

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.

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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 ⁽¹⁾	%	\$
Sales load (underwriting discounts and commissions)	%	\$
Proceeds to us (before expenses) ⁽²⁾	%	\$

- (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:

Closed Commitments and Pending Commitments (in millions)	
January 1 - September 30, 2017 Closed Commitments	\$ 551.4
October 1, 2017 - January 10, 2018 Closed Commitments ^(a)	\$ 365.5
Pending Commitments (as of January 10, 2018) ^(b)	\$ 122.0
Closed and Pending Commitments as of January 10, 2018	\$ 1,038.9

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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 Titingier and Brad Koenig as directors of the Company. Following their appointment, both Mr. Titingier 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. Titingier'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. Titingier 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 Cempira. 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 Cempira 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. We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

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

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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	<p>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.</p> <p>As of September 30, 2017, our total consolidated indebtedness was approximately \$744.2 million, which included:</p> <p>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).</p> <p>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.</p> <p>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</p>

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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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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
Investment income:							
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
Total investment income	140,682	127,579	175,051	157,132	143,665	139,713	97,520
Operating expenses:							
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
Total operating expenses	68,757	60,352	82,707	83,630	70,334	66,648	49,413
Other income (loss)			8,000	(1)	(1,581)		
Net investment income	71,925	67,227	100,344	73,501	71,750	73,065	48,107
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)
Total net realized and unrealized gain (loss)	(11,292)	(12,645)	(31,641)	(30,585)	(562)	26,381	(1,348)
Net increase in net assets resulting from operations	\$ 60,633	\$ 54,582	\$ 68,703	\$ 42,916	\$ 71,188	\$ 99,446	\$ 46,759
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
Balance sheet data:							
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
Other Data:							
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 ⁽²⁾	46,302	73,865	59,683	75,402	147,689	69,091	19,265
Net asset value per share ⁽¹⁾	\$ 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⁽²⁾
	(in thousands)	
Investments at fair value	\$ 1,417,114	\$
Cash and cash equivalents	\$ 140,568	\$
Debt ⁽¹⁾ :		
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:

	For the nine months ended September 30, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Earnings to Fixed Charges ⁽¹⁾	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
Debt Commitments⁽¹⁾		
New portfolio company	\$ 467.0	\$ 624.0
Existing portfolio company	79.9	171.8
Total	\$ 546.9	\$ 795.8
Funded and Restructured Debt Investments⁽²⁾		
New portfolio company	\$ 346.7	\$ 479.0
Existing portfolio company	136.1	181.5
Total	\$ 482.8	\$ 660.5
Funded Equity Investments		
New portfolio company	\$ 3.8	\$ 17.1
Existing portfolio company	0.7	3.1
Total	\$ 4.5	\$ 20.2
Unfunded Contractual Commitments⁽³⁾		
Total	\$ 46.3	\$ 59.7
Non-Binding Term Sheets		
New portfolio company	\$ 60.0	\$ 55.0
Existing portfolio company	12.0	
Total	\$ 72.0	\$ 55.0

(1) Includes restructured loans and renewals in addition to new commitments.

(2) Funded amounts include borrowings on revolving facilities.

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

We receive principal payments on our debt investment portfolio based on scheduled amortization of the outstanding balances. In addition, we receive principal repayments for some of our loans prior to their scheduled maturity date. The frequency or volume of these early principal repayments may fluctuate significantly from period to period. During the 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
Beginning portfolio	\$ 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)
Ending portfolio	\$ 1,417.1	\$ 1,423.9

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%
Total	\$ 1,417,114	100.0%	\$ 1,423,942	100.0%

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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Total	\$ 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:

	September 30, 2017		December 31, 2016	
	Investments at	Percentage of	Investments at	Percentage of
(in thousands)	Fair Value	Total Portfolio	Fair Value	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%
Total	\$ 1,417,114	100.0%	\$ 1,423,942	100.0%

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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	Fair Value at September 30, 2017	Investment Income	For the Three Months Ended September 30, 2017			Realized Gain/(Loss)	For the Nine Months Ended September 30, 2017		
				Net Change in Unrealized Appreciation/Depreciation	Reversal of Unrealized Appreciation/Depreciation			Net Change in Unrealized Appreciation/Depreciation	Reversal of Unrealized Appreciation/Depreciation	Realized Gain/(Loss)
Control Investments										
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		
Total Control Investments		\$ 23,382	\$ 465	\$ 2,566	\$ 15,058	\$ (15,543)	\$ 1,516	\$ 2,200	\$ 15,503	\$ (15,989)
Affiliate Investments										
Optiscan BioMedical, Corp.	Affiliate	\$ 6,064	\$	\$ 72	\$	\$	\$	\$ 1,192	\$	\$
Stion Corporation	Affiliate						2			
Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.)	Affiliate	27,522	248	4,537			248	(48,678)		
Total Affiliate Investments		\$ 33,586	\$ 248	\$ 4,609	\$	\$	\$ 250	\$ (47,486)	\$	\$
Total Control & Affiliate Investments		\$ 56,968	\$ 713	\$ 7,175	\$ 15,058	\$ (15,543)	\$ 1,766	\$ (45,286)	\$ 15,503	\$ (15,989)

(in thousands)

Portfolio Company	Type	Fair Value at September 30, 2016	Investment Income	For the Three Months Ended September 30, 2016			Realized Gain/(Loss)	For the Nine Months Ended September 30, 2016		
				Net Change in Unrealized Appreciation/Depreciation	Reversal of Unrealized Appreciation/Depreciation			Net Change in Unrealized Appreciation/Depreciation	Reversal of Unrealized Appreciation/Depreciation	Realized Gain/(Loss)
Control Investments										
SkyCross, Inc.	Control	\$	\$	\$	\$	\$	\$	\$ (3,421)	\$	\$
Achilles Technology Management Co II, Inc.	Control	4,991	16				16			
Total Control Investments		\$ 4,991	\$ 16	\$	\$	\$	\$ 16	\$ (3,421)	\$	\$
Affiliate Investments										
Optiscan BioMedical, Corp.	Affiliate	\$ 5,102	\$	\$ 553	\$	\$	\$ 12	\$ (2,833)	\$	\$
Stion Corporation	Affiliate	821	30				133	539	648	

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Total Affiliate Investments	\$	5,923	\$ 30	\$	553	\$		\$	145	\$	(2,294)	\$	648	\$
Total Control & Affiliate Investments	\$	10,914	\$ 46	\$	553	\$		\$	161	\$	(5,715)	\$	648	\$

(1) Represents reversals of prior period net unrealized depreciation upon being realized as a loss due to write off.

In July 2017, we acquired the primary assets of Second Time Around (Simplify Holdings, LLC) as part of an article 9 consensual foreclosure and public auction. These assets represent the remaining possible recovery on our debt and as such this investment is classified as a control investment as of September 30, 2017.

In June 2017, we acquired 100% ownership of the equity in HercGamma, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2017, HercGamma, Inc. acquired the assets of a medical device

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company that develops advanced digital imaging to detect breast cancer, as part of an article 9 consensual foreclosure and public auction for consideration with an estimated fair value of \$1.2 million. Our investment in HercGamma, Inc. is carried on the consolidated statement of assets and liabilities at fair value. In September 2017, we reduced the cost basis of its equity position by \$646,000 with net proceeds from an asset sale.

In April 2017, our investment in Solar Spectrum Holdings LLC (p.k.a. Sungevity, Inc.) became classified as a control investment as a result of obtaining more than 25% of the portfolio company's voting securities. In April 2017, under Section 363 of the Bankruptcy Code, Sungevity, Inc. entered into a \$50.0 million asset purchase agreement and DIP financing facility with a group of investors, led by Northern Pacific Group and including us. On April 7, 2017, the U.S. Bankruptcy Court approved the DIP financing facility and on April 17, the U.S. Bankruptcy Court approved the asset purchase agreement. On April 26, 2017, Solar Spectrum Holdings LLC, a new company backed by the investment group, announced that it had acquired certain assets of Sungevity, Inc. as part of the bankruptcy court-approved sale. As a result, the cost basis of our debt investment in Sungevity, Inc. was converted to an equity position in Solar Spectrum Holdings LLC and our warrant and equity positions in Sungevity, Inc. were written off for a realized loss.

In August 2017, our ownership in Solar Spectrum Holdings LLC was diluted below 25% as a result of additional equity contributions by other investors to fund the acquisition of Horizon Solar Power, Inc. by Solar Spectrum Holdings LLC. We made a \$15.0 million debt investment to fund the acquisition. Accordingly, our equity and new debt investment in Solar Spectrum Holdings LLC became classified as affiliate investments as of September 30, 2017.

In January 2017, our investment in Tectura Corporation became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In March 2017, our warrants in Tectura Corporation expired and were written off for a realized loss.

In June 2016, our investments in SkyCross, Inc. became classified as a control investment as a result of obtaining more than 50% representation on the portfolio company's board. In September 2017, our investments were deemed wholly worthless and written off for a realized loss.

In June 2016, we also acquired 100% ownership of the equity of Achilles Technology Management Co II, Inc. and classified it as a control investment in accordance with the requirements of the 1940 Act. In June 2016, Achilles Technology Management Co II, Inc. acquired the assets of a global antenna company that produces radio frequency system solutions as part of an article 9 consensual foreclosure and public auction for total consideration in the amount of \$4.0 million. In September and November 2016, we made a \$1.0 million and \$250,000 debt investment, respectively, in Achilles Technology Management II, Inc. to provide working capital under the terms of a loan servicing agreement.

In August 2017, our debt investment in Achilles Technology Management II, Inc. was fully repaid by net proceeds from sales of the portfolio company's assets. In addition, our equity investment in Achilles Technology Management II, Inc. was reduced by \$900,000 in lieu of a success fee on the repayment of our debt investment. The remaining equity investment in Achilles Technology Management II, Inc. is carried on the consolidated statement of assets and liabilities at fair value.

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Portfolio Grading

We use an investment grading system, which grades each debt investment on a scale of 1 to 5 to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of September 30, 2017 and December 31, 2016, respectively:

(in thousands)	September 30, 2017			December 31, 2016		
	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio	Number of Companies	Debt Investments at Fair Value	Percentage of Total Portfolio
Investment Grading						
1	8	\$ 189,995	14.6%	15	\$ 275,832	20.8%
2	33	696,165	53.6%	32	590,547	44.4%
3	24	370,902	28.5%	25	329,393	24.8%
4	5	43,006	3.3%	8	58,874	4.4%
5	4		0.0%	8	74,157	5.6%
	74	\$ 1,300,068	100.0%	88	\$ 1,328,803	100.0%

As of September 30, 2017, our debt investments had a weighted average investment grading of 2.24 on a cost basis, as compared to 2.41 at December 31, 2016. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria or are underperforming relative to their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and therefore have been downgraded until their funding is complete or their operations improve. The improvement in weighted average investment grading at September 30, 2017 from December 31, 2016 is primarily due to the conversion of our debt investment in Sungevity Inc. to an equity position in Solar Spectrum Holdings LLC during the period. This position was rated 5 and represented \$44.6 million of the rated 5 debt investment fair value at December 31, 2016. In addition, four positions that were rated 5 as of December 31, 2016 were sold or liquidated during the period.

At September 30, 2017, we had five debt investments on non-accrual with a cumulative investment cost and fair value of approximately \$14.0 million and \$3.0 million, respectively. At December 31, 2016, we had five debt investments on non-accrual with cumulative investment cost and fair value of approximately \$43.9 million and \$6.2 million, respectively. The decrease in the cumulative cost and fair value of debt investments on non-accrual between September 30, 2017 and December 31, 2016 is the result of the liquidation of two debt investments that were on non-accrual at December 31, 2016, offset by placing two new debt investments on non-accrual status during the period. During the three and nine months ended September 30, 2017, the Company recognized a realized loss of approximately \$23.8 million on the write off of two debt investments that were on non-accrual at December 31, 2016.

Results of Operations

Comparison of the three and nine months ended September 30, 2017 and 2016

Investment Income

Total investment income for the three months ended September 30, 2017 was approximately \$45.9 million as compared to approximately \$45.1 million for the three months ended September 30, 2016. Total investment income for the nine months ended September 30, 2017 was approximately \$140.7 million as compared to approximately \$127.6 million for the nine months ended September 30, 2016.

Interest and PIK interest income for the three months ended September 30, 2017 totaled approximately \$42.4 million as compared to approximately \$40.0 million for the three months ended September 30, 2016. Interest and PIK interest income for the nine months ended September 30, 2017 totaled approximately \$125.8 million as compared to approximately \$116.1 million for the nine months ended September 30, 2016. The

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increase in interest and PIK interest income for the three and nine months ended September 30, 2017 as compared to the same periods ended September 30, 2016 is primarily attributable to an increase in recurring interest and PIK interest income, along with an increase in interest accelerations due to early loan repayments and other one-time events.

Of the \$42.4 million in interest and PIK interest income for the three months ended September 30, 2017, approximately \$39.7 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$2.7 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$38.2 million and \$1.8 million, respectively, of the \$40.0 million interest and PIK interest income for the three months ended September 30, 2016.

