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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER: 1-35906

HARVEST CAPITAL CREDIT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware **(State or other Jurisdiction of Incorporation or Organization)**	**46-1396995** **(I.R.S. Employer Identification Number)**

767 Third Avenue, 29th Floor
New York, NY 10017
(Address of principal executive offices) (Zip Code)

(212) 906-3589

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer" , "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑		
		Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value of $0.001 per share	HCAP	NASDAQ Global Market
6.125% Notes due 2022	HCAPZ	NASDAQ Global Market

The number of shares of the registrant’s Common Stock, $0.001 par value, outstanding as of May 13, 2019 was 6,172,358.

HARVEST CAPITAL CREDIT CORPORATION

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2019

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Harvest Capital Credit Corporation

Consolidated Statements of Assets and Liabilities (Unaudited)

	March 31, 2019	December 31, 2018
ASSETS:		
Non-affiliated/non-control investments, at fair value (cost of $59,046,794 at 3/31/19 and $59,603,853 at 12/31/18)	$ 60,190,825	$ 61,919,954
Affiliated investments, at fair value (cost of $33,940,471 at 3/31/19 and $25,848,928 at 12/31/18)	33,109,024	24,645,597
Control investments, at fair value (cost of $13,419,123 at 3/31/19 and $13,430,013 at 12/31/18)	8,400,921	8,348,311
Cash	9,913,316	26,963,310
Restricted cash	1,262,334	1,812,238
Interest receivable	1,256,754	721,195
Accounts receivable – other	312,273	178,883
Deferred financing costs	568,432	623,442
Other assets	305,054	106,771
Total assets	$ 115,318,933	$ 125,319,701
LIABILITIES:		
Revolving line of credit	$ 5,000,000	$ 17,000,000
2022 Notes (net of deferred offering costs of $773,519 at 3/31/19 and $821,879 at 12/31/18)	27,976,481	27,928,121
Payable for securities purchased	5,285,658	—
Accrued interest payable	115,864	115,919
Accounts payable - base management fees	494,846	531,628
Accounts payable - incentive management fees	—	361,090
Accounts payable - administrative services expenses	350,000	366,667
Accounts payable and accrued expenses	1,170,546	620,312
Total liabilities	40,393,395	46,923,737
Commitments and Contingencies (Note 8)		
NET ASSETS:		
Common stock, $0.001 par value, 100,000,000 shares authorized, 6,561,732 issued and 6,189,542 outstanding at 3/31/19 and 6,554,010 issued and 6,372,581 outstanding at 12/31/18	6,562	6,554
Capital in excess of common stock	92,347,663	92,270,273
Treasury shares, at cost, 372,190 and 181,429 shares at 3/31/19 and 12/31/18, respectively	(3,959,962)	(1,956,055)
Accumulated over distributed earnings	(13,468,725)	(11,924,808)
Total net assets	74,925,538	78,395,964
Total liabilities and net assets	$ 115,318,933	$ 125,319,701
Common stock outstanding	6,189,542	6,372,581
Net asset value per common share	$ 12.11	$ 12.30

See accompanying notes to unaudited financial statements.

Harvest Capital Credit Corporation
Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Investment Income:		
Interest:		
Cash - non-affiliated/non-control investments	$ 1,481,111	$ 2,325,116
Cash - affiliated investments	960,946	706,571
Cash - control investments	—	83,388
PIK - non-affiliated/non-control investments	12,119	196,042
PIK - affiliated investments	194,515	167,877
Amortization of fees, discounts and premiums, net:		
Non-affiliated/non-control investments	226,862	191,033
Affiliated investments	22,732	15,841
Total interest income	2,898,285	3,685,868
Other income	139,959	54,916
Total investment income	**3,038,244**	**3,740,784**
Expenses:		
Interest expense - revolving line of credit	10,486	138,839
Interest expense - unused line of credit	101,749	81,655
Interest expense - deferred financing costs	55,011	55,121
Interest expense - 2022 Notes	440,235	440,235
Interest expense - deferred offering costs	48,360	44,986
Total interest expense	655,841	760,836
Professional fees	520,334	1,032,288
General and administrative	254,953	290,285
Base management fees	494,846	580,643
Administrative services expense	350,000	300,000
Total expenses, before reimbursement	**2,275,974**	**2,964,052**
Less: Professional fees reimbursed by HCAP Advisors, LLC (Note 7)	—	(438,556)
Total expenses, after reimbursement	**2,275,974**	**2,525,496**
Net Investment Income	**762,270**	**1,215,288**
Net realized gains (losses):		
Non-affiliated / Non-control investments	46,300	—
Affiliated investments	—	(885,642)
Control investments	(10,890)	—
Net realized gains (losses)	35,410	(885,642)
Net change in unrealized appreciation (depreciation) on investments:		
Non-affiliated / Non-control investments	(738,955)	54,343
Affiliated investments	(61,230)	1,781,469
Control investments	63,500	(95,463)
Net change in unrealized appreciation (depreciation) on investments	(736,685)	1,740,349
Total net unrealized and realized gains (losses) on investments	**(701,275)**	**854,707**
Net increase in net assets resulting from operations	**$ 60,995**	**$ 2,069,995**
Net investment income per share	$ 0.12	$ 0.19
Net increase in net assets resulting from operations per share	$ 0.01	$ 0.32
Weighted average shares outstanding (basic and diluted)	6,302,724	6,437,478

See accompanying notes to unaudited financial statements.

Harvest Capital Credit Corporation

Consolidated Statements of Changes in Net Assets (Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Increase in net assets from operations:		
Net investment income	$ 762,270	$ 1,215,288
Net realized gains (losses) on investments	35,410	(885,642)
Net change in unrealized appreciation (depreciation) on investments	(736,685)	1,740,349
Net increase in net assets resulting from operations	60,995	2,069,995
Distributions to shareholders (1):		
Distributions	(1,604,912)	(1,947,088)
Decrease in net assets resulting from shareholder distributions	(1,604,912)	(1,947,088)
Capital share transactions:		
Reinvestment of dividends (2)	77,398	89,508
Share repurchases	(2,003,908)	(697,907)
Net decrease in net assets from capital share transactions	(1,926,510)	(608,399)
Total decrease in net assets	(3,470,427)	(485,492)
Net assets at beginning of period	78,395,964	81,781,429
Net assets at end of period	$ 74,925,538	$ 81,295,937
Capital share activity (common shares):		
Shares issued from reinvestment of dividends	7,722	8,484
Shares repurchased	(190,761)	(64,897)
Net decrease in capital share activity	(183,039)	(56,413)

(1) Distributions exceeded net investment income for the three months ended March 31, 2019 and 2018 in the amount of $842,642 and $731,800, respectively. See Dividends and Distributions Policy in Note 2.

(2) Net of par value of shares issued of $8 and $7 and funds received for fractional shares of $9 and $10 for March 31, 2019 and 2018, respectively.

See accompanying notes to unaudited financial statements.

