or the 2021 Asset-Backed Notes or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. See Specific Terms of the Notes and the Offering in this prospectus supplement.

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

Payments made under the Notes to a foreign financial institution or non-financial foreign entity (including such an institution or entity acting as an intermediary) may be subject to a U.S. withholding tax of 30% under U.S. Foreign Account Tax Compliance Act provisions of the Code (commonly referred to as FATCA). This U.S. withholding tax generally applies to payments of interest on the Notes as well as, after December 31, 2018, to any payments of gross proceeds (including principal payments) from the sale, redemption, retirement or other disposition of the Notes, unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Depending upon the status of a holder and the status of an intermediary through which any Notes are held, the holder could be subject to this 30% U.S. withholding tax in respect of any interest paid on the Notes as well as any proceeds from the sale, redemption, retirement or other disposition of the Notes. Persons located in jurisdictions that have entered into an intergovernmental agreement with the United States to implement FATCA may be subject to different rules. You should consult your own tax advisors regarding FATCA and how it may affect your investment in the Notes. See Certain United States Federal Income Tax Considerations Taxation of Note Holders FATCA in this prospectus supplement for further information.

***Significant U.S. federal tax legislation was recently enacted and the impact of this new legislation on the Company, on holders of the Notes, and on entities in which the Company may invest is uncertain.***

Significant U.S. federal tax reform legislation was recently enacted that, among many other changes, permanently reduces the maximum federal corporate income tax rate, reduces the maximum individual income tax rate (effective for taxable years 2018 through 2025), restricts the deductibility of business interest expense, changes the rules regarding the calculation of net operating loss deductions that may be used to offset taxable income, and, under certain circumstances, requires accrual method taxpayers to recognize income for U.S. federal income tax purposes no later than the income is taken into account as revenue in an applicable financial statement. The new legislation also makes extensive changes to the U.S. international tax system. The impact of this new legislation on the Company, on holders of the Notes, and on entities in which the Company may invest is uncertain. Prospective investors are urged to consult their tax advisors regarding the effects of the new legislation on an investment in the Notes.

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**USE OF PROCEEDS**

We estimate that the net proceeds we will receive from the sale of the \$       million aggregate principal amount of Notes in this offering will be approximately \$       million, based on a public offering of       % of par, and after deducting the underwriting discount of approximately \$       payable by us and estimated offering expenses of approximately \$       payable by us.

We expect to use the net proceeds from this offering (i) to repurchase or redeem the outstanding 2024 Notes, (ii) to fund investments in debt and equity securities in accordance with our investment objective, and (iii) for other general corporate purposes.

As of September 30, 2017, the aggregate principal balance of the 2024 Notes was approximately \$258.5 million. On October 24, 2017, our Board of Directors approved a redemption of \$75.0 million of the outstanding aggregate principal amount of the 2024 Notes, which were redeemed on November 23, 2017. We intend to use the proceeds of this offering to repurchase or redeem the outstanding 2024 Notes. The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly and mature, unless earlier repurchased or redeemed, on July 30, 2024.

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.

The amount of net proceeds may be more or less than the amount described in this preliminary prospectus supplement depending on the amount of Notes we sell in the offering, which will be determined at pricing. To the extent that we receive more than the amount described in this preliminary prospectus supplement, we intend to use the net proceeds for investment in portfolio companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. To the extent we receive less, the amount we have available for such purposes will be reduced.

**Table of Contents****Index to Financial Statements****CAPITALIZATION**

The following table sets forth (i) our actual capitalization as of September 30, 2017, and (ii) our capitalization as adjusted to give effect to the sale of \$ million aggregate principal amount of Notes in this offering, after deducting the underwriting discounts and commissions of approximately \$ payable by us and estimated offering expenses of approximately \$ payable by us and the application of the net proceeds therefrom as described under Use of Proceeds. You should read this table together with the Use of Proceeds section and our statement of assets and liabilities included elsewhere in this prospectus supplement.

	As of September 30, 2017	
	Actual	As Adjusted <sup>(2)</sup>
	(in thousands)	
Investments at fair value	\$ 1,417,114	\$
Cash and cash equivalents	\$ 140,568	\$
Debt <sup>(1)</sup> :		
Accounts payable and accrued liabilities	\$ 19,057	\$
Long-term SBA debentures	187,983	
2022 Convertible Notes	223,097	
2021 Asset-Backed Notes	64,860	
2024 Notes	251,716	
Notes offered herein		
Total debt	\$ 746,713	\$
Stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 83,614,624 shares issued and outstanding	\$ 84	\$
Capital in excess of par value	904,357	
Unrealized depreciation on investments	(73,388)	
Accumulated realized gains on investments	10,674	
Distributions in excess of investment income	(5,443)	
Total stockholders' equity	\$ 836,284	\$
Total capitalization	\$ 1,582,997	\$