Of the \$125.8 million in interest and PIK interest income for the nine months ended September 30, 2017, approximately \$117.6 million represents recurring income from the contractual servicing of our loan portfolio and approximately \$8.2 million represents income related to the acceleration of income due to early loan repayments and other one-time events during the period. Income from recurring interest and the acceleration of interest income due to early loan repayments represented \$111.8 million and \$4.3 million, respectively, of the \$116.1 million interest and PIK interest income for the nine months ended September 30, 2016.

The following table shows the PIK-related activity for the nine months ended September 30, 2017 and 2016, at cost:

(in thousands)	Nine Months Ended September 30,	
	2017	2016
Beginning PIK interest receivable balance	\$ 9,930	\$ 5,149
PIK interest income during the period	7,172	5,676
PIK accrued (capitalized) to principal but not recorded as income during the period		(2,146)
Payments received from PIK loans	(2,349)	(438)
Realized loss	(2,183)	(266)
 Ending PIK interest receivable balance	 \$ 12,570	 \$ 7,975

The increase in PIK interest income during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 is due to an increase in the weighted average principal outstanding of loans which bear PIK interest, including an increase in newly originated loans bearing PIK interest. This increase is partially offset by an increase in the number of PIK loans that paid off during the period.

Fee income for the three months ended September 30, 2017 totaled approximately \$3.4 million as compared to approximately \$5.1 million for the three months ended September 30, 2016. Fee income for the nine months ended September 30, 2017 totaled approximately \$14.9 million as compared to approximately \$11.5 million for the nine months ended September 30, 2016. The decrease in fee income for the three months ended September 30, 2017 is primarily due to a decrease in the acceleration of unamortized fees due to early repayments and one-time fees between periods. The increase in fee income for the nine months ended September 30, 2017 is primarily attributable to an increase in the acceleration of unamortized fees due to early repayments and one-time fees between periods.

Of the \$3.4 million in fee income for the three months ended September 30, 2017, approximately \$1.3 million represents income from recurring fee amortization and approximately \$2.1 million represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$2.5 million and \$2.6 million, respectively, of the \$5.1 million in income for the three months ended September 30, 2016.

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Of the \$14.9 million in fee income for the nine months ended September 30, 2017, approximately \$4.9 million represents income from recurring fee amortization and approximately \$10.0 million represents income related to the acceleration of unamortized fees due to early repayments and one-time fees for the period. Income from recurring fee amortization and the acceleration of unamortized fees due to early loan repayments represented \$7.2 million and \$4.3 million, respectively, of the \$11.5 million in income for the nine months ended September 30, 2016.

In certain investment transactions, we may earn income from advisory services; however, we had no income from advisory services in the three and nine months ended September 30, 2017 or 2016.

Operating Expenses

Our operating expenses are comprised of interest and fees on our borrowings, general and administrative expenses and employee compensation and benefits. Our operating expenses totaled approximately \$21.9 million and \$21.3 million during the three months ended September 30, 2017 and 2016, respectively. Our operating expenses totaled approximately \$68.8 million and \$60.4 million during the nine months ended September 30, 2017 and 2016, respectively.

Interest and Fees on our Borrowings

Interest and fees on our borrowings totaled approximately \$10.5 million and \$10.1 million for the three months ended September 30, 2017 and 2016, respectively, and approximately \$33.5 million and \$27.0 million during the nine months ended September 30, 2017 and 2016, respectively. Interest and fee expense for the three months ended September 30, 2017, as compared to September 30, 2016, increased due to a higher weighted average principal balance outstanding on our 2024 Notes and Convertible Notes, offset by a reduction in the weighted average principal balance outstanding on our 2019 Notes, which were fully redeemed in February 2017, and on our 2021 Asset Backed Notes, which are amortizing. Interest and fee expense for the nine months ended September 30, 2017, as compared to September 30, 2016, increased due to the onetime, non-cash acceleration of approximately \$1.5 million of unamortized fees upon the redemption of our 2019 Notes in February 2017 and a higher weighted average principal balance outstanding on our 2024 Notes and Convertible Notes, partially offset by a reduction in interest expense on our 2019 Notes and 2021 Asset Backed Notes.

We had a weighted average cost of debt, comprised of interest and fees, of approximately 5.6% and 6.0% for the three months ended September 30, 2017 and 2016, respectively, and a weighted average cost of debt of approximately 5.8% and 5.8% for the nine months ended September 30, 2017 and 2016, respectively. The decrease in the weighted average cost of debt for the three months ended September 30, 2017 as compared to the same period ended September 30, 2016 is primarily attributable to the full redemption of our 2019 Notes between periods.

General and Administrative Expenses

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, expenses associated with the workout of underperforming investments and various other expenses. Our general and administrative expenses decreased to \$3.5 million from \$4.1 million for the three months ended September 30, 2017 and 2016. Our general and administrative expenses increased to \$12.4 million from \$12.1 million for the nine months ended September 30, 2017 and 2016. The decrease for the three months ended September 30, 2017 was primarily attributable to a reduction in corporate legal and other expenses. The increase for the nine months ended September 30, 2017 was primarily attributable to an increase in excise tax accruals and charitable contributions, offset by a reduction in corporate legal and other expenses between periods.

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Employee Compensation

Employee compensation and benefits totaled \$6.0 million for the three months ended September 30, 2017 as compared to \$5.6 million for the three months ended September 30, 2016 and \$17.3 million for the nine months ended September 30, 2017 as compared to \$15.6 million for the nine months ended September 30, 2016. The increase for the three and nine month comparative periods was primarily due to increased salaries and changes in variable compensation expenses due to company performance objectives.

Employee stock-based compensation totaled \$1.8 million for the three months ended September 30, 2017 as compared to \$1.4 million for the three months ended September 30, 2016 and \$5.6 million for the nine months ended September 30, 2017 as compared to \$5.6 million for the nine months ended September 30, 2016. The increase for the three month comparative period was primarily related to restricted stock award vesting.

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

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

A summary of realized gains and losses for the three and nine months ended September 30, 2017 and 2016 is as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Realized gains	\$ 1,345	\$ 9,423	\$ 12,898	\$ 13,634
Realized losses	(25,799)	(1,553)	(39,827)	(10,207)
Net realized gains (losses)	\$ (24,454)	\$ 7,870	\$ (26,929)	\$ 3,427

During the three and nine months ended September 30, 2017 we recognized net realized losses of \$24.5 million and \$26.9 million, respectively. During the three months ended September 30, 2017, we recorded gross realized gains of \$1.3 million primarily from the sale or acquisition of our holdings in three portfolio companies, including Axovant Sciences Ltd. (\$460,000), CashStar, Inc. (\$235,000), and Aveo Pharmaceuticals, Inc. (\$227,000). These gains were offset by gross realized losses of \$25.8 million primarily from the liquidation or write off of our warrant and equity investments in seven portfolio companies and companies and our debt investment in three portfolio companies.

During the nine months ended September 30, 2017, we recorded gross realized gains of \$12.9 million primarily from the sale or acquisition of our holdings in four portfolio companies, including IronPlanet, Inc. (\$5.1 million), Box, Inc. (\$4.0 million) TPI Composites, Inc. (\$1.2 million) and Edge Therapeutics, Inc. (\$708,000). These gains were offset by gross realized losses of \$39.8 million primarily from the liquidation or write off of our warrant and equity investments in nineteen portfolio companies and our debt investment in four portfolio companies.

During the three and nine months ended September 30, 2016, we recognized net realized gains of \$7.9 million and net realized losses of \$3.4 million, respectively. During the three months ended September 30, 2016, we recorded gross realized gains of \$9.4 million primarily from the acquisition of our holdings in three portfolio companies, including Box, Inc. (\$7.8 million), Touchcommerce, Inc. (\$698,000) and ReachLocal (\$610,000). These gains were offset by gross realized losses of \$1.5 million primarily from the liquidation or write off of our warrant and equity investments in one portfolio company and our debt investment in one portfolio company.

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During the nine months ended September 30, 2016, we recorded gross realized gains of \$13.6 million primarily from the sale or acquisition of our holdings in five portfolio companies, including Box, Inc. (\$8.9 million), Celator Pharmaceuticals, Inc. (\$1.5 million), Ping Identity Corporation (\$1.3 million), Touchcommerce, Inc. (\$698,000) and ReachLocal (\$610,000). These gains were partially offset by gross realized losses of \$10.2 million primarily from the liquidation or write off of our warrant and equity investments in six portfolio companies and our debt investment in four portfolio companies, including the settlement of our outstanding debt investment in the Neat Company (\$6.2 million).

The following table summarizes the change in net unrealized appreciation (depreciation) of investments for the three and nine months ended September 30, 2017 and 2016:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gross unrealized appreciation on portfolio investments	\$ 26,421	\$ 25,903	\$ 114,287	\$ 55,428
Gross unrealized depreciation on portfolio investments	(15,764)	(21,309)	(125,327)	(76,801)
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	27,317	(7,161)	41,447	(7,421)
Reversal of prior period net unrealized appreciation (depreciation) upon a realization event	(4,201)	1,550	(14,720)	12,803
Net unrealized appreciation (depreciation) on debt, equity, and warrant investments	33,773	(1,017)	15,687	(15,991)
Other net unrealized appreciation (depreciation)	(220)	183	(50)	(81)
Total net unrealized depreciation on investments	\$ 33,553	\$ (834)	\$ 15,637	\$ (16,072)

During the three months ended September 30, 2017, we recorded \$33.6 million of net unrealized appreciation, of which \$33.7 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded \$22.2 million of net unrealized appreciation on our debt investments, which was primarily related to the reversal of \$25.9 million of unrealized depreciation upon payoff or liquidation of our debt investments in three portfolio companies.

We recorded \$8.8 million of net unrealized appreciation on our equity investments, which was primarily related to a \$4.0 million reduction in the collateral based impairment on one portfolio company and \$5.7 million of unrealized appreciation on our public equity portfolio related to portfolio company performance.

Finally, we recorded \$2.7 million of net unrealized appreciation on our warrant investments, which was primarily due to \$5.0 million and \$411,000 of unrealized appreciation on our private and public warrant portfolios, respectively, related to portfolio company and industry performance. This unrealized appreciation was partially offset by the reversal of \$2.5 million of net unrealized appreciation upon being realized as a gain or loss due to the acquisition or liquidation of our warrant investments.

During the three months ended September 30, 2016, we recorded \$834,000 of net unrealized depreciation, of which \$1.0 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded \$7.7 million of net unrealized depreciation on our debt investments, which was primarily related to \$14.1 million of unrealized depreciation for collateral based impairments on eleven portfolio companies offset by the reversal of \$1.3 million unrealized depreciation for the prior period collateral based impairments on one portfolio company and \$4.8 million of unrealized appreciation from our market yield analysis related to industry performance.

We recorded \$4.0 million of net unrealized appreciation on our equity investments, which was primarily related to \$6.5 million unrealized appreciation on our public equity portfolio and \$2.3 million of unrealized appreciation on our private portfolio companies related to portfolio company performance, offset by the reversal of approximately \$4.7 million of net unrealized appreciation upon being realized as a gain on sales of Box, Inc.

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Finally, we recorded \$2.7 million of net unrealized appreciation on our warrant investments, which was primarily due to \$5.8 million of unrealized appreciation on our private portfolio companies related to company performance, offset by the reversal of \$2.0 million of unrealized appreciation upon being realized as a gain due to the acquisition of our warrant investments in two portfolio companies.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the three months ended September 30, 2017 and 2016:

(in millions)	Debt	Three Months Ended September 30, 2017		Total
		Equity	Warrants	
Collateral Based Impairments ⁽¹⁾	\$ (3.0)	\$ 4.0	\$ (0.2)	\$ 0.8
Reversals of Prior Period Collateral Based Impairments				
Reversals due to Debt Payoffs & Warrant/Equity Sales	25.9	(0.2)	(2.5)	23.2
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets		5.7	0.4	6.1
Level 3 Assets	(0.7)	(0.7)	5.0	3.6
Total Fair Value Market/Yield Adjustments	(0.7)	5.0	5.4	9.7
Total Unrealized Appreciation/(Depreciation)	\$ 22.2	\$ 8.8	\$ 2.7	\$ 33.7

(in millions)	Debt	Three Months Ended September 30, 2016		Total
		Equity	Warrants	
Collateral Based Impairments ⁽¹⁾	\$ (14.1)	\$ (0.1)	\$ (0.3)	\$ (14.5)
Reversals of Prior Period Collateral Based Impairments	1.3			1.3
Reversals due to Debt Payoffs & Warrant/Equity Sales	0.3	(4.7)	(2.0)	(6.4)
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets	0.3	6.5	(0.8)	6.0
Level 3 Assets	4.5	2.3	5.8	12.6
Total Fair Value Market/Yield Adjustments	4.8	8.8	5.0	18.6
Total Unrealized Appreciation/(Depreciation)	\$ (7.7)	\$ 4.0	\$ 2.7	\$ (1.0)

(1) The unrealized appreciation (depreciation) attributable to collateral based impairments include all changes in estimated fair value on positions whose fair value remains impaired relative to cost as of the balance sheet date. As such, this may include current period improvements in estimated fair value that do not represent reversals to prior period collateral based impairments.