Harvest Capital Credit Corporation

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 60,995	$ 2,069,995
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Paid in kind income	(206,634)	(363,919)
Paid in kind income collected	42,636	—
Net realized losses (gains) on investments	(35,410)	885,642
Net change in unrealized appreciation (depreciation) of investments	736,685	(1,740,349)
Amortization of fees, discounts and premiums, net	(249,594)	(206,874)
Amortization of deferred financing costs	55,011	55,121
Amortization of deferred offering costs	48,360	44,986
Proceeds from sales of investments	—	4,878
Purchase of investments (net of loan origination and other fees)	(12,227,539)	(8,350,000)
Proceeds from principal payments	10,236,031	7,082,781
Changes in operating assets and liabilities		
Increase in interest receivable	(535,559)	(77,002)
Increase in accounts receivable - other and other assets	(131,754)	(443,948)
Decrease in accrued interest payable	(55)	(11,884)
Increase in accounts payable and other liabilities	135,695	1,646,714
Net cash provided by (used in) operating activities	(2,068,476)	596,141
Cash flows from financing activities:		
Borrowings on revolving credit facility	5,000,000	8,500,000
Repayment of borrowings on revolving credit facility	(17,000,000)	(15,921,853)
Repurchased shares (held in Treasury Stock)	(2,003,908)	(697,907)
Distributions to equity holders (net of stock issued under dividend reinvestment plan of $77,398 and $89,508, respectively)	(1,527,514)	(1,857,575)
Net cash used in financing activities	(15,531,422)	(9,977,335)
Net decrease in cash during the period	(17,599,898)	(9,381,194)
Cash at beginning of period	28,775,548	11,464,437
Cash at end of period (1)	$ 11,175,650	$ 2,083,243
Non-cash financing activities:		
Value of shares issued in connection with dividend reinvestment plan	$ 77,398	$ 89,508
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 552,525	$ 672,613
Cash paid during the period for taxes	$ 12,772	$ —

(1) Consists of cash and restricted cash of $9,913,316 and $1,262,334, respectively, at March 31, 2019, and $187,301 and $1,895,942, respectively at March 31, 2018.

See accompanying notes to unaudited financial statements.

Harvest Capital Credit Corporation
Consolidated Schedule of Investments (unaudited)
(as of March 31, 2019)

Portfolio Company	Date**	Industry	Investment (1) (2) (9) (13)		Principal	Cost	Fair Value
Non-Control / Non-Affiliate Investments							
Bradford Soap International, Inc. (5.1%) *	08/2015	Consumer Goods - Non-Durable	Junior Secured Term Loan, due 10/2019 (18.50%; 1M LIBOR + 13.00% + 3.00% default rate)	(5) (11)	$ 4,100,002	$ 4,082,484	$ 3,813,000
					4,100,002	4,082,484	3,813,000
Brite Media LLC (0.2%) *	04/2014	Media: Advertising, Printing & Publishing	Class A Interest (139 Units)			125,000	131,600
						125,000	131,600
CP Holding Co., Inc. (Choice Pet) (3.8%) *	05/2013	Retailer	Junior Secured Term Loan, due 06/2020 (12.00%; 7.00% current and 5.00% deferred)	(12)	2,899,852	3,098,300	2,842,000
					2,899,852	3,098,300	2,842,000
Dell International L.L.C. (4.0%) *	01/2019	High Tech Industries	Senior Secured Term Loan B, due 09/2023 (4.50%; LIBOR + 2.00% with a 0.75% LIBOR floor)		2,992,424	2,967,526	2,967,526
					2,992,424	2,967,526	2,967,526
Deluxe Entertainment Services Group Inc.(5.9%) *	01/2019	Media: Diversified & Production	Senior Secured Term Loan, due 02/2020 (8.24%; LIBOR + 5.50%)		4,749,955	4,249,227	4,249,227
			Senior Secured Term Loan, due 02/2020 (8.74%; LIBOR + 6.00%)		212,344	187,661	187,661
					4,962,299	4,436,888	4,436,888
Flavors Holdings, Inc. (5.1%) *	10/2014	Beverage, Food & Tobacco	Junior Secured Term Loan, due 10/2021 (12.60%; 3M LIBOR +10.00% with a 1.00% LIBOR floor)		4,000,000	3,928,171	3,836,500
					4,000,000	3,928,171	3,836,500
Fox Rent A Car, Inc. (1.3%) *	10/2014	Automotive	Common Equity Warrants (102 shares)			—	948,000
						—	948,000
GK Holdings, Inc. (3.7%)*	01/2015	High Tech Industries	Junior Secured Term Loan, due 01/2022 (12.85%; 3M LIBOR +10.25% with a 1.00% LIBOR floor)	(5)	3,000,000	2,958,883	2,776,000
					3,000,000	2,958,883	2,776,000
General Nutrition Centers, Inc. (5.7%)*	02/2019	Beverage, Food, & Tobacco	Senior Secured Term Loan, due 03/2021 (11.40%, LIBOR + 8.75%; ABR + 7.75%)		4,421,113	4,272,772	4,272,772
					4,421,113	4,272,772	4,272,772
KC Engineering & Construction Services, LLC (2.4%) *	10/2017	Environmental Industries	Class A Membership Interest (105,784 Units)	(6)		664,392	1,816,877
						664,392	1,816,877
Peerless Media, LLC (7.1%) *	02/2019	Media: Advertising, Printing & Publishing	Senior Secured Term Loan, due 02/2024 (11.56%; 1M LIBOR + 8.50% with 2.40% LIBOR floor + 0.50% PIK)		4,847,832	4,802,662	4,802,662
			Revolving Line of Credit, due 08/2020 (11.56%; 1M LIBOR + 8.50% with a 2.40% LIBOR floor + 0.50% PIK)		500,000	500,000	500,000
					5,347,832	5,302,662	5,302,662
ProAir Holdings Corporation (8.5%) *	09/2017	Capital Equipment	Junior Secured Term Loan, due 12/2022 (12.75%)		6,500,000	6,423,912	6,386,000
					6,500,000	6,423,912	6,386,000