- (1) The above table reflects the principal amount of indebtedness outstanding net of the associated debt issuance costs as of September 30, 2017. As of January 10, 2018, indebtedness under the Wells Facility, the Union Bank Facility, the 2022 Convertible Notes, the 2024 Notes, and the 2021 Asset-Backed Notes were \$0 million, \$0 million, \$230.0 million, \$183.5 million and \$49.2 million, respectively. On October 23, 2017, we issued \$150.0 million aggregate principal amount of the Existing Notes, the net proceeds of which were used to redeem a portion of our 2024 Notes, fund investments in debt and equity securities in accordance with our investment objective, and for other general corporate purposes. The net proceeds from the sale of the Notes in this offering are expected to be used to repurchase or redeem the outstanding 2024 Notes, fund investments in debt and equity securities in accordance with our investment objective, and for other general corporate purposes. See Use of Proceeds.
- (2) The as adjusted amount reflects the November 23, 2017 redemption of \$75.0 million of our outstanding aggregate principal amount of the 2024 Notes and the repurchase or redemption of the outstanding 2024 Notes in accordance with the Use of Proceeds as described herein. The as adjusted amount does not include the \$150.0 million aggregate principal amount of Existing Notes issued on October 23, 2017.

**Table of Contents****Index to Financial Statements****RATIO OF EARNINGS TO FIXED CHARGES**

The following contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus supplement:

	<b>For the nine months ended September 30, 2017</b>	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>	<b>For the year ended December 31, 2014</b>	<b>For the year ended December 31, 2013</b>	<b>For the year ended December 31, 2012</b>
Earnings to Fixed Charges <sup>(1)</sup>	2.81	2.85	2.16	3.10	3.83	2.97

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in stockholders' equity resulting from operations plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

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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 **Risk Factors** and **Forward-Looking Statements** appearing elsewhere herein and 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, 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.

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. Our primary business objectives are to increase our net income, net operating income and net asset value 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 \$107.9 million and \$279.9 million in assets, respectively, and accounted for approximately 5.4% and 13.9% of our total assets, respectively, prior to consolidation at September 30, 2017. In aggregate, at September 30, 2017, 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 September 30, 2017, we have issued \$190.2 million in SBA-guaranteed debentures in our SBIC subsidiaries.

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



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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 \$1.4 billion at both September 30, 2017 and December 31, 2016. The fair value of our debt investment portfolio was approximately \$1.3 billion at both September 30, 2017 and December 31, 2016. The fair value of the equity portfolio at September 30, 2017 was approximately \$84.3 million, compared to a fair value of approximately \$67.6 million at December 31, 2016. The fair value of the warrant portfolio at September 30, 2017 was approximately \$32.7 million, compared to a fair value of approximately \$27.5 million at December 31, 2016.

***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.

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

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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 nine months ended September 30, 2017 and the year ended December 31, 2016 was comprised of the following:

(in millions)	September 30, 2017	December 31, 2016
<b>Debt Commitments<sup>(1)</sup></b>		
New portfolio company	\$ 467.0	\$ 624.0
Existing portfolio company	79.9	171.8
<b>Total</b>	<b>\$ 546.9</b>	<b>\$ 795.8</b>
<b>Funded and Restructured Debt Investments<sup>(2)</sup></b>		
New portfolio company	\$ 346.7	\$ 479.0
Existing portfolio company	136.1	181.5
<b>Total</b>	<b>\$ 482.8</b>	<b>\$ 660.5</b>
<b>Funded Equity Investments</b>		
New portfolio company	\$ 3.8	\$ 17.1
Existing portfolio company	0.7	3.1
<b>Total</b>	<b>\$ 4.5</b>	<b>\$ 20.2</b>
<b>Unfunded Contractual Commitments<sup>(3)</sup></b>		
<b>Total</b>	<b>\$ 46.3</b>	<b>\$ 59.7</b>
<b>Non-Binding Term Sheets</b>		
New portfolio company	\$ 60.0	\$ 55.0
Existing portfolio company	12.0	
<b>Total</b>	<b>\$ 72.0</b>	<b>\$ 55.0</b>

(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 nine months ended September 30, 2017, we received approximately \$474.5 million in aggregate principal repayments. Of the approximately \$474.5 million of aggregate principal repayments, approximately \$93.1 million were scheduled principal payments and approximately \$381.4 million were early principal repayments related to 38 portfolio companies. Of the approximately \$381.4 million early principal repayments, approximately \$74.2 million were early repayments due to merger and acquisition transactions for seven portfolio companies.