(2) Level 1 assets are generally equities listed in active markets and level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC Topic 820 (Fair Value Measurements).

During the nine months ended September 30, 2017, we recorded \$15.6 million of net unrealized appreciation, of which \$15.7 million was net unrealized appreciation from our debt, equity and warrant investments. We recorded \$41.9 million of net unrealized appreciation on our debt investments, which was primarily related to the reversal of prior period collateral based impairments of \$52.0 million on three portfolio companies, including the reversal of the cumulative unrealized depreciation on our debt investment in Sungevity, Inc. upon its conversion to equity, and the reversal of \$30.9 million of unrealized depreciation upon the payoff or liquidation of our debt investments during the period. This unrealized appreciation was offset by \$41.6 million of unrealized depreciation for collateral based impairments on eight portfolio companies.

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We recorded \$36.9 million of net unrealized depreciation on our equity investments, which was primarily due to \$50.4 million of collateral based impairment on three portfolio companies, including impairment on our converted equity position in Solar Spectrum Holdings LLC. This unrealized depreciation was partially offset by \$7.8 million and \$3.8 million of unrealized appreciation on our public and private equity portfolio, respectively, related to portfolio company and industry performance.

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Finally, we recorded \$10.7 million of net unrealized appreciation on our warrant investments, which was primarily related to \$10.6 million and \$4.0 million of unrealized appreciation on our private and public warrant portfolio related to portfolio company and industry performance, respectively. This appreciation was offset by the reversal of approximately \$3.4 million of unrealized appreciation upon being realized as a gain or loss due to the acquisition or liquidation of our warrant investments.

During the nine months ended September 30, 2016, we recorded \$16.1 million of net unrealized depreciation, of which \$15.9 million was net unrealized depreciation from our debt, equity and warrant investments. We recorded \$9.7 million of net unrealized depreciation on our debt investments, which was primarily related to \$34.7 million unrealized depreciation for collateral based impairments on eleven portfolio companies offset by the reversal of \$12.5 million of unrealized depreciation upon payoff or settling of our debt investments and the reversal of \$7.0 million of unrealized depreciation for prior period collateral based impairments on five portfolio companies.

We recorded \$8.5 million of net unrealized depreciation on our equity investments, which was primarily related to \$3.9 million of unrealized depreciation on our public equity portfolio with the largest concentration in our investment in Box, Inc. and the reversal of \$4.6 million of net unrealized appreciation upon being realized as a gain on sale of Box, Inc. and the write off of three portfolio company investments.

Finally, we recorded \$2.3 million of net unrealized appreciation on our warrant investments, which was primarily related to \$5.4 million of net unrealized appreciation on our private portfolio companies related to portfolio company performance offset by the reversal of approximately \$1.2 million of unrealized appreciation upon being realized as a gain due to the acquisition of our warrant investments in two portfolio companies and the write off of five portfolio company investments.

The following table summarizes the change in net unrealized appreciation (depreciation) in the investment portfolio by investment type, excluding other net unrealized appreciation (depreciation) for the nine months ended September 30, 2017 and 2016:

(in millions)	Nine Months Ended September 30, 2017			
	Debt	Equity	Warrants	Total
Collateral Based Impairments ⁽¹⁾	\$ (41.6)	\$ (50.4)	\$ (0.5)	\$ (92.5)
Reversals of Prior Period Collateral Based Impairments	52.0			52.0
Reversals due to Debt Payoffs & Warrant/Equity Sales	30.9	1.9	(3.4)	29.4
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets		7.8	4.0	11.8
Level 3 Assets	0.6	3.8	10.6	15.0
Total Fair Value Market/Yield Adjustments	0.6	11.6	14.6	26.8
Total Unrealized Appreciation/(Depreciation)	\$ 41.9	\$ (36.9)	\$ 10.7	\$ 15.7

(in millions)	Nine Months Ended September 30, 2016			
	Debt	Equity	Warrants	Total
Collateral Based Impairments ⁽¹⁾	\$ (34.7)	\$ (0.1)	\$ (0.4)	\$ (35.2)
Reversals of Prior Period Collateral Based Impairments	7.0			7.0
Reversals due to Debt Payoffs & Warrant/Equity Sales	12.5	(4.6)	(1.2)	6.7
Fair Value Market/Yield Adjustments ⁽²⁾				
Level 1 & 2 Assets	0.3	(3.9)	(1.5)	(5.1)
Level 3 Assets	5.2	0.1	5.4	10.7
Total Fair Value Market/Yield Adjustments	5.5	(3.8)	3.9	5.6
Total Unrealized Appreciation/(Depreciation)	\$ (9.7)	\$ (8.5)	\$ 2.3	\$ (15.9)

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- (1) The unrealized appreciation (depreciation) attributable to collateral based impairments include all changes in estimated fair value on positions whose fair value remains impaired relative to cost as of the balance sheet date. As such, this may include current period improvements in estimated fair value that do not represent reversals to prior period collateral based impairments.
- (2) Level 1 assets are generally equities listed in active markets and level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC Topic 820 (Fair Value Measurements).

Income and Excise Taxes

We account for income taxes in accordance with the provisions of Topic 740 of the FASB's Accounting Standards Codification, as amended (ASC), Income Taxes , under which income taxes are provided for amounts currently payable and for amounts deferred based upon the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances may be used to reduce deferred tax assets to the amount likely to be realized. Based upon our previous election and anticipated continued qualification to be subject to taxation as a RIC, we are typically not subject to a material level of federal income taxes. We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long-term capital gains, from our taxable year ended December 31, 2016 to our stockholders in 2017.

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

For the three months ended September 30, 2017 and 2016, we had a net increase in net assets resulting from operations of approximately \$33.1 million and \$30.8 million, respectively. For the nine months ended September 30, 2017 and 2016, we had a net increase in net assets resulting from operations of approximately \$60.6 million and \$54.6 million, respectively.

Both the basic and fully diluted net change in net assets per common share were \$0.40 per share for the three months ended September 30, 2017 and \$0.73 per share for the nine months ended September 30, 2017. Both the basic and fully diluted net change in net assets per common share were \$0.41 per share and \$0.74 per share for the three and nine months ended September 30, 2016, respectively.

For the purpose of calculating diluted earnings per share for three and nine months ended September 30, 2017 and 2016, the effect of the 2022 Convertible Notes, outstanding options, and restricted stock units under the treasury stock method was considered. The effect of the 2022 Convertible Notes was excluded from these calculation for the three and nine months ended September 30, 2017 as our share price was less than the conversion price in effect which results in anti-dilution. The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016, as such there was no potential additional dilutive effect for the three and nine months ended September 30, 2016.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our Credit Facilities, SBA debentures, 2024 Notes (of which \$75.0 million of the outstanding aggregate principal amount were redeemed on November 23, 2017), 2021 Asset-Backed Notes, Convertible Notes and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the turnover of our portfolio and from public and private offerings of securities to finance our investment objectives. We may also raise additional equity or debt capital through registered offerings off a shelf registration, ATM and private offerings of securities, by securitizing a portion of our investments, or by borrowing from the SBA through our SBIC subsidiaries.

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

On September 8, 2017, we terminated the Prior Equity Distribution Agreement and entered into the Equity Distribution Agreement. As a result, the remaining shares that were available under the Prior Equity Distribution agreement are no longer available for issuance. The Equity Distribution Agreement provides that the Company may offer and sell up to 12.0 million shares of its common stock from time to time through JMP Securities, as its sales agent. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market," as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the nine months ended September 30, 2017, we sold 4.1 million shares of common stock, of which 3.3 million shares and 768,000 shares were issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement, respectively. During the nine months ended September 30, 2017, we received total accumulated net proceeds of approximately \$56.3 million, including \$687,000 of offering expenses, from these sales, of which \$46.9 million, including offering expenses of \$532,000, was received under the Prior Equity Distribution Agreement and \$9.4 million, including offering expenses of \$155,000, was received under the Equity Distribution Agreement, respectively. As of September 30, 2017, approximately 11.2 million shares remain available for issuance and sale under the Equity Distribution Agreement. See "Subsequent Events."

On August 27, 2015, our Board of Directors authorized a stock repurchase plan permitting us to repurchase up to \$50.0 million of our common stock until August 23, 2016, after which the plan expired. In January 2016, we repurchased 449,588 shares of our common stock at an average price per share of \$10.64 per share and a total cost of approximately \$4.8 million.

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

On May 2, 2016, we closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of our 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to cover overallocments on April 29, 2016. On June 27, 2016, we closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallocments, resulting in total aggregate principal of \$69.0 million from the offering. The 2024 Notes rank equally in right of payment and form a single series of notes. We intend to invest the net proceeds of these public offerings to fund investments in debt and equity securities in accordance with its investment objective and for other general corporate purposes.

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

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On October 11, 2016, we entered into a debt distribution agreement, pursuant to which we may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as our sales agent. Sales of the 2024 Notes, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

During the nine months ended September 30, 2017, we sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. We did not sell any notes under the program during the three months ended September 30, 2017. During the year ended December 31, 2016, we sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of September 30, 2017, approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

On January 25, 2017, we issued \$230.0 million in aggregate principal amount of 2022 Convertible Notes, which amount includes the additional \$30.0 million aggregate principal amount issued pursuant to the initial purchaser's exercise in full of its overallotment option. The sale generated net proceeds of approximately \$225.5 million, including \$4.5 million of debt issuance costs. Aggregate issuances costs include the initial purchaser's discount of approximately \$5.2 million, offset by the reimbursement of \$1.2 million by the initial purchaser. We intend to use the net proceeds from this offering (i) to repurchase or otherwise redeem all of our 2019 Notes, (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.

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

At September 30, 2017, we had \$230.0 million of 2022 Convertible Notes, \$258.5 million of 2024 Notes, \$65.5 million of 2021 Asset-Backed Notes, and \$190.2 million of SBA debentures payable. We had no borrowings outstanding under the Wells Facility or the Union Bank Facility. See Subsequent Events.

At September 30, 2017, we had \$335.6 million in available liquidity, including \$140.6 million in cash and cash equivalents. We had available borrowing capacity of \$120.0 million under the Wells Facility and \$75.0 million under the Union Bank Facility, both subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At September 30, 2017, we had \$118.5 million of capital outstanding in restricted accounts related to our SBIC that we may use to fund new investments in the SBIC. With our net investments of \$44.0 million and \$74.5 million in HT II and HT III, respectively, we have the combined capacity to issue a total of \$190.2 million of SBA guaranteed debentures, subject to SBA approval. At September 30, 2017, we have issued \$190.2 million in SBA guaranteed debentures in our SBIC subsidiaries.

At September 30, 2017, we had approximately \$7.8 million of restricted cash, which consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized 2021 Asset-Backed Notes, based on current characteristics of the securitized debt investment portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations.

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 redeem the outstanding 2024 Notes.

During the nine months ended September 30, 2017, we principally funded our operations from (i) cash receipts from interest, dividend and fee income from our investment portfolio and (ii) cash proceeds from the realization of portfolio investments through the repayments of debt investments and the sale of debt and equity investments.

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During the nine months ended September 30, 2017, our operating activities provided \$76.6 million of cash and cash equivalents, compared to \$58.5 million used during the nine months ended September 30, 2016. This \$135.1 million increase in cash provided by operating activities is primarily related to an increase in investment repayments of \$146.4 million and an increase in net realized losses on investments of \$30.4 million, partially offset by an increase in investment purchases of \$25.5 million and an increase in net unrealized appreciation of \$31.7 million.

During the nine months ended September 30, 2017, our investing activities provided approximately \$382,000 of cash, compared to \$16,000 used during the nine months ended September 30, 2016. The \$398,000 increase in cash provided in investing activities was primarily due to a decrease of approximately \$298,000 in cash, classified as restricted cash, on assets that are securitized.

During the nine months ended September 30, 2017, our financing activities provided \$50.5 million of cash, compared to \$32.3 million provided during the nine months ended September 30, 2016. The \$18.2 million increase in cash provided by financing activities was primarily due to the net issuance of \$225.5 million of the 2022 Convertible Notes and a reduction in the use of our credit facilities between periods, offset by the repayment of \$110.4 million of 2019 Notes and the decrease in 2024 Notes issuance during the nine months ended September 30, 2017.

As of September 30, 2017, net assets totaled \$836.3 million, with a NAV per share of \$10.00. We intend to continue to operate in order to generate cash flows from operations, including income earned from investments in our portfolio companies. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of September 30, 2017 our asset coverage ratio under our regulatory requirements as a business development company was 250.4% excluding our SBA debentures as a result of our exemptive order from the SEC that allows us to exclude all SBA leverage from our asset coverage ratio. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage. Total asset coverage ratio when including our SBA debentures was 212.0% at September 30, 2017.