Portfolio Company	Date**	Industry	Investment (1) (2) (9) (13)		Principal	Cost	Fair Value
Regional Engine Leasing, LLC (3.7%) *	03/2015	Aerospace & Defense	Senior Secured Term Loan, due 03/2020 (11.00%; the greater of 11.00% or LIBOR +4.50%)		2,800,067	2,772,478	2,800,000
			Residual Value	(3)		102,421	—
					2,800,067	2,874,899	2,800,000
Safety Services Acquisition Corp. (6.6%) *	03/2017	Services: Business	Senior Secured Term Loan, due 12/2020 (11.38%; 3M LIBOR + 8.75% with a 1.00% LIBOR floor)	(5)	4,750,000	4,741,365	4,750,000
	04/2012		Series A Preferred Stock (100,000 Shares)			100,000	173,000
					4,750,000	4,841,365	4,923,000
Shannon Specialty Floors, LLC (4.6%) *	04/2017	Chemicals, Plastics & Rubber	Junior Secured Term Loan, due 04/2021 (13.30%; 3M LIBOR + 10.50% with a 1.00% LIBOR floor)	(5)	3,558,654	3,519,772	3,484,000
					3,558,654	3,519,772	3,484,000
Surge Busy Bee Holdings, LLC (9.3%) *	11/2017	Services: Business	Senior Secured Term Loan, due 11/2022 (12.51%; 1M LIBOR + 10.00%)		4,562,500	4,397,978	4,436,000
			Senior Secured Term Loan, due 11/2022 (14.00%; 12.00% cash/2.00% PIK)		2,424,563	2,343,708	2,312,500
			Revolving Line of Credit, due 11/2021 (1M LIBOR+8.00%)	(4)	—	—	—
			Class B Equity Warrants (210 Units)			152,950	243,000
					6,987,063	6,894,636	6,991,500
Water-Land Manufacturing & Supply, LLC (3.3%) *	08/2018	Consumer Goods - Durable	Junior Secured Term Loan, due 05/2023 (13.13%; 3M LIBOR + 10.50% with 2.25% LIBOR floor)		2,500,000	2,455,132	2,462,500
					2,500,000	2,455,132	2,462,500
World Business Lenders, LLC (0.0%) *	12/2013	Banking, Finance, Insurance & Real Estate	Class B Equity Interest (49,209 Units)			200,000	—
						200,000	—
Subtotal Non-Control / Non-Affiliate Investments					**$ 58,819,306**	**$ 59,046,794**	**$ 60,190,825**
Affiliate Investments							
Coastal Screen and Rail, LLC (10.0%)*	01/2018	Construction & Building	Senior Secured Term Loan, due 01/2023 (12.00%; 10.50% Cash/1.50% PIK)		$ 6,341,065	$ 6,224,185	$ 6,253,593
	01/2018		Revolving Line of Credit, due 07/2022 (10.63%; 3M LIBOR + 8.00%)		950,000	950,000	950,000
	01/2018		Preferred Equity Interest (6.21% fully diluted Common Equity)	(6)		150,000	306,000
					7,291,065	7,324,185	7,509,593
Flight Lease XII, LLC (0.8%) *	03/2017	Aerospace & Defense	Common Equity Interest (1,000 Units)	(6)		389,757	636,000
						389,757	636,000
National Program Management & Project Controls, LLC (11.0%)*	06/2018	Construction & Building	Senior Secured Term Loan, due 06/2023 (12.51%; 1M LIBOR + 10.00%)		6,893,772	6,800,926	6,891,818
			Class A Membership Interest (163,296 Units)	(6)		746,904	1,332,016
					6,893,772	7,547,830	8,223,834
Northeast Metal Works, LLC (15.8%) *	09/2014	Metals & Mining	Senior Secured Term Loan, due 12/2019 (17.00%; 10.50% Cash + 6.50% PIK)		10,607,206	10,592,705	10,314,500
			Revolving Line of Credit, due 12/2019 (15.00%)	(8)	1,500,000	1,500,000	1,496,500
	05/2017		Preferred Equity Interest (2,493 Class A Units; 12.0% cumulative preferred return)	(6)		1,595,520	—
					12,107,206	13,688,225	11,811,000
V-Tek, Inc. (6.6%) *	03/2017	Capital Equipment	Senior Secured Term Loan, due 03/2022 (13.75%; 3M LIBOR + 11.00%)		3,368,750	3,304,377	3,276,000

Portfolio Company	Date**	Industry	Investment (1) (2) (9) (13)		Principal	Cost	Fair Value
			Senior Secured Revolver, due 03/2021 (9.25%; 3M LIBOR + 6.50%)	(4)	1,536,097	1,536,097	1,536,097
			Common Stock (90 Shares)	(6)		150,000	116,500
					4,904,847	4,990,474	4,928,597
Subtotal Affiliate Investments					**$ 31,196,890**	**$ 33,940,471**	**$ 33,109,024**
Control Investments							
Flight Lease VII, LLC (0.9%) *	03/2016	Aerospace & Defense	Common Equity Interest (46.14% fully diluted interest)	(10)		$ 673,421	$ 673,421
						673,421	673,421
Infinite Care, LLC (10.3%) *	02/2016	Healthcare & Pharmaceuticals	Senior Secured Term Loan, due 02/2019 (14.50%; 1M LIBOR+6.00% with a 0.42% LIBOR floor + 6.00% PIK)	(7)	4,710,955	3,377,702	4,015,000
			Revolving Line of Credit, due 02/2019 (14.50%, 1M LIBOR+12.00% with a 0.42% LIBOR floor)		3,719,000	3,719,000	3,712,500
			Membership Interest (100% membership interests)	(6)		5,649,000	—
					8,429,955	12,745,702	7,727,500
Subtotal Control Investments					**$ 8,429,955**	**$ 13,419,123**	**$ 8,400,921**
Total Investments at 3/31/19 (135.7%) *					**$ 98,446,151**	**$106,406,388**	**$101,700,770**

* Fair value as a percentage of net assets
** Date refers to the origination date of the investment

(1) Debt investments are income producing investments unless an investment is on non accrual. Common equity, residual values and warrants are non-income producing.

(2) For each loan, the Company has provided the interest rate in effect on the date presented, as well as the contractual components of that interest rate. In the case of the Company's variable or floating rate loans, the interest rate in effect takes into account the applicable LIBOR rate in effect on March 31, 2019 or, if higher, the applicable LIBOR floor.

(3) "Residual value" represents the value of the Company's share in the collateral securing the loan.

(4) Credit facility has an unfunded commitment in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 in the Notes to Consolidated Financial Statements for further discussion on unfunded commitments.

(5) The coupon on the loan is subject to a pricing grid based on certain leverage ratios of the portfolio company.

(6) The investment is owned by HCAP Equity Holdings, LLC, the Company's taxable blocker subsidiary.

(7) Infinite Care LLC ("ICC") is in default under the terms of its credit agreement and was on non-accrual status as of March 31, 2019. ICC was current on its interest payments to the Company through December 31, 2017; however, it failed to repay the Company's protective loan advances at various dates in the fourth quarter of 2017 as well as throughout 2018 and 2019. ICC was previously in breach of its minimum EBITDA, minimum fixed charge and total leverage covenants, but these breaches were waived by the Company through December 31, 2017 in connection with its entry into an agreement, dated as of January 13, 2017, with ICC relating thereto. In October 2017, the Company exercised its rights under a stock pledge of ICC. The Company formed a wholly owned subsidiary, HCAP ICC, LLC, to exercise its proxy right under the pledge agreement and take control of ICC's board of directors. In January 2018, the Company took control of ICC's equity after accelerating the debt and auctioning ICC's equity in a public sale. The Company bid a portion of its outstanding debt to gain control of ICC in connection with the public sale process. Upon the completion of the sale process in January 2018, the Company converted $2.0 million of its debt investment in ICC into shares of ICC's membership interests. ICC failed to pay its scheduled amortization payment to the Company as of March 31, 2019.