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Total portfolio investment activity (inclusive of unearned income and excluding activity related to taxes payable, escrow receivables and warrant participation liabilities) as of and for the nine months ended September 30, 2017 and the year ended December 31, 2016 was as follows:

(in millions)	September 30, 2017	December 31, 2016
<b>Beginning portfolio</b>	\$ 1,423.9	\$ 1,200.6
New fundings and restructures	487.3	680.7
Warrants not related to current period fundings	0.4	0.6
Principal payments received on investments	(93.1)	(111.2)
Early payoffs	(381.4)	(324.0)
Accretion of loan discounts and paid-in-kind principal	27.5	43.6
Net acceleration of loan discounts and loan fees due to early payoff or restructure	(6.8)	(6.3)
New loan fees	(7.5)	(10.1)
Warrants converted to equity		0.3
Sale of investments	(10.4)	(4.4)
Loss on investments due to write offs	(38.5)	(10.0)
Net change in unrealized appreciation (depreciation)	15.7	(35.9)
<b>Ending portfolio</b>	<b>\$ 1,417.1</b>	<b>\$ 1,423.9</b>

The following table shows the fair value of our investment portfolio by asset class as of September 30, 2017 and December 31, 2016:

(in thousands)	September 30, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Debt with Warrants	\$ 838,253	59.1%	\$ 1,078,779	75.7%
Senior Secured Debt	494,544	34.9%	277,509	19.5%
Preferred Stock	41,993	3.0%	39,418	2.8%
Common Stock	42,324	3.0%	28,236	2.0%
<b>Total</b>	<b>\$ 1,417,114</b>	<b>100.0%</b>	<b>\$ 1,423,942</b>	<b>100.0%</b>

The increase in senior secured debt and the decrease in senior secured debt with warrants during the period is primarily due to an increase in new debt investments that do not include detachable equity enhancement features.

A summary of our investment portfolio as of September 30, 2017 and December 31, 2016 at value by geographic location is as follows:

(in thousands)	September 30, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 1,292,617	91.2%	\$ 1,362,223	95.6%
England	66,598	4.7%	18,395	1.3%
Netherlands	20,495	1.4%	20,089	1.4%
Cayman Islands	14,925	1.1%		0.0%
Switzerland	11,611	0.8%	12,377	0.9%
Canada	10,868	0.8%	8,095	0.6%
Israel		0.0%	2,763	0.2%

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<b>Total</b>	\$ 1,417,114	100.0%	\$ 1,423,942	100.0%
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As of September 30, 2017, we held warrants or equity positions in five companies that have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings. All five 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.

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***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 September 30, 2017, our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from 4.2% to 13.0%. 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 \$33.4 million of unamortized fees at September 30, 2017, of which approximately \$30.2 million was included as an offset to the cost basis of our current debt investments and approximately \$3.2 million was deferred contingent upon the occurrence of a funding or milestone. At December 31, 2016, we had approximately \$38.2 million of unamortized fees, of which approximately \$35.8 million was included as an offset to the cost basis of our current debt investments and approximately \$2.4 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 September 30, 2017, we had approximately \$26.1 million in exit fees receivable, of which approximately \$22.8 million was included as a component of the cost basis of our current debt investments and approximately \$3.3 million was a deferred receivable related to expired commitments. At December 31, 2016, we had approximately \$32.8 million in exit fees receivable, of which approximately \$30.3 million was included as a component of the cost basis of our current debt investments and approximately \$2.5 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 \$2.5 million and \$2.1 million in PIK income in the three months ended September 30, 2017 and 2016, respectively. We recorded approximately \$7.2 million and \$5.7 million in PIK income in the nine months ended September 30, 2017 and 2016, 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 12.6% and 13.2% during the three months ended September 30, 2017 and 2016, 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 14.1% and 14.6% for the three months ended September 30, 2017 and 2016, respectively. The effective yield is derived

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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 return for our investors was approximately -2.3% and 19.5% during the nine months ended September 30, 2017 and 2016, 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 drug discovery & development, software, media/content/info, sustainable and renewable technology, internet consumer & business services, drug delivery, medical devices & equipment, healthcare services, specialty pharmaceuticals, information services, consumer & business products, semiconductors, surgical devices, electronics & computer hardware, biotechnology tools, communications & networking and diagnostic 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 September 30, 2017, approximately 73.5% of the fair value of our portfolio was composed of investments in five industries: 27.7% investments in the drug discovery & development industry, 20.0% investments in the software industry, 10.4% investments in the media/content/info industry, 7.9% investments in the sustainable and renewable technology industry, and 7.5% investments in the internet consumer & business services industry.