Outstanding Borrowings

At September 30, 2017 and December 31, 2016, we had the following available borrowings and outstanding amounts:

(in thousands)	September 30, 2017			December 31, 2016		
	Total Available	Principal	Carrying Value ⁽¹⁾	Total Available	Principal	Carrying Value ⁽¹⁾
SBA Debentures ⁽²⁾	\$ 190,200	\$ 190,200	\$ 187,983	\$ 190,200	\$ 190,200	\$ 187,501
2019 Notes ⁽³⁾				110,364	110,364	108,818
2024 Notes ⁽⁴⁾	258,510	258,510	251,716	252,873	252,873	245,490
2021 Asset-Backed Notes	65,476	65,476	64,860	109,205	109,205	107,972
2022 Convertible Notes	230,000	230,000	223,097			
Wells Facility ⁽⁵⁾	120,000			120,000	5,016	5,016
Union Bank Facility ⁽⁵⁾	75,000			75,000		
Total	\$ 939,186	\$ 744,186	\$ 727,656	\$ 857,642	\$ 667,658	\$ 654,797

(1) Except for the Wells Facility and Union Bank Facility, all carrying values represent the principal amount outstanding less the remaining unamortized debt issuance costs and unaccreted discount, if any, associated with the loan as of the balance sheet date. See below for the amount of debt issuance cost associated with each borrowing.

(2) At both September 30, 2017 and December 31, 2016, the total available borrowings under the SBA debentures were \$190.2 million, of which \$41.2 million was available in HT II and \$149.0 million was available in HT III.

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(3) The 2019 Notes were redeemed in full on February 24, 2017.

(4) 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 redeem the outstanding 2024 Notes.

(5) Availability subject to us meeting the borrowing base requirements.

Debt issuance costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized over the life of the related debt instrument using the effective yield method or the straight line method, which closely approximates the effective yield method. In accordance with ASC Subtopic 835-30 (Interest Imputation of Interest), debt issuance costs are presented as a reduction to the associated liability balance on the Consolidated Statement of Assets and Liabilities, except for debt issuance costs associated with line-of-credit arrangements. Debt issuance costs, net of accumulated amortization, as of September 30, 2017 and December 31, 2016 were as follows:

(in thousands)	September 30, 2017	December 31, 2016
SBA Debentures	\$ 2,217	\$ 2,699
2019 Notes		1,546
2024 Notes ⁽¹⁾	6,889	7,482
2021 Asset-Backed Notes	616	1,233
2022 Convertible Notes	3,938	
Wells Facility ⁽²⁾	271	501
Union Bank Facility ⁽²⁾	453	768
Total	\$ 14,384	\$ 14,229

(1) 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 redeem the outstanding 2024 Notes.

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

Refer to Note 4 Borrowings included in the notes to our consolidated financial statements appearing elsewhere in this prospectus supplement for a discussion of the contract terms, interest expense, and fees associated with each outstanding borrowing as of and for the three and nine months ended September 30, 2017.

Commitments

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

At September 30, 2017, we had approximately \$46.3 million of unfunded commitments, including undrawn revolving facilities, which were available at the request of the portfolio company and unencumbered by milestones. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments.

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We also had approximately \$72.0 million of non-binding term sheets outstanding to three new companies, which generally convert to contractual commitments within approximately 90 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final investment committee approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

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

As of September 30, 2017, our unfunded contractual commitments available at the request of the portfolio company, including undrawn revolving facilities, and unencumbered by milestones are as follows:

(in thousands)	
Portfolio Company	Unfunded Commitments ⁽¹⁾
NewVoiceMedia Limited	\$ 15,000
Evernote Corporation	10,000
Aquantia Corp.	6,500
Wrike, Inc.	5,000
MDX Medical, Inc.	4,500
908 DEVICES INC.	2,500
Verastem, Inc.	2,500
RedSeal Inc.	302
Total	\$ 46,302

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

Contractual Obligations

The following table shows our contractual obligations as of September 30, 2017:

Contractual Obligations ⁽¹⁾	Payments due by period (in thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Borrowings ⁽²⁾⁽³⁾⁽⁵⁾	\$ 744,186	\$ 140,476	\$ 51,200	\$ 344,250	\$ 208,260
Operating Lease Obligations ⁽⁴⁾	4,370	1,831	1,149	1,145	245
Total	\$ 748,556	\$ 142,307	\$ 52,349	\$ 345,395	\$ 208,505

(1) Excludes commitments to extend credit to our portfolio companies.

(2) Includes \$190.2 million in principal outstanding under the SBA debentures, \$258.5 million of the 2024 Notes, \$230.0 million of the Convertible Notes and \$65.5 million of the 2021 Asset-Backed Notes as of September 30, 2017.

(3) Amounts represent future principal repayments and not the carrying value of each liability. See Note 4 to our consolidated financial statements.

(4) Facility leases.

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(5) Reflects redemption of a portion of the 2024 Notes. See Subsequent Events.

Certain premises are leased under agreements which expire at various dates through February 2023. Total rent expense amounted to approximately \$443,000 and \$1.3 million during the three and nine months ended September 30, 2017. Total rent expense amounted to approximately \$420,000 and \$1.3 million during the same periods ended September 30, 2016.

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Indemnification Agreements

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

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

Borrowings

Long-Term SBA Debentures

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act of 1958 and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. With the Company's net investment of \$44.0 million in HT II as of September 30, 2017, HT II has the capacity to issue a total of \$41.2 million of SBA guaranteed debentures, subject to SBA approval, of which \$41.2 million was outstanding as of September 30, 2017. As of September 30, 2017, HT II has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2017 the Company held investments in HT II in 32 companies with a fair value of approximately \$77.0 million, accounting for approximately 5.4% of the Company's total investment portfolio at September 30, 2017. HT II held approximately \$107.9 million in assets and accounted for approximately 5.4% of the Company's total assets prior to consolidation at September 30, 2017.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$74.5 million in HT III as of September 30, 2017, HT III has the capacity to issue a total of \$149.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$149.0 million was outstanding as of September 30, 2017. As of September 30, 2017, HT III has paid the SBA commitment fees and facility fees of approximately \$1.5 million and \$3.6 million, respectively. As of September 30, 2017, the Company held investments in HT III in 45 companies with a fair value of approximately \$200.8 million, accounting for approximately 14.2% of the Company's total investment portfolio at September 30, 2017. HT III held approximately \$279.9 million in assets and accounted for approximately 13.9% of the Company's total assets prior to consolidation at September 30, 2017.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$19.5 million and have average annual fully taxed net income not exceeding \$6.5 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller enterprises as defined by the SBA. A smaller enterprise is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through the Company's wholly owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

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HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and HT III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 2017 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in March 2009 are set semiannually in March and September and range from 2.25% to 4.62% excluding annual fees. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of March 2009, the initial maturity of SBA debentures will occur in March 2019. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.515%. The rates of borrowings on the Company's SBA debentures range from 3.05% to 5.53% when including these annual fees.

The average amount of debentures outstanding for the three and nine months ended September 30, 2017 for HT II was approximately \$41.2 million with an average interest rate of approximately 4.56% and 4.51%, respectively. The average amount of debentures outstanding for the three and nine months ended September 30, 2017 for HT III was approximately \$149.0 million with an average interest rate of approximately 3.46% and 3.42%, respectively.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the SBA debentures are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 1,757	\$ 1,757	\$ 5,212	\$ 5,231
Amortization of debt issuance cost (loan fees)	158	168	482	504
Total interest expense and fees	\$ 1,915	\$ 1,925	\$ 5,694	\$ 5,735
Cash paid for interest expense and fees	\$ 3,499	\$ 3,499	\$ 6,942	\$ 6,961
In aggregate, at September 30, 2017, with the Company's 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, the Company has issued \$190.2 million in SBA-guaranteed debentures in the Company's SBIC subsidiaries.				

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The Company reported the following SBA debentures outstanding principal balances as of September 30, 2017 and December 31, 2016:

(in thousands)

Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	September 30, 2017	December 31, 2016
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	3,400	3,400
September 22, 2010	September 1, 2020	3.62%	6,500	6,500
September 22, 2010	September 1, 2020	3.50%	22,900	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
September 19, 2012	September 1, 2022	3.05%	24,250	24,250
March 27, 2013	March 1, 2023	3.16%	24,750	24,750
Total SBA Debentures			\$ 190,200	\$ 190,200

(1) Interest rate includes annual charge

2019 Notes

In April and July 2012, the Company issued \$84.5 million in aggregate principal amount of 7.00% notes due 2019 (the April 2019 Notes). In September and October 2012, the Company issued \$85.9 million in aggregate principal amount of 7.00% notes due 2019 (the September 2019 Notes). The April 2019 Notes and September 2019 Notes are together referred to as the 2019 Notes.

In April 2015, the Company redeemed \$20.0 million of the \$84.5 million issued and outstanding aggregate principal amount of April 2019 Notes, as previously approved by the Board of Directors. In December 2015, the Company redeemed \$40.0 million of the \$85.9 million issued and outstanding aggregate principal amount of September 2019 Notes, as previously approved by the Board of Directors. The remaining 2019 Notes were fully redeemed on February 24, 2017.

As of December 31, 2016, the 2019 Notes payable outstanding principal balance consisted of:

(in thousands)	December 31, 2016
April 2019 Notes	\$ 64,490
September 2019 Notes	45,874
Total 2019 Notes principal outstanding	\$ 110,364

The April 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGZ. The September 2019 Notes bore interest at a rate of 7.00% per year and traded on the NYSE under the trading symbol HTGY. For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2019 Notes are as follows:

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(in thousands)	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$	\$ 1,931	\$ 1,159	\$ 5,794
Amortization of debt issuance cost (loan fees)		160	1,546	480
Total interest expense and fees	\$	\$ 2,091	\$ 2,705	\$ 6,274
Cash paid for interest expense and fees	\$	\$ 1,931	\$ 1,911	\$ 5,794

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2024 Notes

On July 14, 2014, the Company and U.S. Bank, N.A. (the 2024 Trustee), entered into the Third Supplemental Indenture (the Third Supplemental Indenture) to the Base Indenture between the Company and the 2024 Trustee, dated July 14, 2014, relating to the Company's issuance, offer and sale of \$100.0 million aggregate principal amount of 2024 Notes. On August 6, 2014, the underwriters issued notification to exercise their over-allotment option for an additional \$3.0 million in aggregate principal amount of the 2024 Notes.

On May 2, 2016, the Company closed an underwritten public offering of an additional \$72.9 million in aggregate principal amount of the 2024 Notes. The \$72.9 million in aggregate principal amount includes \$65.4 million from the initial offering on April 21, 2016 and \$7.5 million as a result of underwriters exercising a portion of their option to purchase up to an additional \$9.8 million in aggregate principal to cover overallotments on April 29, 2016.

On June 27, 2016, the Company closed an underwritten public offering of an additional \$60.0 million in aggregate principal amount of the 2024 Notes. On June 30, 2016, the underwriters exercised their option to purchase up to an additional \$9.0 million in aggregate principal to cover overallotments, resulting in total aggregate principal of \$69.0 million from the offering.

On October 11, 2016, the Company entered into a debt distribution agreement, pursuant to which it may offer for sale, from time to time, up to \$150.0 million in aggregate principal amount of 2024 Notes through FBR Capital Markets & Co. acting as its sales agent (the 2024 Notes Agent). Sales of the 2024 Notes may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE, or similar securities exchange or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

The 2024 Notes Agent receives a commission from the Company equal to up to 2.00% of the gross sales of any 2024 Notes sold through the 2024 Notes Agent under the debt distribution agreement. The 2024 Notes Agent is not required to sell any specific principal amount of 2024 Notes, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the 2024 Notes. The 2024 Notes are expected to trade flat, which means that purchasers in the secondary market will not pay, and sellers will not receive, any accrued and unpaid interest on the 2024 Notes that is not reflected in the trading price.

During the nine months ended September 30, 2017, the Company sold 225,457 notes for approximately \$5.6 million in aggregate principal amount. The Company did not sell any notes under the debt distribution agreement during the three months ended September 30, 2017. During the year ended December 31, 2016, the Company sold 317,125 notes for approximately \$7.9 million in aggregate principal amount. As of September 30, 2017 approximately \$136.4 million in aggregate principal amount remains available for issuance and sale under the debt distribution agreement.

All issuances of 2024 Notes rank equally in right of payment and form a single series of notes.

The 2024 Notes will mature on July 30, 2024 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after July 30, 2017, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2024 Notes bear interest at a rate of 6.25% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2014, and trade on the NYSE under the trading symbol HTGX .

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 redeem the outstanding 2024 Notes.