Refer to Note 12 in the accompanying notes to the unaudited consolidated financial statements for summarized financial information for ICC for the three months ended March 31, 2019 and March 31, 2018.

(8) The interest rate on the revolver is 11% prior to the interim advance term; 13.5% from the first amendment effective date to February 28, 2018; 14.25% from March 1, 2018 through May 31, 2018 and 15% from June 1, 2018 until expiration of the interim advance. The interest rate on the term loan is 11% prior to and following the interim advance term; 10.5% cash pay plus 6% PIK from the first amendment date trough February 28, 2018; 10.5% cash pay plus 6.25% PIK from March 1, 2018 to May 31, 2018; 10.5% cash pay plus 6.5% PIK from June 1, 2018 until expiration of the interim advance.

(9) The Company's non-qualifying assets, on a fair value basis, total approximately 5.0% of the Company's total assets.

(10) This is an equity investment that receives a cash flow stream based on lease payments received by Flight Lease VII, LLC. Flight Lease VII, LLC owns an aircraft that was leased to one lessee. The lessee had been in arrears on its lease payments and in June of 2018, Flight Lease VII, LLC terminated the lease. As a result of the cessation of cash flows, future payments on this equity investment will resume only if Flight Lease VII, LLC is successful in obtaining a new lessee or sells the aircraft. For the three months ended March 31, 2019, the Company recognized an impairment charge of $10,890, which is presented in the net realized gains (losses) - control investments balance on the consolidated Statement of Operations.

(11) This portfolio company is in covenant default as of March 31, 2019 and the Company enforced its rights to charge the portfolio company the default interest rate. The portfolio company made all contractual interest and principal payments during the three months ended March 31, 2019.

(12) This portfolio company failed to make its contractual deferred interest payment on July 23, 2018 and partially paid its December 31, 2018 contractual current interest payment. As such, the Company has placed this loan on non-accrual status as of March 31, 2019.

(13) The Company's Credit Facility is secured by all of the Company's assets. Refer to Note 3 in the accompanying notes to the unaudited consolidated financial statements for more information.

As of March 31, 2019, investments consisted of the following:

Type	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Senior Secured Debt	$ 69,240,369	$ 69,724,357	68.5%	93.0%
Junior Secured Debt	26,466,654	25,600,000	25.2%	34.2%
Equity	10,699,365	6,376,413	6.3%	8.5%
Total	$ 106,406,388	$ 101,700,770	100.0%	135.7%

The rate type of debt investments at fair value as of March 31, 2019 was as follows:

Rate Type	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Fixed Rate	$ 32,955,287	$ 32,405,093	34.0%	43.2%
Floating Rate	62,751,736	62,919,264	66.0%	84.0%
Total	$ 95,707,023	$ 95,324,357	100.0%	127.2%

The industry composition of investments at fair value as of March 31, 2019 was as follows:

Industry	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Aerospace & Defense	$ 3,938,076	$ 4,109,421	4.0%	5.5%
Automotive	—	948,000	0.9%	1.3%
Banking, Finance, Insurance & Real Estate	200,000	—	—%	—%
Beverage, Food & Tobacco	8,200,943	8,109,272	8.0%	10.8%
Capital Equipment	11,414,387	11,314,597	11.1%	15.1%
Chemicals, Plastics and Rubber	3,519,772	3,484,000	3.4%	4.6%
Construction & Building	14,872,015	15,733,427	15.5%	21.0%
Consumer Goods - Non-Durable	4,082,484	3,813,000	3.8%	5.1%
Consumer Goods - Durable	2,455,133	2,462,500	2.4%	3.3%
Environmental Industries	664,392	1,816,877	1.8%	2.4%
Healthcare & Pharmaceuticals	12,745,702	7,727,500	7.6%	10.3%
High Tech Industries	5,926,408	5,743,526	5.7%	7.6%
Media: Advertising, Printing & Publishing	5,427,662	5,434,262	5.3%	7.3%
Media: Diversified & Production	4,436,888	4,436,888	4.4%	5.9%
Metals & Mining	13,688,225	11,811,000	11.6%	15.8%
Retailer	3,098,300	2,842,000	2.8%	3.8%
Services: Business	11,736,001	11,914,500	11.7%	15.9%
Total	$ 106,406,388	$ 101,700,770	100.0%	135.7%

The geographic concentrations at fair value as of March 31, 2019 was as follows:

United States Region	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
West	$ 34,687,260	$ 31,319,420	30.8%	41.8%
Northeast	44,987,022	42,353,435	41.6%	56.5%
South	20,308,194	21,641,915	21.3%	28.8%
Midwest	6,423,912	6,386,000	6.3%	8.6%
	$ 106,406,388	$ 101,700,770	100.0%	135.7%

See accompanying notes to unaudited financial statements.

Harvest Capital Credit Corporation
Consolidated Schedule of Investments
(as of December 31, 2018)

Portfolio Company	Date**	Industry	Investment (1) (2) (9) (13)		Principal	Cost	Fair Value
Non-Control / Non-Affiliate Investments							
Bradford Soap International, Inc. (5.0%) *	08/2015	Consumer Goods - Non-Durable	Junior Secured Term Loan, due 10/2019 (18.38%; 1M LIBOR + 13.00% + 3.00% default rate)	(5) (11)	$ 4,250,001	$ 4,224,975	$ 3,952,501
					4,250,001	4,224,975	3,952,501
Brite Media LLC (0.2%) *	04/2014	Media: Advertising, Printing & Publishing	Class A Interest (139 Units)			125,000	131,679
						125,000	131,679
CP Holding Co., Inc. (Choice Pet) (3.6%) *	05/2013	Retailer	Junior Secured Term Loan, due 06/2020 (12.00%; 7.00% current and 5.00% deferred)	(12)	2,899,852	3,098,300	2,842,000
					2,899,852	3,098,300	2,842,000
Douglas Machines Corp. (4.3%) *	05/2014	Capital Equipment	Junior Secured Term Loan, due 1/2021 (12.50%)		3,377,633	3,351,798	3,377,633
					3,377,633	3,351,798	3,377,633
Flavors Holdings, Inc. (4.9%) *	10/2014	Beverage, Food & Tobacco	Junior Secured Term Loan, due 10/2021 (12.80%; 3M LIBOR +10.00% with a 1.00% LIBOR floor)		4,000,000	3,922,308	3,842,000
					4,000,000	3,922,308	3,842,000
Flight Lease XIII, LLC (0.4%) *	03/2017	Aerospace & Defense	Common Equity Interest (600 Units)	(6)		253,796	295,800
						253,796	295,800
Fox Rent A Car, Inc. (1.7%) *	10/2014	Automotive	Common Equity Warrants (102 shares)			—	1,352,000
						—	1,352,000
GK Holdings, Inc. (3.5%)*	01/2015	High Tech Industries	Junior Secured Term Loan, due 01/2022 (13.05%; 3M LIBOR +10.25% with a 1.00% LIBOR floor)	(5)	3,000,000	2,955,675	2,771,500
					3,000,000	2,955,675	2,771,500
KC Engineering & Construction Services, LLC (2.5%) *	10/2017	Environmental Industries	Class A Membership Interest (103,414 Units)	(6)		641,711	1,939,500
						641,711	1,939,500
National Program Management & Project Controls, LLC (10.1%)*	06/2018	Construction & Building	Senior Secured Term Loan, due 06/2023 (12.53%; 1M LIBOR + 10.00%)		6,937,681	6,840,054	6,911,000
			Class A Membership Interest (136,034 Units)	(6)		611,333	973,500
					6,937,681	7,451,387	7,884,500
ProAir Holdings Corporation (8.1%) *	09/2017	Capital Equipment	Junior Secured Term Loan, due 12/2022 (12.75%)		6,500,000	6,420,046	6,382,000
					6,500,000	6,420,046	6,382,000
Regional Engine Leasing, LLC (3.8%) *	03/2015	Aerospace & Defense	Senior Secured Term Loan, due 03/2020 (11.00%; the greater of 11.00% or LIBOR + 4.50%)		2,942,435	2,907,053	2,941,500
			Residual Value	(3)		102,421	—
					2,942,435	3,009,474	2,941,500
Safety Services Acquisition Corp. (8.9%) *	03/2017	Services: Business	Senior Secured Term Loan, due 03/2019 (13.88%; 3M LIBOR + 11.00% with a 1.00% floor)	(5)	6,843,750	6,833,634	6,842,500