The following table shows the fair value of our portfolio by industry sector at September 30, 2017 and December 31, 2016:

(in thousands)	September 30, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	\$ 392,952	27.7%	\$ 422,550	29.7%
Software	283,419	20.0%	219,559	15.4%
Media/Content/Info	146,956	10.4%	137,567	9.7%
Sustainable and Renewable Technology	111,629	7.9%	154,406	10.9%
Internet Consumer & Business Services	106,734	7.5%	97,047	6.8%
Drug Delivery	97,866	6.9%	109,834	7.7%
Medical Devices & Equipment	79,106	5.6%	107,695	7.6%
Healthcare Services, Other	67,139	4.7%	30,200	2.1%
Specialty Pharmaceuticals	37,875	2.7%	38,944	2.7%
Information Services	23,998	1.7%	6,091	0.4%
Consumer & Business Products	21,061	1.5%	42,713	3.0%
Semiconductors	15,780	1.1%	11,326	0.8%
Surgical Devices	12,767	0.9%	12,553	0.9%
Electronics & Computer Hardware	7,606	0.5%	7,664	0.5%
Biotechnology Tools	5,971	0.4%	7,200	0.5%
Communications & Networking	5,547	0.4%	18,019	1.3%
Diagnostic	708	0.1%	574	0.0%
<b>Total</b>	<b>\$ 1,417,114</b>	<b>100.0%</b>	<b>\$ 1,423,942</b>	<b>100.0%</b>



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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 nine months ended September 30, 2017 and the year ended December 31, 2016, our ten largest portfolio companies represented approximately 37.7% and 34.0% of the total fair value of our investments in portfolio companies, respectively. At September 30, 2017 and December 31, 2016, we had eight and seven investments, respectively, that represented 5% or more of our net assets. At September 30, 2017, we had eight equity investments representing approximately 62.2% 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, 2016, we had seven equity investments which represented approximately 54.7% 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 September 30, 2017 approximately 96.7% 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.

As of September 30, 2017, 85.6% of our debt investments were in a senior secured first lien position, 14.1% were secured by a senior second priority security interest in all of the portfolio company's assets, other than intellectual property, and the remaining 0.3% were unsecured as a result of the terms of the acquisition of one of our portfolio companies during the period. 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.

At September 30, 2017, of the approximately 85.6% of our debt investments in a senior secured first lien position, 44.6% were secured by a first priority security in all of the assets of the portfolio company, including its intellectual property and 41.0% were 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. At September 30, 2017 we had no equipment only liens on material investments.

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 discounts (OID) and are accreted into interest income over the term of the loan as a yield enhancement. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price generally equal to the most recent equity financing round. As of September 30, 2017, we held warrants in 128 portfolio companies, with a fair value of approximately \$32.7 million. The fair value of our warrant portfolio increased by approximately \$5.2 million, as compared to a fair value of \$27.5 million at December 31, 2016 primarily related to the addition of warrants in 10 new and 8 existing portfolio companies during the period.

Our existing warrant holdings would require us to invest approximately \$82.3 million to exercise such warrants as of September 30, 2017. 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 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.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control, which, in general, includes a company in which we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an



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affiliate of a company in which we have invested if we own 5% or more, but generally less than 25%, of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments. The following table summarizes our realized gains and losses and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three and nine months ended September 30, 2017 and 2016.

(in thousands)	Portfolio Company	Type	For the Three Months Ended September 30, 2017				For the Nine Months Ended September 30, 2017				
			Fair Value at September 30, 2017	Investment Income	Net Change in Unrealized Appreciation/Depreciation	Reversal of Unrealized Appreciation/Depreciation <sup>(1)</sup>	Realized Gain/(Loss)	Investment Income	Net Change in Unrealized Appreciation/Depreciation	Reversal of Unrealized Appreciation/Depreciation <sup>(1)</sup>	Realized Gain/(Loss)
	<b>Control Investments</b>										
	Achilles Technology Management Co II, Inc.	Control	\$ 242	\$ 3	\$ (46)	\$	\$ (485)	\$ 155	\$ (2,254)	\$	\$ (486)
	HercGamma, Inc.	Control			(523)				(523)		
	SkyCross, Inc.	Control				15,058	(15,058)		1,842	15,452	(15,452)
	Tectura Corporation	Control	23,140	462	2,995			1,361	2,995	51	(51)
	Second Time Around (Simplify Holdings, LLC)	Control			140				140		
	<b>Total Control Investments</b>		\$ 23,382	\$ 465	\$ 2,566	\$ 15,058	\$ (15,543)	\$ 1,516	\$ 2,200	\$ 15,503	\$ (15,989)
	<b>Affiliate Investments</b>										
	Optiscan BioMedical, Corp.	Affiliate	\$ 6,064	\$	\$ 72	\$	\$	\$	\$ 1,192	\$	\$
	Stion Corporation	Affiliate									