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The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future senior unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The Base Indenture, as supplemented by the Third Supplemental Indenture, contains certain covenants including covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to comply with the restrictions on dividends and other distributions as well as the purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the Third Supplemental Indenture. The Base Indenture, as supplemented by the Third Supplemental Indenture, also contains certain reporting requirements, including a requirement that the Company provide financial information to the holders of the 2024 Notes and the 2024 Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. The Base Indenture provides for customary events of default and further provides that the 2024 Trustee or the holders of 25% in aggregate principal amount of the outstanding 2024 Notes in a series may declare such 2024 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. As of September 30, 2017, the Company was in compliance with the terms of the Base Indenture as supplemented by the Third Supplemental Indenture.

As of September 30, 2017 and December 31, 2016, the components of the carrying value of the 2024 Notes were as follows:

(in thousands)	September 30, 2017	December 31, 2016
Principal amount of debt	\$ 258,510	\$ 252,873
Unamortized debt issuance cost	(6,889)	(7,482)
Original issue premium, net of amortization	95	99
Carrying value of 2024 Notes	\$ 251,716	\$ 245,490

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2024 Notes are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 4,039	\$ 3,926	\$ 12,065	\$ 7,910
Amortization of debt issuance cost (loan fees)	252	229	752	448
Amortization of original issue premium	(13)		(43)	
Total interest expense and fees	\$ 4,278	\$ 4,155	\$ 12,774	\$ 8,358
Cash paid for interest expense and fees	\$ 4,053	\$ 3,827	\$ 12,069	\$ 7,046

2021 Asset-Backed Notes

On November 13, 2014, the Company completed a \$237.4 million term debt securitization in connection with which an affiliate of the Company made an offer of \$129.3 million in aggregate principal amount of the 2021 Asset-Backed Notes, which were rated A(sf) by Kroll Bond Rating Agency, Inc. The 2021 Asset-Backed

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Notes were sold by Hercules Capital Funding Trust 2014-1 pursuant to a note purchase agreement, dated as of November 13, 2014, by and among the Company, Hercules Capital Funding Trust 2014-1, LLC as trust depositor (the "2014 Trust Depositor"), Hercules Capital Funding Trust 2014-1 as issuer (the "2014 Securitization Issuer"), and Guggenheim Securities, LLC, as initial purchaser, and are backed by a pool of senior loans made to certain of the Company's portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. The securitization has an 18-month reinvestment period during which time principal collections may be reinvested into additional eligible loans. Interest on the 2021 Asset-Backed Notes is paid, to the extent of funds available, at a fixed rate of 3.524% per annum. The 2021 Asset-Backed Notes have a stated maturity of April 16, 2021.

As part of this transaction, the Company entered into a sale and contribution agreement with the 2014 Trust Depositor under which the Company has agreed to sell or have contributed to the 2014 Trust Depositor certain senior loans made to certain of the Company's portfolio companies (the "2014 Loans"). The Company has made customary representations, warranties and covenants in the sale and contribution agreement with respect to the 2014 Loans as of the date of their transfer to the 2014 Trust Depositor.

In connection with the issuance and sale of the 2021 Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The 2021 Asset-Backed Notes are secured obligations of the 2014 Securitization Issuer and are non-recourse to the Company. The 2014 Securitization Issuer also entered into an indenture governing the 2021 Asset-Backed Notes, which includes customary representations, warranties and covenants. The 2021 Asset-Backed Notes were sold without being registered under the Securities Act (A) in the United States to "qualified institutional buyers" as defined in Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are "qualified purchasers" as defined in Section 2(a)(51)(A) of the 1940 Act and pursuant to an exemption under the Securities Act and (B) to non-U.S. purchasers acquiring interest in the 2021 Asset-Backed Notes outside the United States in accordance with Regulation S under the Securities Act. The 2014 Securitization Issuer is not registered under the 1940 Act in reliance on an exemption provided by Section 3(c)(7) thereof and Rule 3a-7 thereunder. In addition, the 2014 Trust Depositor entered into an amended and restated trust agreement in respect of the 2014 Securitization Issuer, which includes customary representation, warranties and covenants.

The 2014 Loans are serviced by the Company pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. The Company performs certain servicing and administrative functions with respect to the 2014 Loans. The Company is entitled to receive a monthly fee from the 2014 Securitization Issuer for servicing the 2014 Loans. This servicing fee is equal to the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including October 5, 2014 through and including December 5, 2014 over 360) of 2.00% and the aggregate outstanding principal balance of the 2014 Loans plus collections on deposit in the 2014 Securitization Issuer's collections account, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including October 5, 2014, to the close of business on December 5, 2014). The Company also serves as administrator to the 2014 Securitization Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At September 30, 2017 and December 31, 2016, the 2021 Asset-Backed Notes had an outstanding principal balance of \$65.5 million and \$109.2 million, respectively.

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For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the 2021 Asset-Backed Notes are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 632	\$ 1,103	\$ 2,327	\$ 3,381
Amortization of debt issuance cost (loan fees)	197	366	618	832
Total interest expense and fees	\$ 829	\$ 1,469	\$ 2,945	\$ 4,213

Cash paid for interest expense and fees	\$ 697	\$ 1,110	\$ 2,485	\$ 3,388
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Under the terms of the 2021 Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the 2021 Asset-Backed Notes. The Company has segregated these funds and classified them as restricted cash. There was approximately \$7.8 million and \$8.3 million of restricted cash as of September 30, 2017 and December 31, 2016, respectively, funded through interest collections.

Convertible Notes*2016 Convertible Notes*

In April 2011, the Company issued \$75.0 million in aggregate principal amount of 6.00% convertible notes due 2016 (the 2016 Convertible Notes). The 2016 Convertible Notes were fully settled on or before their contractual maturity date of April 15, 2016.

Prior to the close of business on October 14, 2015, holders were able to convert their 2016 Convertible Notes only under certain circumstances set forth in the indenture governing the 2016 Convertible Notes. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the maturity date, holders were able to convert their 2016 Convertible Notes at any time. Throughout the life of the 2016 Convertible Notes, holders of approximately \$74.8 million of the 2016 Convertible Notes exercised their conversion rights. These 2016 Convertible Notes were settled with a combination of cash equal to the outstanding principal amount of the 2016 Convertible Notes and approximately 1.6 million shares of the Company's common stock, or \$24.3 million.

The 2016 Convertible Notes were accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2016 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2016 Convertible Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the 2016 Convertible Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company recorded interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 8.1%.

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For the three and nine months ended September 30, 2016, the components of interest expense, fees and cash paid for interest expense for the 2016 Convertible Notes were as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$	\$	\$	\$ 352
Amortization of debt issuance cost (loan fees)				44
Accretion of original issue discount				82
Total interest expense and fees	\$	\$	\$	\$ 478
Cash paid for interest expense and fees	\$	\$	\$	\$ 440

The estimated effective interest rate of the debt component of the 2016 Convertible Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.1% for the three and nine months ended September 30, 2016.

2022 Convertible Notes

On January 25, 2017, the Company issued \$230.0 million in aggregate principal amount of 4.375% Convertible Notes due 2022 (the "2022 Convertible Notes"), which amount includes the additional \$30.0 million aggregate principal amount of 2022 Convertible Notes issued pursuant to the initial purchaser's exercise in full of its overallotment option. The 2022 Convertible Notes were issued pursuant to an Indenture, dated January 25, 2017 (the "2022 Convertible Notes Indenture"), between the Company and U.S. Bank, National Association, as trustee (the "2022 Trustee"). The sale of the 2022 Convertible Notes generated net proceeds of approximately \$225.5 million, including \$4.5 million of debt issuance costs.

The 2022 Convertible Notes mature on February 1, 2022, unless previously converted or repurchased in accordance with their terms. The 2022 Convertible Notes bear interest at a rate of 4.375% per year payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2017.

The 2022 Convertible Notes are unsecured obligations of the Company and rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding August 1, 2021, holders may convert their 2022 Convertible Notes only under certain circumstances set forth in the 2022 Convertible Notes Indenture. On or after August 1, 2021 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their 2022 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 60.9366 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$16.41 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such a corporate event in certain circumstances. As of September 30, 2017, the conversion rate was 60.9366 shares of common stock per \$1,000 principal amount of Convertible Senior Notes (equivalent to an adjusted conversion price of approximately \$16.41 per share of common stock).

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The Company may not redeem the 2022 Convertible Notes at its option prior to maturity. No sinking fund is provided for the 2022 Convertible Notes. In addition, if certain corporate events occur, holders of the 2022 Convertible Notes may require the Company to repurchase for cash all or part of their 2022 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

The 2022 Convertible Notes Indenture contains certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act and to provide financial information to the holders of the 2022 Convertible Notes and the 2022 Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the 2022 Convertible Notes Indenture. The Company offered and sold the 2022 Convertible Notes to the initial purchaser in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, for resale by the initial purchaser to qualified institutional buyers (as defined in the Securities Act) pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Company relied on these exemptions from registration based in part on representations made by the initial purchaser in connection with the sale of the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with ASC Subtopic 470-20 (Debt Instruments with Conversion and Other Options). In accounting for the 2022 Convertible Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the 2022 Convertible Notes were approximately 98.5% and 1.5%, respectively. The original issue discount of 1.5%, or \$3.4 million, attributable to the conversion feature of the 2022 Convertible Notes was recorded in capital in excess of par value in the Consolidated Statement of Assets and Liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 4.76%.

As of September 30, 2017, the components of the carrying value of the 2022 Convertible Notes were as follows:

(in thousands)	September 30, 2017
Principal amount of debt	\$ 230,000
Unamortized debt issuance cost	(3,938)
Original issue discount, net of accretion	(2,965)
Carrying value of 2022 Convertible Notes	\$ 223,097

For the three and nine months ended September 30, 2017, the components of interest expense, fees and cash paid for interest expense for the 2022 Convertible notes were as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 2,602	\$	\$ 6,876	\$
Amortization of debt issuance cost (loan fees)	213		558	
Accretion of original issue discount	168		448	
Total interest expense and fees	\$ 2,983	\$	\$ 7,882	\$
Cash paid for interest expense and fees	\$ 5,199	\$	\$ 5,199	\$

The estimated effective interest of the debt component of the 2022 Convertible Notes, equal to the stated interest rate of 4.375% plus the accretion of the original issue discount, was approximately 4.76% for the three and nine months ended September 30, 2017. As of September 30, 2017, the Company is in compliance with the terms of the indentures governing the 2022 Convertible Notes.

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Credit Facilities

As of September 30, 2017 and December 31, 2016, the Company has two available credit facilities, the Wells Facility and the Union Bank Facility.

Wells Facility

On June 29, 2015, the Company, through a special purpose wholly owned subsidiary, Hercules Funding II LLC (Hercules Funding II), entered into the Wells Facility with Wells Fargo Capital Finance, LLC, as a lender and as the arranger and the administrative agent, and the lenders party thereto from time to time.

The Wells Facility matures on August 2, 2019, unless terminated sooner in accordance with its terms.

Under the Wells Facility, Wells Fargo Capital Finance, LLC made commitments of \$75.0 million, Alostar Bank of Commerce made commitments of \$20.0 million, and Everbank Commercial Finance Inc. made commitments of \$25.0 million. The Wells Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$300.0 million, funded by additional lenders and with the agreement of Wells Fargo and subject to other customary conditions. The Company expects to continue discussions with various other potential lenders to join the facility; however, there can be no assurances that additional lenders will join the Wells Facility. Borrowings under the Wells Facility generally bear interest at a rate per annum equal to LIBOR plus 3.25%, and the Wells Facility has an advance rate of 50% against eligible debt investments. The Wells Facility is secured by all of the assets of Hercules Funding II. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2017, this non-use fee was \$153,000 and \$450,000, respectively. For the three and nine months ended September 30, 2016, this non-use fee was \$155,000 and \$336,000, respectively.

The Wells Facility also includes various financial and other covenants applicable to the Company and the Company's subsidiaries, in addition to those applicable to Hercules Funding II, including covenants relating to certain changes of control of the Company and Hercules Funding II. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of September 30, 2017, the minimum tangible net worth covenant increased to \$727.2 million as a result of the March 2015 follow-on public offering of 7.6 million shares of common stock for total gross proceeds of approximately \$100.4 million, the issuance of 7.3 million shares of common stock issued under the Prior Equity Distribution Agreement for gross proceeds of \$95.0 million during the year ended December 31, 2016, and the issuance of 4.1 million shares of common stock issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement for gross proceeds of \$57.0 million during the nine months ended September 30, 2017. See Note 6 Stockholder's Equity.

The Wells Facility provides for customary events of default, including, without limitation, with respect to payment defaults, breach of representations and covenants, certain key person provisions, cross acceleration provisions to certain other debt, lien and judgment limitations, and bankruptcy.

On June 20, 2011, the Company paid \$1.1 million in structuring fees in connection with the original Wells Facility. In connection with an amendment to the original Wells Facility in August 2014, the Company paid an additional \$750,000 in structuring fees and in connection with the amendment in December 2015, the Company paid an additional \$188,000 in structuring fees. These fees are being amortized through the end of the term of the Wells Facility.