Portfolio Company	Date**	Industry	Investment (1) (2) (9) (13)		Principal	Cost	Fair Value
	04/2012		Series A Preferred Stock (100,000 Shares)			100,000	173,000
					6,843,750	6,933,634	7,015,500
Shannon Specialty Floors, LLC (4.6%) *	04/2017	Chemicals, Plastics & Rubber	Junior Secured Term Loan, due 04/2021 (12.93%; 3M LIBOR + 10.50% with a 1.00% LIBOR floor)	(5)	3,642,477	3,599,001	3,568,000
					3,642,477	3,599,001	3,568,000
Surge Busy Bee Holdings, LLC (9.0%) *	11/2017	Services: Business	Senior Secured Term Loan, due 11/2022 (12.53%; 1M LIBOR + 10.00%)		4,656,250	4,480,856	4,524,500
			Senior Secured Term Loan, due 11/2022 (14.00%; 12.00% cash/2.00% PIK)		2,412,501	2,327,683	2,299,500
			Revolving Line of Credit, due 11/2021 (1M LIBOR+8.00%)	(4)	—	—	—
			Class B Equity Warrants (210 Units)			152,950	243,500
					7,068,751	6,961,489	7,067,500
Water-Land Manufacturing & Supply, LLC (3.1%) *	08/2018	Consumer Goods - Durable	Junior Secured Term Loan, due 05/2023 (13.38%; 3M LIBOR + 10.50% with a 2.25% LIBOR floor)		2,500,000	2,453,154	2,453,154
					2,500,000	2,453,154	2,453,154
Wetmore Tool and Engineering Company (5.2%) *	03/2017	Capital Equipment	Junior Secured Term Loan, due 09/2021 (12.50%; 12.00% Cash/0.50% PIK)	(5)	4,042,636	4,002,105	4,042,636
					4,042,636	4,002,105	4,042,636
World Business Lenders, LLC (0.1%) *	12/2013	Banking, Finance, Insurance & Real Estate	Class B Equity Interest (49,209 Units)			200,000	60,551
						200,000	60,551
Subtotal Non-Control / Non-Affiliate Investments					**$ 58,005,216**	**$ 59,603,853**	**$ 61,919,954**
Affiliate Investments							
Coastal Screen and Rail, LLC (9.6%)*	01/2018	Construction & Building	Senior Secured Term Loan, due 01/2023 (12.00%; 10.50% Cash/1.50% PIK)		$ 6,392,068	$ 6,267,795	$ 6,328,000
	01/2018		Revolving Line of Credit, due 07/2022 (10.74%; 3M LIBOR + 8.00%)	(4)	700,000	700,000	700,000
	01/2018		Preferred Equity Interest (6.21% fully diluted Common Equity)	(6)		150,000	395,000
					7,092,068	7,117,795	7,423,000
Flight Lease XII, LLC (0.8%) *	03/2017	Aerospace & Defense	Common Equity Interest (1,000 Units)	(6)		389,757	636,000
						389,757	636,000
Northeast Metal Works, LLC (15.0%) *	09/2014	Metals & Mining	Senior Secured Term Loan, due 12/2019 (17.00%; 10.50% Cash + 6.50% PIK)		10,436,690	10,417,612	10,223,500
			Revolving Line of Credit, due 12/2019 (15.00%)	(8)	1,500,000	1,500,000	1,497,500
	05/2017		Preferred Equity Interest (2,493 Class A Units; 12.0% cumulative preferred return)	(6)		1,595,520	—
					11,936,690	13,513,132	11,721,000
V-Tek, Inc. (6.2%) *	03/2017	Capital Equipment	Senior Secured Term Loan, due 03/2022 (13.75%; 3M LIBOR + 11.00%)		3,412,500	3,342,147	3,341,000
			Senior Secured Revolver, due 03/2021 (9.25%; 3M LIBOR + 6.50%)	(4)	1,336,097	1,336,097	1,336,097
			Common Stock (90 Shares)	(6)		150,000	188,500
					4,748,597	4,828,244	4,865,597
Subtotal Affiliate Investments					**$ 23,777,355**	**$ 25,848,928**	**$ 24,645,597**
Control Investments							
Flight Lease VII, LLC (0.8%) *	03/2016	Aerospace & Defense	Common Equity Interest (46.14% fully diluted interest)	(10)		$ 684,311	$ 684,311
						684,311	684,311

Portfolio Company	Date**	Industry	Investment (1) (2) (9) (13)		Principal	Cost	Fair Value
Infinite Care, LLC (9.7%) *	02/2016	Healthcare & Pharmaceuticals	Senior Secured Term Loan, due 02/2019 (14.51%; 1M LIBOR+6.00% with a 0.42% LIBOR floor + 6.00% PIK)	(7)	4,641,335	3,377,702	3,948,000
			Revolving Line of Credit, due 02/2019 (14.51%, 1M LIBOR+12.00% with a 0.42% LIBOR floor)		3,719,000	3,719,000	3,716,000
			Membership Interest (100% membership interests)	(6)		5,649,000	—
					8,360,335	12,745,702	7,664,000
Subtotal Control Investments					**$ 8,360,335**	**$ 13,430,013**	**$ 8,348,311**
Total Investments at 12/31/18 (121.1%) *					**$ 90,142,906**	**$ 98,882,794**	**$ 94,913,862**

* Fair value as a percentage of net assets

** Date refers to the origination date of the investment

(1) Debt investments are income producing investments unless an investment is on non accrual. Common equity, residual values and warrants are non-income producing.

(2) For each loan, the Company has provided the interest rate in effect on the date presented, as well as the contractual components of that interest rate. In the case of the Company's variable or floating rate loans, the interest rate in effect takes into account the applicable LIBOR rate in effect on December 31, 2018 or, if higher, the applicable LIBOR floor.

(3) "Residual value" represents the value of the Company's share in the collateral securing the loan.

(4) Credit facility has an unfunded commitment in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 in the Notes to Consolidated Financial Statements for further discussion on unfunded commitments.

(5) The coupon on the loan is subject to a pricing grid based on certain leverage ratios of the portfolio company.

(6) The investment is owned by HCAP Equity Holdings, LLC, the Company's taxable blocker subsidiary.

(7) Infinite Care LLC ("ICC") is in default under the terms of its credit agreement and was on non-accrual status as of December 31, 2018. ICC was current on its interest payments to the Company through December 31, 2017; however, it failed to repay the Company's protective loan advances at various dates in the fourth quarter of 2017 as well as throughout 2018. ICC was previously in breach of its minimum EBITDA, minimum fixed charge and total leverage covenants, but these breaches were waived by the Company through December 31, 2017 in connection with its entry into an agreement, dated as of January 13, 2017, with ICC relating thereto. In October 2017, the Company exercised its rights under a stock pledge of ICC. The Company formed a wholly owned subsidiary, HCAP ICC, LLC, to exercise its proxy right under the pledge agreement and take control of ICC's board of directors. In January 2018, the Company took control of ICC's equity after accelerating the debt and auctioning ICC's equity in a public sale. The Company bid a portion of its outstanding debt to gain control of ICC in connection with the public sale process. Upon the completion of the sale process in January 2018, the Company converted $2.0 million of its debt investment in ICC into shares of ICC's membership interests. ICC failed to pay its scheduled amortization payment to the Company as of December 31, 2018. In addition, for the year ended December 31, 2018, the Company funded $1.7 million in revolver advances to ICC and made a $0.6 million equity contribution to ICC to fund their liquidity needs.

Refer to Note 12 in the accompanying notes to the unaudited consolidated financial statements for summarized financial information for ICC for the three months ended March 31, 2019 and March 31, 2018.

(8) The interest rate on the revolver is 11% prior to the interim advance term; 13.5% from the first amendment effective date to February 28, 2018; 14.25% from March 1, 2018 through May 31, 2018 and 15% from June 1, 2018 until expiration of the interim advance. The interest rate on the term loan is 11% prior to and following the interim advance term; 10.5% cash pay plus 6% PIK from the first amendment date trough February 28, 2018; 10.5% cash pay plus 6.25% PIK from March 1, 2018 to May 31, 2018; 10.5% cash pay plus 6.5% PIK from June 1, 2018 until expiration of the interim advance.

(9) The Company's non-qualifying assets, on a fair value basis, total approximately 2.0% of the Company's total assets.

(10) This is an equity investment that receives a cash flow stream based on lease payments received by Flight Lease VII, LLC. Flight Lease VII, LLC owns an aircraft that was leased to one lessee. The lessee had been in arrears on its lease payments and in June of 2018, Flight Lease VII, LLC terminated the lease. As a result of the cessation of cash flows, future payments on this equity investment will resume only if Flight Lease VII, LLC is successful in obtaining a new lessee or sells the aircraft. For the year ended December 31, 2018, the Company recognized an impairment charge of $0.2 million, which is presented in the net realized gains (losses) - control investments balance on the consolidated Statement of Operations.

(11) This portfolio company is in covenant default as of December 31, 2018 and the Company enforced its rights to charge the portfolio company the default interest rate. The portfolio company made all contractual interest and principal payments during the year ended December 31, 2018.

(12) This portfolio company failed to make its contractual deferred interest payment on July 23, 2018 and partially paid its December 31, 2018 contractual current interest payment.

(13) The Company's Credit Facility is secured by all of the Company's assets. Refer to Note 3 in the accompanying notes to the unaudited consolidated financial statements for more information.

As of December 31, 2018, investments consisted of the following:

Type	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Senior Secured Debt	$ 54,049,633	$ 54,609,097	57.5%	69.7%
Junior Secured Debt	34,027,362	33,231,424	35.0%	42.4%
Equity	10,805,799	7,073,341	7.5%	9.0%
Total	$ 98,882,794	$ 94,913,862	100.0%	121.1%

The rate type of debt investments at fair value as of December 31, 2018 was as follows:

Rate Type	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Fixed Rate	$ 40,292,392	$ 39,934,269	45.5%	50.9%
Floating Rate	47,784,603	47,906,252	54.5%	61.1%
Total	$ 88,076,995	$ 87,840,521	100.0%	112.0%

The industry composition of investments at fair value as of December 31, 2018 was as follows:

Industry	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Aerospace & Defense	$ 4,337,337	$ 4,557,611	4.8%	5.8%
Automotive	—	1,352,000	1.4%	1.7%
Banking, Finance, Insurance & Real Estate	200,000	60,551	0.1%	0.1%
Beverage, Food & Tobacco	3,922,308	3,842,000	4.1%	4.9%
Capital Equipment	18,602,194	18,667,866	19.7%	23.8%
Chemicals, Plastics and Rubber	3,599,001	3,568,000	3.8%	4.6%
Construction & Building	14,569,182	15,307,500	16.1%	19.5%
Consumer Goods - Non-Durable	4,224,975	3,952,501	4.2%	5.0%
Consumer Goods - Durable	2,453,154	2,453,154	2.6%	3.1%
Environmental Industries	641,711	1,939,500	2.0%	2.5%
Healthcare & Pharmaceuticals	12,745,702	7,664,000	8.1%	9.8%
High Tech Industries	2,955,675	2,771,500	2.9%	3.5%
Media: Advertising, Printing & Publishing	125,000	131,679	0.1%	0.2%
Metals & Mining	13,513,132	11,721,000	12.3%	15.0%
Retailer	3,098,300	2,842,000	3.0%	3.6%
Services: Business	13,895,123	14,083,000	14.8%	18.0%
Total	$ 98,882,794	$ 94,913,862	100.0%	121.1%

The geographic concentrations at fair value as of December 31, 2018 was as follows:

United States Region	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
West	$ 36,086,071	$ 32,955,912	34.7%	42.1%
Northeast	35,519,206	33,053,552	34.8%	42.2%
South	20,857,471	22,522,398	23.7%	28.7%
Midwest	6,420,046	6,382,000	6.8%	8.1%
	$ 98,882,794	$ 94,913,862	100.0%	121.1%

See accompanying notes to unaudited financial statements.

Note 1. Organization

Harvest Capital Credit Corporation ("HCAP" or the "Company") was incorporated as a Delaware corporation on November 14, 2012, for the purpose of, among other things, acquiring Harvest Capital Credit LLC (“HCC LLC”). HCAP acquired HCC LLC on May 2, 2013, in connection with HCAP's initial public offering. HCAP is an externally managed, closed-end, non-diversified management investment company that has filed an election to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, for tax purposes, HCAP has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). As an investment company, the Company follows accounting and reporting guidance as set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services- Investment Companies*.