The Company had aggregate draws of \$8.5 million on the available facility during the nine months ended September 30, 2017 offset by repayments of \$13.5 million. The Company had aggregate draws of \$168.3 million

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on the available facility during the nine months ended September 30, 2016 offset by repayments of \$218.3 million. At December 31, 2016 there was \$5.0 million, respectively, of borrowings outstanding on this facility. There were no borrowings outstanding on the facility as of September 30, 2017.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the Wells Facility are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 66	\$ 115	\$ 282	\$ 842
Amortization of debt issuance cost (loan fees)	66	115	280	341
Total interest expense and fees	\$ 66	\$ 115	\$ 282	\$ 842
Cash paid for interest expense and fees	\$ 207	\$ 677	\$ 577	

Union Bank Facility

On May 5, 2016, the Company, through a special purpose wholly owned subsidiary, Hercules Funding III, as borrower, entered into the Union Bank Facility. The Union Bank Facility replaced the Prior Union Bank Facility. Any references to amounts related to the Union Bank Facility prior to May 5, 2016 were incurred and relate to the Prior Union Bank Facility.

On July 18, 2016, the Company entered into the First Amendment to the Loan and Security Agreement, dated as of May 5, 2016 with MUFG Union Bank, N.A. The Amendment amends certain definitions relating to borrowings which accrue interest based on the London Interbank Offered Rate (LIBOR Loans) and (ii) the method(s) for calculating interest on and the paying of certain fees related to such LIBOR Loans.

Under the Union Bank Facility, MUFG Union Bank made commitments of \$75.0 million. The Union Bank Facility contains an accordion feature, in which the Company can increase the credit line up to an aggregate of \$200.0 million, funded by additional lenders and with the agreement of MUFG Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility to increase available borrowings. Borrowings under the Union Bank Facility generally bear interest at either (i) if such borrowing is a base rate loan, a base rate per annum equal to the federal funds rate plus 1.00%, LIBOR plus 1.00% or MUFG Union Bank's prime rate, in each case, plus a margin of 1.25% or (ii) if such borrowing is a LIBOR loan, a rate per annum equal to LIBOR plus 3.25%, and the Union Bank Facility generally has an advance rate of 50% against eligible debt investments. The Union Bank Facility is secured by all of the assets of Hercules Funding III.

The Company paid a one-time \$562,500 structuring fee in connection with the Union Bank Facility. The Union Bank Facility requires payment of a non-use fee during the revolving credit availability period on a scale of 0.25% to 0.50% depending on the average monthly outstanding balance under the facility relative to the maximum amount of commitments at such time. For the three and nine months ended September 30, 2017, the company incurred non-use fees of \$96,000 and \$284,000, respectively. For the three and nine months ended September 30, 2016, the company incurred non-use fees under the Prior Union Bank Facility of \$96,000 and \$277,000, respectively.

The Union Bank Facility also includes various financial and other covenants applicable to the Company and its subsidiaries, in addition to those applicable to Hercules Funding III, including covenants relating to certain changes of control of the Company and Hercules Funding III. Among other things, these covenants also require the Company to maintain certain financial ratios, including a maximum debt to worth ratio, minimum interest coverage ratio, minimum portfolio funding liquidity, and a minimum tangible net worth in an amount that is in excess of \$500.0 million plus 90% of the cumulative amount of equity raised after June 30, 2014. As of September 30, 2017, the minimum tangible net worth covenant increased to \$774.3 million as a result of the

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March 2015 follow-on public offering of 7.6 million shares of common stock for total net proceeds of approximately \$100.1 million, the issuance of 7.3 million shares of common stock issued under the Prior Equity Distribution Agreement for net proceeds of \$92.8 million during the year ended December 31, 2016, and the issuance of 4.1 million shares of common stock issued under the Prior Equity Distribution Agreement and the Equity Distribution Agreement for net proceeds of \$56.3 million during the nine months ended September 30, 2017. See Note 6 Stockholder's Equity.

The Union Bank Facility provides for customary events of default, including with respect to payment defaults, breach of representations and covenants, servicer defaults, certain key person provisions, cross default provisions to certain other debt, lien and judgment limitations, and bankruptcy.

The Union Bank Facility matures on May 5, 2020, unless terminated sooner in accordance with its terms.

In connection with the Union Bank Facility, the Company and Hercules Funding III also entered into the Sale Agreement, by and among Hercules Funding III, as borrower, the Company, as originator and servicer, and MUFG Union Bank, as agent. Under the Sale Agreement, the Company agrees to (i) sell or transfer certain loans to HT III under the MUFG Union Bank Facility and (ii) act as servicer for the loans sold or transferred.

The Company did not make any draws or repayments on the available facility during the nine months ended September 30, 2017. The Company had aggregate draws of \$25.0 million on the available facility during the nine months ended September 30, 2016 offset by repayments of \$25.0 million. At September 30, 2017 and December 31, 2016, there were no borrowings outstanding on the Union Bank Facility.

For the three and nine months ended September 30, 2017 and 2016, the components of interest expense and related fees and cash paid for interest expense for the previous and current Union Bank Facility are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$	\$	\$	\$ 55
Amortization of debt issuance cost (loan fees)	91	112	315	244
Total interest expense and fees	\$ 91	\$ 112	\$ 315	\$ 299
Cash paid for interest expense and fees	\$ 114	\$	\$ 351	\$ 38

Distributions

The following table summarizes our distributions declared and paid, to be paid, or reinvested on all shares, including restricted stock, for the fiscal years ended December 31, 2015, 2016 and 2017:

Date Declared	Record Date	Payment Date	Amount Per Share
February 24, 2015	March 12, 2015	March 19, 2015	0.31
May 4, 2015	May 18, 2015	May 25, 2015	0.31
July 29, 2015	August 17, 2015	August 24, 2015	0.31
October 28, 2015	November 16, 2015	November 23, 2015	0.31
February 17, 2016	March 7, 2016	March 14, 2016	0.31
April 27, 2016	May 16, 2016	May 23, 2016	0.31
July 27, 2016	August 15, 2016	August 22, 2016	0.31
October 26, 2016	November 14, 2016	November 21, 2016	0.31
February 16, 2017	March 6, 2017	March 13, 2017	0.31
April 26, 2017	May 15, 2017	May 22, 2017	0.31

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July 26, 2017	August 14, 2017	August 21, 2017	0.31
October 25, 2017	November 13, 2017	November 20, 2017	0.31
			\$ 3.72

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

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

Distributions from our taxable income (including gains) to a stockholder generally will be treated as a dividend for U.S. federal income tax purposes to the extent of such stockholder's allocable share of our current or accumulated earnings and profits. Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of a stockholder's tax basis in our shares, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our taxable year based upon our taxable income for the full taxable year and distributions paid for the full taxable year. As a result, any determination of the tax attributes of our distributions made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full taxable year. Of the distributions declared during the year ended December 31, 2016, 100% were distributions derived from our current and accumulated earnings and profits.

During the three months ended September 30, 2017, we declared a distribution of \$0.31 per share. If we had determined the tax attributes of our distributions year-to-date as of September 30, 2017, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2017 distributions to stockholders will actually be.

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

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

We expect to qualify to be subject to tax as a RIC under Subchapter M of the Code. In order to be subject to tax as a RIC, we are required to satisfy certain annual gross income composition and quarterly asset diversification tests, as well as make distributions to our stockholders each taxable year treated as dividends for federal income tax purposes of an amount at least equal to 90% of the sum of our investment company taxable income, determined without regard to any deduction for dividends paid, plus our net tax-exempt income, if any. Upon being eligible to be subject to tax as a RIC, we would be entitled to deduct such distributions we pay to our stockholders in determining the overall components of our taxable income. Components of our taxable income include our taxable interest, dividend and fee income, reduced by certain deductions, as well as taxable net realized securities gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes net

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unrealized appreciation or depreciation as such gains or losses are not included in taxable income until they are realized. In connection with maintaining our ability to be subject to tax as a RIC, among other things, we have made and intend to continue to make the requisite distributions to our stockholders each taxable year, which generally should relieve us from corporate-level U.S. federal income taxes.

As a RIC, we will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income and gains unless we make distributions treated as dividends for U.S. federal income tax purposes in a timely manner to our stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year. We will not be subject to this excise tax on any amount on which we incurred U.S. federal corporate income tax (such as the tax imposed on a RIC's retained net capital gains).

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

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

We intend to distribute 100% of our spillover earnings, which consists of ordinary income and long-term capital gains, from the year ended December 31, 2016 to our stockholders during 2017.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the period reported. On an ongoing basis, our management evaluates its estimates and assumptions, which are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in our estimates and assumptions could materially impact our results of operations and financial condition.

Reclassification

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

Valuation of Investments

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

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At September 30, 2017, approximately 89.5% of our total assets represented investments in portfolio companies whose fair value is determined in good faith by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our investments are carried at fair value in accordance with the 1940 Act and ASC Topic 946 and measured in accordance with ASC Topic 820. Our debt securities are primarily invested in venture capital-backed companies in technology-related industries including technology, drug discovery and development, biotechnology, life sciences, healthcare and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, we value substantially all of our investments at fair value as determined in good faith pursuant to a consistent valuation policy by our Board of Directors in accordance with the provisions of ASC Topic 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

- (1) our quarterly valuation process begins with each portfolio company being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and business based assumptions are discussed with our investment committee;
- (3) the Audit Committee of the Board of Directors reviews the preliminary valuation of the investments in the portfolio company as provided by the investment committee, which incorporates the results of the independent valuation firm as appropriate; and
- (4) the Board of Directors, upon the recommendation of the Audit Committee, discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the investment committee.

ASC Topic 820 establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. ASC Topic 820 also requires disclosure for fair value measurements based on the level within the hierarchy of the information used in the valuation. ASC Topic 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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We have categorized all investments recorded at fair value in accordance with ASC Topic 820 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC Topic 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are equities listed in active markets.

Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset in connection with market data at the measurement date and for the extent of the instrument's anticipated life. Fair valued assets that are generally included in this category are publicly held debt investments and warrants held in a public company.

Level 3 Inputs reflect management's best estimate of what market participants would use in pricing the asset at the measurement date. It includes prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are the debt investments and warrants and equities held in a private company.

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of September 30, 2017 and as of December 31, 2016. We transfer investments in and out of Level 1, 2 and 3 as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the nine months ended September 30, 2017, there were no transfers between Levels 1 or 2.

(in thousands) Description	Balance September 30, 2017	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior Secured Debt	\$ 1,300,068	\$	\$	\$ 1,300,068
Preferred Stock	41,993			41,993
Common Stock	42,324	16,018		26,306
Warrants	32,729		3,520	29,209
Escrow Receivable	915			915
Total	\$ 1,418,029	\$ 16,018	\$ 3,520	\$ 1,398,491

(in thousands) Description	Balance December 31, 2016	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior Secured Debt	\$ 1,328,803	\$	\$ 4,825	\$ 1,323,978
Preferred Stock	39,418			39,418
Common Stock	28,236	17,271		10,965
Warrants	27,485		3,239	24,246
Escrow Receivable	1,382			1,382
Total	\$ 1,425,324	\$ 17,271	\$ 8,064	\$ 1,399,989

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The table below presents a reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2017 and the year ended December 31, 2016.

(in thousands)	Balance January 1, 2017	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Purchases ⁽⁵⁾	Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balance September 30, 2017
Senior Debt	\$ 1,323,978	\$ (24,318)	\$ 39,423	\$ 498,613	\$	\$ (474,957)	\$	\$ (62,671)	\$ 1,300,068
Preferred Stock	39,418	(7,531)	10,101	473	(468)				41,993
Common Stock	10,965		(49,532)	3,748	(1,546)		62,671		26,306
Warrants	24,246	755	9,650	1,784	(7,226)				29,209
Escrow Receivable	1,382	11		3,119	(3,597)				915
Total	\$ 1,399,989	\$ (31,083)	\$ 9,642	\$ 507,737	\$ (12,837)	\$ (474,957)	\$ 62,671	\$ (62,671)	\$ 1,398,491

(in thousands)	Balance January 1, 2016	Net Realized Gains (Losses) ⁽¹⁾	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Purchases ⁽⁵⁾	Sales	Repayments ⁽⁶⁾	Gross Transfers into Level 3 ⁽⁴⁾	Gross Transfers out of Level 3 ⁽⁴⁾	Balance December 31, 2016
Senior Debt	\$ 1,102,396	\$ (6,968)	\$ (12,675)	\$ 687,353	\$	\$ (441,567)	\$	\$ (4,561)	\$ 1,323,978
Preferred Stock	35,245	(334)	(7,864)	13,873	(1,367)		626	(761)	39,418
Common Stock	1,527		(1,404)	6,081			4,761		10,965
Warrants	18,565	(116)	3,465	4,082	(1,186)			(564)	24,246
Escrow Receivable	2,967	(6)		2,009	(3,588)				1,382
Total	\$ 1,160,700	\$ (7,424)	\$ (18,478)	\$ 713,398	\$ (6,141)	\$ (441,567)	\$ 5,387	\$ (5,886)	\$ 1,399,989

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

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

(3) Transfers into Level 3 during the nine months ended September 30, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions. Transfers out of Level 3 during the nine months ended September 30, 2017 relate to the conversion of our debt investment in Sungevity, Inc. and a portion of our debt investment in Gamma Medica, Inc. to common stock through bankruptcy transactions.