On July 1, 2016, the Company formed HCAP Equity Holdings, LLC, a Delaware limited liability company, as a wholly-owned subsidiary of the Company to hold certain equity investments made by the Company in limited liability companies or other forms of pass-through entities. By investing through HCAP Equity Holdings, LLC, the Company is able to benefit from the tax treatment of this entity and create a tax structure that is advantageous with respect to the Company's status as a RIC. This taxable subsidiary is consolidated for U.S. GAAP financial reporting purposes, and the portfolio investments held by the taxable subsidiary are included in the Company's consolidated financial statements and recorded at fair value in conjunction with the Company's valuation policy. The Company also formed a wholly-owned subsidiary, HCAP ICC, LLC, a Delaware limited liability company, to exercise certain rights in connection with its investment in Infinite Care, LLC.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with the rules and regulations of the SEC and Regulation S-X. In the opinion of management, all adjustments of a normal recurring nature considered necessary for the fair statement of the Company's consolidated financial statements have been made. Certain prior period amounts have been reclassified to reflect current period classification.

In preparing the consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the Consolidated Statements of Assets and Liabilities and the Consolidated Statements of Operations for the period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Harvest Capital Credit Corporation and its wholly-owned subsidiaries, HCAP Equity Holdings, LLC and HCAP ICC, LLC. The effects of all intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation. Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and ASC 946, *Financial Services - Investment Companies*, the Company is precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements in Topic 820, Fair Value Measurement, by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements. ASU 2018-13 is effective for public companies for annual reporting periods and interim periods within those annual periods beginning after December 15,

2019. The Company has reviewed the requirements and concluded that the adoption of this ASU will not have a material impact on its consolidated financial statements.

In August 2018, the SEC issued Final Rule Release No. 33-10532 - "Disclosure Update and Simplification." This rule amends various SEC disclosure requirements that have been determined to be redundant, duplicative, overlapping, outdated, or superseded. The changes are generally expected to reduce or eliminate certain disclosures; however, the amendments did expand interim period disclosure requirements related to changes in stockholders' equity. This final rule became effective on November 5, 2018. The Company has adopted these amendments as currently required and these are reflected in its consolidated financial statements and related disclosures. Certain prior year information has been adjusted to conform with these amendments.

Cash

Cash as presented in the Consolidated Statements of Assets and Liabilities and the Consolidated Statements of Cash Flows includes bank clearing accounts with financial institutions and cash held in these accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit.

Restricted Cash

Restricted cash of $1.3 million and $1.8 million as of March 31, 2019 and December 31, 2018 respectively, was held at U.S. Bank, National Association in conjunction with the Company's Credit Facility (see Note 3. Borrowings). The Company is restricted from accessing this cash until the monthly settlement date when, after delivering a covenant compliance certificate, the net restricted cash is released to the Company after paying interest, fees and expenses owed under its Credit Facility.

Investments and Related Investment Revenue and Expense

All investment related revenue and expenses are reflected on the Consolidated Statement of Operations, generally commencing on the trade date unless otherwise specified by the transaction documents.

The Company accrues interest income if it expects that ultimately it will be able to collect it. Generally, when an interest payment default occurs on a loan in the portfolio, when interest has not been paid for greater than 90 days, or when management otherwise believes that the issuer of the loan will not be able to service the loan and other obligations, the Company will place the loan on non-accrual status and will cease accruing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed collectible. However, the Company remains contractually entitled to this interest, and any collections actually received on these non-accrual loans may be recognized as interest income on a cash basis or applied to the principal depending upon management's judgment regarding collectability. The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection and the amount of collectible interest can be reasonably estimated. As of March 31, 2019, the Company had two portfolio companies with a combined fair value of $10.6 million on non-accrual status. As of December 31, 2018, the Company had one portfolio company with a fair value of $7.7 million on non-accrual status.

For loans with contractual PIK (payment-in-kind) interest income, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, the Company will not accrue PIK interest if the Company believes that the PIK interest is no longer collectible, including if the portfolio company valuation indicates that such PIK interest is not collectible. Loan origination fees - net of direct loan origination costs, original issue discounts that initially represent the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and market discounts or premiums - are accreted or amortized using the effective interest method as interest income over the contractual life of the loan. Upon the prepayment of a loan or debt security, any unamortized net loan origination fee will be recorded as interest income. Loan exit fees that are contractually required to be paid at the termination or maturity of the loan will be accreted to interest income over the contractual term of the loan. The Company suspends the accretion of interest income for any loans or debt securities placed on non-accrual status. The Company may also collect other prepayment premiums on loans. These prepayment premiums are recorded as other income as earned. Dividend income, if any, will be recognized on the ex-dividend date.

Certain expenses related to legal and tax consultation, due diligence, valuation expenses and independent collateral appraisals may arise when the Company makes certain investments. To the extent that such costs are not classified as direct loan origination costs, these expenses are recognized in the Consolidated Statements of Operations as they are incurred.

For equity investments with contractual dividend income, the Company accrues the dividend income based on the contractual obligation. The Company will not accrue the dividend income if the Company believes that the dividend income is no longer collectible, including if the portfolio company valuation indicates that such dividend income is not collectible.

Income from certain of the Company's equity investments is recorded based upon an estimation of an effective yield to expected maturity utilizing projected cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financial Assets*. The Company monitors the expected cash flows from these equity investments and the effective yield is determined and updated at each reporting date.

Investment Date

The Company records investment purchases and sales based on the trade date. For instances when the trade date and funding date differ, the Company captures the open trades in the receivable for securities sold or payable for securities purchased on the Consolidated Statements of Assets and Liabilities. The Company's portfolio turnover rate for the three months ended March 31, 2019 was 14.42%.

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

Realized gains and losses on investments are calculated using the specific identification method. The Company measures realized gains or losses on equity investments as the difference between the net proceeds from the sale and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. The Company measures realized gains or losses on debt investments as the difference between the net proceeds from the repayment or sale and the contractual amount owed to the Company on the investment, without regard to unrealized appreciation or depreciation previously recognized or unamortized deferred fees. The acceleration of unamortized deferred fees is recognized as interest income and the collection of prepayment and other fees is recognized as other income. The Company recognized $35,410 in net realized gains on its investments during the three months ended March 31, 2019 and $0.9 million of realized losses on its investments during the three months ended March 31, 2018.

Net changes in unrealized appreciation or depreciation measure changes in the fair value of the Company's investments relative to changes in their amortized cost. The Company recognized $0.7 million in net change in unrealized depreciation during the three months ended March 31, 2019 and $1.7 million in net change in unrealized appreciation during the three months ended March 31, 2018.

Classification of Investments

The Company classifies its investments by level of control. As defined in the 1940 Act, control investments are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual owns beneficially more than 25% of the voting securities of an investee company. Affiliated investments and affiliated companies are defined by a lesser degree of influence and are deemed to exist through beneficial ownership of at least 5% but not more than 25% of the outstanding voting securities of another person. See table below for a breakdown of the Company's investments by classification at March 31, 2019 and December 31, 2018, respectively.