(4) Transfers into Level 3 during the year ended December 31, 2016 relate to the acquisition of preferred stock as a result of the exercise of warrants in Ping Identity Corporation, the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of our preferred shares to common shares in SCIEnergy, Inc. Transfers out of Level 3 during the year ended December 31, 2016 relate to the exercise of warrants in TPI Composites, Inc. and Touchcommerce, Inc. to common stock in an initial public offering, or IPO, and acquisition, respectively; the exercise of warrants in Ping Identity Corporation to preferred stock; the conversion of debt to equity in Optiscan Biomedical Corp and Achilles Technology Management Co II, Inc. and the conversion of our preferred shares to common shares in SCIEnergy, Inc.

(5) Amounts listed above are inclusive of loan origination fees received at the inception of the loan which are deferred and amortized into fee income as well as the accretion of existing loan discounts and fees during the period. Escrow receivable purchases may include additions due to proceeds held in escrow from the liquidation of level 3 investments.

(6) Amounts listed above include the acceleration and payment of loan discounts and loan fees due to early payoffs or restructures

For nine months ended September 30, 2017, approximately \$2.4 million in net unrealized appreciation and \$49.3 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. The depreciation on common stock during the period reflects the conversion of our debt investment in Sungevity, Inc. to common stock at cost through a bankruptcy transaction and subsequent depreciation to fair value. For the same period, approximately \$1.1 million in net unrealized depreciation and \$10.2 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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For the year ended December 31, 2016, approximately \$9.1 million and \$1.4 million in net unrealized depreciation was recorded for preferred stock and common stock Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$25.7 million in net unrealized depreciation and \$2.8 million in net unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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The following tables provide quantitative information about our Level 3 fair value measurements as of September 30, 2017. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to our fair value measurements.

The significant unobservable input used in the fair value measurement of our escrow receivables is the amount recoverable at the contractual maturity date of the escrow receivable.

Investment Type	Level	Fair Value at September 30, 2017 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽²⁾
Three Debt Investments						
Pharmaceuticals		\$ 14,794	Originated Within 6 Months	Origination Yield	13.22%	13.22%
		489,860	Market Comparable Companies	Hypothetical Market Yield	9.42% - 15.44%	12.98%
		5,100	Liquidation ⁽³⁾	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 0.75% 30.00% - 100.00%	
Technology		152,443	Originated Within 6 Months	Origination Yield	10.46% - 17.49%	11.57%
		219,760	Market Comparable Companies	Hypothetical Market Yield	9.07% - 19.06%	13.68%
		21,960	Liquidation ⁽³⁾	Premium/(Discount) Probability weighting of alternative outcomes	(0.25%) - 0.50% 20.00% - 100.00%	
Sustainable and Renewable Technology		14,698	Originated Within 6 Months	Origination Yield	17.61%	17.61%
		81,842	Market Comparable Companies	Hypothetical Market Yield	11.78% - 14.49%	13.18%
				Premium/(Discount)	0.00% - 0.25%	
Medical Devices		32,798	Originated Within 6 Months	Origination Yield	10.38% - 13.18%	11.06%
		58,556	Market Comparable Companies	Hypothetical Market Yield	9.38% - 17.29%	12.77%
			Liquidation ⁽³⁾	Premium/(Discount) Probability weighting of alternative outcomes	0.00% - 0.75% 100.00%	
Lower Middle Market		37,187	Originated Within 6 Months	Origination Yield	12.09% - 12.68%	12.40%
		20,145	Market Comparable Companies	Hypothetical Market Yield	8.81%	8.81%
		2,995	Liquidation ⁽³⁾	Premium/(Discount) Probability weighting of alternative outcomes	0.25% 100.00%	
Debt Investments Where Fair Value Approximates Cost						
		147,930	Debt Investments Maturing in Less than One Year			
		\$ 1,300,068	Total Level Three Debt Investments			

(1) The significant unobservable inputs used in the fair value measurement of our debt securities are hypothetical market yields and premiums/(discounts). The hypothetical market yield is defined as the exit price of an investment in a hypothetical market to hypothetical market participants where buyers and sellers are willing participants. The premiums (discounts) relate to company specific characteristics such as underlying investment performance, security liens, and

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other characteristics of the investment. Significant increases (decreases) in the inputs in isolation may result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Consolidated Schedule of Investments are included in the industries noted above as follows:

Pharmaceuticals, above, is comprised of debt investments in the Specialty Pharmaceuticals, Drug Discovery and Development, Drug Delivery and Biotechnology Tools industries in the Consolidated Schedule of Investments.

Technology, above, is comprised of debt investments in the Software, Semiconductors, Internet Consumer and Business Services, Consumer and Business Products, Information Services, and Communications and Networking industries in the Consolidated Schedule of Investments.

Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

Medical Devices, above, is comprised of debt investments in the Surgical Devices and Medical Devices and Equipment industries in the Consolidated Schedule of Investments.

Lower Middle Market, above, is comprised of debt investments in the Communications and Networking, Electronics and Computer Hardware, Healthcare Services Other, Information Services, Internet Consumer and Business Services, Media/Content/Info, and Specialty Pharmaceuticals industries in the Consolidated Schedule of Investments.

- (2) The weighted averages are calculated based on the fair market value of each investment.
- (3) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.

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		Fair Value at				
Investment Type	Level	December 31, 2016 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽²⁾
Pharmaceuticals	Three Debt Investments	\$ 102,412	Originated Within 6 Months	Origination Yield	12.24% - 14.59%	13.64%
		434,718	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	9.07% - 15.62% (0.25%) - 0.75%	12.44%
		2,693	Liquidation ⁽³⁾	Probability weighting of	25.00% - 100.00%	
				alternative outcomes		
Technology		93,674	Originated Within 6 Months	Origination Yield	7.29% - 16.53%	13.69%
		325,553	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.14% - 21.66% (0.50%) - 0.50%	12.69%
		24,706	Liquidation ⁽³⁾	Probability weighting of	20.00% - 100.00%	
				alternative outcomes		
Sustainable and Renewable Technology		99,286	Market Comparable Companies	Hypothetical Market Yield	11.77% - 16.84%	13.45%
				Premium/(Discount)	0.00% - 0.25%	
		44,626	Liquidation ⁽³⁾	Probability weighting of	10.00% - 40.00%	
				alternative outcomes		
Medical Devices		88,983	Market Comparable Companies	Hypothetical Market Yield Premium/(Discount)	10.25% - 18.60% (0.25%) - 0.75%	14.01%
Lower Middle Market		25,017	Market Comparable Companies	Hypothetical Market Yield	8.85% - 15.79%	10.10%
				Premium/(Discount)	0.00% - 0.25%	
		13,148	Liquidation ⁽³⁾	Probability weighting of	100.00%	
				alternative outcomes		
Debt Investments Where Fair Value Approximates Cost						
		25,000	Imminent Payoffs ⁽⁴⁾			
		44,162	Debt Investments Maturing in Less than One Year			
		\$ 1,323,978	Total Level Three Debt Investments			

- (1) The significant unobservable inputs used in the fair value measurement of our debt securities are hypothetical market yields and premiums/(discounts). The hypothetical market yield is defined as the exit price of an investment in a hypothetical market to hypothetical market participants where buyers and sellers are willing participants. The premiums (discounts) relate to company specific characteristics such as underlying investment performance, security liens, and other characteristics of the investment. Significant increases (decreases) in the inputs in isolation may result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Consolidated Schedule of Investments are included in the industries noted above as follows:

Pharmaceuticals, above, is comprised of debt investments in the Specialty Pharmaceuticals, Drug Discovery and Development, and Drug Delivery industries in the Consolidated Schedule of Investments.

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Technology, above, is comprised of debt investments in the Software, Semiconductors, Internet Consumer and Business Services, Consumer and Business Products, Information Services, and Communications and Networking industries in the Consolidated Schedule of Investments.

Sustainable and Renewable Technology, above, aligns with the Sustainable and Renewable Technology Industry in the Consolidated Schedule of Investments.

Medical Devices, above, is comprised of debt investments in the Surgical Devices and Medical Devices and Equipment industries in the Consolidated Schedule of Investments.

Lower Middle Market, above, is comprised of debt investments in the Communications and Networking, Electronics and Computer Hardware, Healthcare Services Other, Information Services, Internet Consumer and Business Services, Media/Content/Info, and Specialty Pharmaceuticals industries in the Consolidated Schedule of Investments.

- (2) The weighted averages are calculated based on the fair market value of each investment.
- (3) The significant unobservable input used in the fair value measurement of impaired debt securities is the probability weighting of alternative outcomes.
- (4) Imminent payoffs represent debt investments that we expect to be fully repaid within the next three months, prior to their scheduled maturity date.

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Investment Type - Level Three Equity and Warrant Investments	Fair Value at	Valuation Techniques/			
	September 30, 2017 (in thousands)	Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽⁶⁾
Equity Investments	\$ 10,413	Market Comparable Companies	EBITDA Multiple ⁽²⁾	5.8x - 56.7x	16.4x
			Revenue Multiple ⁽²⁾	0.4x - 6.2x	3.2x
			Discount for Lack of Marketability ⁽³⁾	10.08% - 14.34%	11.61%
			Average Industry Volatility ⁽⁴⁾	39.02% - 62.19%	55.65%
			Risk-Free Interest Rate	1.20% - 1.33%	1.22%
			Estimated Time to Exit (in months)	6 - 14	7
	19,167	Market Adjusted OPM Backsolve	Market Equity Adjustment ⁽⁵⁾	(16.27%) - 23.40%	7.42%
			Average Industry Volatility ⁽⁴⁾	29.02% - 106.33%	79.23%
			Risk-Free Interest Rate	0.80% - 1.53%	1.21%
			Estimated Time to Exit (in months)	8 - 29	13
	38,719	Other ⁽⁷⁾			
Warrant Investments	21,198	Market Comparable Companies	EBITDA Multiple ⁽²⁾	5.4x - 56.7x	15.7x
			Revenue Multiple ⁽²⁾	0.4x - 7.5x	2.8x
			Discount for Lack of Marketability ⁽³⁾	5.06% - 31.10%	14.96%
			Average Industry Volatility ⁽⁴⁾	33.09% - 106.76%	55.33%
			Risk-Free Interest Rate	0.99% - 1.75%	1.30%
			Estimated Time to Exit (in months)	2 - 47	16
	6,056	Market Adjusted OPM Backsolve	Market Equity Adjustment ⁽⁵⁾	(69.77%) - 139.40%	14.28%
			Average Industry Volatility ⁽⁴⁾	29.02% - 108.76%	75.67%
			Risk-Free Interest Rate	0.80% - 1.82%	1.24%
			Estimated Time to Exit (in months)	8 - 41	15
	1,955	Other ⁽⁷⁾			
Total Level Three Warrant and Equity Investments	\$ 97,508				

- (1) The significant unobservable inputs used in the fair value measurement of the Company's warrant and equity-related securities are revenue and/or EBITDA multiples, market equity adjustment factors, and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.
- (2) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.
- (3) Represents amounts used when we have determined market participants would take into account these discounts when pricing the investments.
- (4) Represents the range of industry volatility used by market participants when pricing the investment.
- (5) Represents the range of changes in industry valuations since the portfolio company's last external valuation event.
- (6) Weighted averages are calculated based on the fair market value of each investment.
- (7) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

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Investment Type - Level Three	Fair Value at December 31, 2016 (in thousands)	Valuation Techniques/ Methodologies	Unobservable Input ⁽¹⁾	Range	Weighted Average ⁽⁵⁾
Equity and Warrant Investments					
Equity Investments	\$ 9,258	Market Comparable Companies	EBITDA Multiple ⁽²⁾	0.0x - 38.7x	12.3x
			Revenue Multiple ⁽²⁾	0.9x - 8.7x	3.1x
			Discount for Lack of Marketability ⁽³⁾	13.75% - 25.97%	16.73%
			Average Industry Volatility ⁽⁴⁾	45.54% - 113.16%	61.06%
			Risk-Free Interest Rate	0.79% - 1.50%	0.91%
			Estimated Time to Exit (in months)	10 - 38	15
	19,836	Market Adjusted OPM Backsolve	Average Industry Volatility ⁽⁴⁾	29.93% - 109.95%	73.49%
			Risk-Free Interest Rate	0.65% - 1.44%	0.92%
			Estimated Time to Exit (in months)	10 - 34	15
	21,289	Other ⁽⁶⁾			
Warrant Investments	8,959	Market Comparable Companies	EBITDA Multiple ⁽²⁾	2.6x - 51.4x	13.8x
			Revenue Multiple ⁽²⁾	0.4x - 6.1x	2.5x
			Discount for Lack of Marketability ⁽³⁾	11.74% - 27.25%	19.02%
			Average Industry Volatility ⁽⁴⁾	38.58% - 111.15%	62.03%
			Risk-Free Interest Rate	0.68% - 1.68%	1.04%
			Estimated Time to Exit (in months)	7 - 47	20
	9,713	Market Adjusted OPM Backsolve	Average Industry Volatility ⁽⁴⁾	29.93% - 116.29%	67.20%
			Risk-Free Interest Rate	0.45% - 1.84%	0.99%
			Estimated Time to Exit (in months)	3 - 47	20
	5,574	Other ⁽⁶⁾			
Total Level Three Warrant and Equity Investments	\$ 74,629				

(1) The significant unobservable inputs used in the fair value measurement of our warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes OPM include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation may result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.

(2) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.

(3) Represents amounts used when we have determined market participants would take into account these discounts when pricing the investments.

(4) Represents the range of industry volatility used by market participants when pricing the investment.

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

(6) The fair market value of these investments is derived based on recent private market and merger and acquisition transaction prices.

Debt Investments

We follow the guidance set forth in ASC Topic 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. Our debt securities are primarily invested in venture capital-backed companies in technology-related markets including technology, drug discovery and development, biotechnology, life sciences, healthcare, and sustainable and renewable technology at all stages of development. Given the nature of lending to these types of businesses, substantially all of our investments in these portfolio companies are considered Level 3 assets under ASC Topic 820 because there is no known or accessible market or market indexes for debt instruments for these investment securities to be

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traded or exchanged. In addition, we may, from time to time, invest in public debt of companies that meet our investment objectives. These investments are considered Level 2 assets.

In making a good faith determination of the value of our investments, we generally start with the cost basis of the investment, which includes the value attributed to the OID, if any, and PIK interest or other receivables which have been accrued as earned. We then apply the valuation methods as set forth below.

We apply a procedure for debt investments that assumes the sale of each investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. We determine the yield at inception for each debt investment. We then use senior secured, leveraged loan yields provided

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by third party providers to determine the change in market yields between inception of the debt investment and the measurement date. Industry specific indices and other relevant market data are used to benchmark/assess market based movements.

Under this process, we also evaluate the collateral for recoverability of the debt investments. We consider each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a credit adjusted hypothetical yield for each investment as of the measurement date. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date.

Our process includes an analysis of, among other things, the underlying investment performance, the current portfolio company's financial condition and market changing events that impact valuation, estimated remaining life, current market yields and interest rate spreads of similar securities as of the measurement date. We value our syndicated debt investments using broker quotes and bond indices amongst other factors. If there is a significant deterioration of the credit quality of a debt investment, we may consider other factors than those a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We record unrealized depreciation on investments when we believe that an investment has decreased in value, including where collection of a debt investment is doubtful or, if under the in-exchange premise, when the value of a debt investment is less than the amortized cost of the investment. Conversely, where appropriate, we record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, that our investment has also appreciated in value or, if under the in-exchange premise, the value of a debt investment is greater than amortized cost.

When originating a debt investment, we generally receive warrants or other equity-related securities from the borrower. We determine the cost basis of the warrants or other equity-related securities received based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants or other equity-related securities received. Any resulting discount on the debt investment from recordation of the warrant or other equity instruments is accreted into interest income over the life of the loan.

Debt investments that are traded on a public exchange are valued at the prevailing market price as of the valuation date.

Equity-Related Securities and Warrants

Securities that are traded in the over-the-counter markets or on a stock exchange will be valued at the prevailing bid price at period end. We have a limited amount of equity securities in public companies. In accordance with the 1940 Act, unrestricted publicly traded securities for which market quotations are readily available are valued at the closing market quote on the measurement date.

We estimate the fair value of warrants using a Black Scholes OPM. At each reporting date, privately held warrant and equity related securities are valued based on an analysis of various factors including, but not limited to, the portfolio company's operating performance and financial condition and general market conditions, price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks. When an external event occurs, such as a purchase transaction, public offering, or subsequent equity sale, the pricing indicated by that external event is utilized to corroborate our valuation of the warrant and equity related securities. We periodically review the valuation of our portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date.

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Escrow Receivables

Escrow receivables are collected in accordance with the terms and conditions of the escrow agreement. Escrow balances are typically distributed over a period greater than one year and may accrue interest during the escrow period. Escrow balances are measured for collectability on at least a quarterly basis and fair value is determined based on the amount of the estimated recoverable balances and the contractual maturity date. As of September 30, 2017 there were no material past due escrow receivables.

Income Recognition

See [Changes in Portfolio](#) for a discussion of our income recognition policies and results during the three and nine months ended September 30, 2017. See [Results of Operations](#) for a comparison of investment income for the three and nine months ended September 30, 2017 and 2016.

Stock Based Compensation

We have issued and may, from time to time, issue stock options and restricted stock to employees under our 2004 Equity Incentive Plan and to Board members under our 2006 Equity Incentive Plan prior to its expiration on June 21, 2017. We follow the guidelines set forth under ASC Topic 718, ([Compensation Stock Compensation](#)) to account for stock options granted. Under ASC Topic 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Recent Accounting Pronouncements

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

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

In March 2016, the FASB issued ASU 2016-09, [Compensation Stock Compensation](#) (Topic 718): Improvements to Employee Share-Based Payment Accounting, which, among other things, simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2016. There is not a material impact from adopting this standard on our financial statements. We have adopted this standard for the nine months ended September 30, 2017.

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

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

Subsequent Events

Distribution Declaration

On October 25, 2017, our 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.

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 the Indenture. 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 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 Titingier and Brad Koenig as directors of the Company. Following their appointment, both Mr. Titingier 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.

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Mr. Titinge's Board appointment became effective at the time of 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. Titinge 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.

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 Equity Distribution Agreement. 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.

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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 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 Cemptra, 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 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.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle fund investments. Our investment income will be affected by changes in various interest rates, including LIBOR and Prime rates, to the extent our debt investments include variable interest rates. As of September 30, 2017, approximately 96.7% of the loans in our portfolio had variable rates based on floating Prime or LIBOR rates with a floor. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Based on our Consolidated Statement of Assets and Liabilities as of September 30, 2017, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings.

(in thousands)

Basis Point Change	Interest Income	Interest Expense	Net Income	EPS ⁽¹⁾
25	\$ 2,630	\$	\$ 2,630	\$ 0.03
50	\$ 5,505	\$	\$ 5,505	\$ 0.07
75	\$ 8,380	\$	\$ 8,380	\$ 0.10
100	\$ 11,406	\$	\$ 11,406	\$ 0.14
200	\$ 24,161	\$	\$ 24,161	\$ 0.29
300	\$ 37,169	\$	\$ 37,169	\$ 0.45

(1) Earnings per share impact calculated based on basic weighted average shares outstanding of 82,496.

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We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations (and foreign currency) by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates (and foreign currency), they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the nine months ended September 30, 2017 we did not engage in interest rate (or foreign currency) hedging activities.

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

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

For additional information regarding the interest rate associated with each of our Credit Facilities, SBA debentures, 2024 Notes, Convertible Notes, and 2021 Asset-Backed Notes, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Outstanding Borrowings in this prospectus.

Disclosure Controls and Procedures

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. As of the end of the period covered by this quarterly report on Form 10-Q, our chief executive and chief financial officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financing reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Information about our senior securities is shown in the following table for the periods as of September 30, 2017 (unaudited) and as of December 31, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007. The information as of December 31, 2016, 2015, 2014, 2013, 2012, 2011 and 2010 has been derived from our audited financial statements for these periods, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2016 is attached as an exhibit to the accompanying prospectus. The N/A indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
Securitized Credit Facility with Wells Fargo Capital Finance			
December 31, 2007	\$ 79,200,000	\$ 6,755	N/A
December 31, 2008	\$ 89,582,000	\$ 6,689	N/A
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
December 31, 2011	\$ 10,186,830	\$ 73,369	N/A
December 31, 2012 ⁽⁶⁾			N/A
December 31, 2013 ⁽⁶⁾			N/A
December 31, 2014 ⁽⁶⁾			N/A
December 31, 2015	\$ 50,000,000	\$ 26,352	N/A
December 31, 2016	\$ 5,015,620	\$ 290,234	N/A
December 31, 2017 (as of September 30, 2017, unaudited) ⁽⁶⁾			N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
December 31, 2011 ⁽⁶⁾			N/A
December 31, 2012 ⁽⁶⁾			N/A
December 31, 2013 ⁽⁶⁾			N/A
December 31, 2014 ⁽⁶⁾			N/A
December 31, 2015 ⁽⁶⁾			N/A
December 31, 2016 ⁽⁶⁾			N/A
December 31, 2017 (as of September 30, 2017, unaudited) ⁽⁶⁾			N/A
Small Business Administration Debentures (HT II)⁽⁴⁾			
December 31, 2007	\$ 55,050,000	\$ 9,718	N/A
December 31, 2008	\$ 127,200,000	\$ 4,711	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 150,000,000	\$ 3,942	N/A
December 31, 2011	\$ 125,000,000	\$ 5,979	N/A
December 31, 2012	\$ 76,000,000	\$ 14,786	N/A
December 31, 2013	\$ 76,000,000	\$ 16,075	N/A
December 31, 2014	\$ 41,200,000	\$ 31,535	N/A
December 31, 2015	\$ 41,200,000	\$ 31,981	N/A
December 31, 2016	\$ 41,200,000	\$ 35,333	N/A
December 31, 2017 (as of September 30, 2017, unaudited)	\$ 41,200,000	\$ 38,291	N/A
Small Business Administration Debentures (HT III)⁽⁵⁾			
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A
December 31, 2011	\$ 100,000,000	\$ 7,474	N/A
December 31, 2012	\$ 149,000,000	\$ 7,542	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
December 31, 2013	\$ 149,000,000	\$ 8,199	N/A
December 31, 2014	\$ 149,000,000	\$ 8,720	N/A
December 31, 2015	\$ 149,000,000	\$ 8,843	N/A
December 31, 2016	\$ 149,000,000	\$ 9,770	N/A
December 31, 2017 (as of September 30, 2017, unaudited)	\$ 149,000,000	\$ 10,588	N/A
2016 Convertible Notes			
December 31, 2011	\$ 75,000,000	\$ 10,623	\$ 885
December 31, 2012	\$ 75,000,000	\$ 15,731	\$ 1,038
December 31, 2013	\$ 75,000,000	\$ 16,847	\$ 1,403
December 31, 2014	\$ 17,674,000	\$ 74,905	\$ 1,290
December 31, 2015	\$ 17,604,000	\$ 74,847	\$ 1,110
December 31, 2016			
April 2019 Notes			
December 31, 2012	\$ 84,489,500	\$ 13,300	\$ 986
December 31, 2013	\$ 84,489,500	\$ 14,460	\$ 1,021
December 31, 2014	\$ 84,489,500	\$ 15,377	\$ 1,023
December 31, 2015	\$ 64,489,500	\$ 20,431	\$ 1,017
December 31, 2016	\$ 64,489,500	\$ 22,573	\$ 1,022
December 31, 2017 (as of September 30, 2017, unaudited)			
September 2019 Notes			
December 31, 2012	\$ 85,875,000	\$ 13,086	\$ 1,003
December 31, 2013	\$ 85,875,000	\$ 14,227	\$ 1,016
December 31, 2014	\$ 85,875,000	\$ 15,129	\$ 1,026
December 31, 2015	\$ 45,875,000	\$ 28,722	\$ 1,009
December 31, 2016	\$ 45,875,000	\$ 31,732	\$ 1,023
December 31, 2017 (as of September 30, 2017, unaudited)			
2024 Notes⁽⁸⁾			
December 31, 2014	\$ 103,000,000	\$ 12,614	\$ 1,010
December 31, 2015	\$ 103,000,000	\$ 12,792	\$ 1,014
December 31, 2016	\$ 252,873,175	\$ 5,757	\$ 1,016
December 31, 2017 (as of September 30, 2017, unaudited)	\$ 258,509,600	\$ 6,103	\$ 1,017
2017 Asset-Backed Notes			
December 31, 2012	\$ 129,300,000	\$ 8,691	\$ 1,000
December 31, 2013	\$ 89,556,972	\$ 13,642	\$ 1,004
December 31, 2014	\$ 16,049,144	\$ 80,953	\$ 1,375
December 31, 2015			
2021 Asset-Backed Notes			
December 31, 2014	\$ 129,300,000	\$ 10,048	\$ 1,000
December 31, 2015	\$ 129,300,000	\$ 10,190	\$ 996
December 31, 2016	\$ 109,205,263	\$ 13,330	\$ 1,002
December 31, 2017 (as of September 30, 2017, unaudited)	\$ 65,475,786	\$ 24,094	\$ 1,002
2022 Convertible Notes			
December 31, 2017 (as of September 30, 2017, unaudited)	\$ 230,000,000	\$ 6,859	\$ 1,019
Total Senior Securities⁽⁷⁾			
December 31, 2007	\$ 134,250,000	\$ 3,985	N/A
December 31, 2008	\$ 216,782,000	\$ 2,764	N/A
December 31, 2009	\$ 130,600,000&		