	Number of portfolio company investments by classification	
	March 31, 2019	**December 31, 2018**
Non-Control/Non-Affiliated	18	18
Affiliated	5	4
Control	2	2
Total	25	24

Valuation of Investments

Valuation analyses of the Company's investments are performed on a quarterly basis pursuant to ASC 820, *Fair Value Measurement*. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with applicable accounting guidance and expands disclosure of fair value measurements.

Pursuant to ASC 820, the valuation standard used to measure the value of each investment is fair value defined as, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Investments are recorded at their fair value at each quarter end (the measurement date).

Fair Value Investment Hierarchy

Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active public markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

Valuation Process

Investments are measured at fair value as determined in good faith by the Company's board of directors based on, among other factors, consistently applied valuation procedures and the following multi-step valuation process on each measurement date:

- The valuation process generally begins with each investment initially being valued by the Company's management or the investment professionals of its investment adviser, and/or, if applicable, by an independent valuation firm.

- Preliminary valuation conclusions are documented and discussed with senior management.

- The audit committee of the board of directors reviews and discusses the preliminary valuations.

- The board of directors discusses valuations and determines the fair value of each investment in the portfolio in good faith, based upon the input of senior management, the independent valuation firm report (if reviewed in such quarter), and the audit committee.

The nature of the materials and input that the Company's board of directors receives in the valuation process varies depending on the nature of the investment and the other facts and circumstances. For example, in the case of investments that are Level 1 or 2 assets, a formal report by the Company's management or the investment professionals of its investment adviser, called a portfolio monitoring report, or "PMR," is not generally prepared, and no independent external valuation firm is engaged due to the availability of quotes in markets for such investments or similar assets.

In the case of investments that are Level 3 assets, however, the Company's board of directors generally receives a report on material Level 3 investments on a quarterly basis (i) from the Company's management or the investment professionals of its investment adviser in the form of a PMR, (ii) from a third-party valuation firm, or (iii) in some cases, both. In the case of investments that are Level 3 assets and have an investment rating of 1 (performing above expectations), the Company generally engages an independent external valuation firm to review all such material investments at least annually. In quarters where an external valuation is not prepared for such investments, the Company's management or the investment professionals of its investment adviser generally prepare a PMR. In the case of investments that are Level 3 assets and have an investment rating of 2 through 5 (with performance ranging from within expectations to substantially below expectations), the Company generally engages an independent external valuation firm to review such material investments quarterly (and may receive a PMR in addition to the review of the independent external valuation firm where the Level 3 assets have an investment rating of 3 through 5). However, in certain cases for Level 3 assets, the Company may determine that it is more appropriate for the Company to prepare a PMR instead of engaging an independent external valuation firm on a quarterly basis, because a third-party valuation is not cost effective or the nature of the investment does not warrant a quarterly third-party valuation. In addition, under certain unique circumstances, the Company may determine that a formal valuation report is not likely to be informative, and neither a third-party valuation report nor a report from the Company's management or the investment professionals of its investment adviser is prepared. Such circumstances might include, for example, an instance in which the investment has paid off after the period end date but before the board of directors meets to discuss the valuations.

Further, Level 3 debt investments that have closed within six months of the measurement date are valued at amortized cost unless a material adverse change in portfolio company operations has occurred since the closing of the investment.

Valuation Methodology

The following section describes the valuation methods and techniques used to measure the fair value of the investments.

Fair value for each investment may be derived using a combination of valuation methodologies that, in the judgment of the Company's management, are most relevant to such investment, including, without limitation, being based on one or more of the following: (i) market prices obtained from market makers for which management has deemed there to be enough breadth (number of quotes) and depth to be indicative of fair value, (ii) the price paid or realized in a completed transaction or binding offer received in an arms-length transaction, (iii) the market approach (enterprise value), (iv) the income approach (discounted cash flow analysis) or (v) the bond yield approach.

The valuation methods selected for a particular investment are based on the circumstances and on the level of sufficient data available to measure fair value. If more than one valuation method is used to measure fair value, the results are evaluated and weighted, as appropriate, considering the reasonableness of the range indicated by those results. A fair value measurement is the point within that range that is most representative of fair value given the circumstances.

The determination of fair value using the selected methodologies takes into consideration a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public and private exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment, compliance with agreed upon terms and covenants, and assessment of credit ratings of an underlying borrower.

In most cases the Company uses the bond yield approach for valuing its Level 3 debt investments, as long as the Company deems this method appropriate. This approach entails analyzing the interest rate spreads for recently completed financing transactions which are similar in nature to the Company's, in order to assess what the range of effective market interest rates would be for the investment if it were being made on or near the valuation date. Then all of the remaining expected cash flows of the investment are discounted using this range of interest rates to determine a range of fair values for the debt investment. If, in the Company's judgment, the bond yield approach is not appropriate, the Company may use the market approach, or, in certain cases, an alternative methodology potentially including an asset liquidation or expected recovery model.

The fair value of equity securities, including warrants, in portfolio companies oftentimes considers the market approach, which applies market valuation multiples of publicly-traded firms or recently acquired private firms engaged in businesses similar to those of the portfolio companies. This approach to determining the fair value of a portfolio company’s equity security will typically involve: (1) applying to the portfolio company’s trailing twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) a range of enterprise value to EBITDA multiples that are derived from an analysis of comparable companies, in order to arrive at a range of enterprise values for the portfolio company; then (2) subtracting from the range of enterprise values balances of any debt or equity securities that rank senior to the Company's equity securities; and (3) multiplying the range of equity values by the Company’s ownership share of such equity to determine a range of fair values for the Company’s equity investment.

The Company also uses the income approach, which discounts a portfolio company’s expected future cash flows to determine its net present enterprise value. The discount rate used is based upon the company’s weighted average cost of capital, which is determined by blending the cost of the portfolio company’s various debt instruments and its estimated cost of equity capital. The cost of equity capital is estimated based upon the Company's market knowledge and discussions with private equity sponsors.

These valuation methodologies involve a significant degree of judgment. As it relates to investments that do not have an active public market, there is no single standard for determining the estimated fair value. Valuations of privately held investments are inherently uncertain, and they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. In some cases, fair value of such investments is best expressed as a range of values derived utilizing different methodologies from which a single estimate may then be determined.

Consequently, fair value for each investment may be derived using a combination of valuation methodologies that, in the judgment of management, are most relevant to such investment. The selected valuation methodologies for a particular investment are consistently applied on each measurement date. However, a change in a valuation methodology or its application from one measurement date to another is possible if the change results in a measurement that is equally or more representative of fair value in the circumstances.

Capital Gains Incentive Fee

Under GAAP, the Company calculates the capital gains incentive fee as if the Company had realized all investments at their fair values as of the reporting date. Accordingly, the Company accrues a provisional capital gains incentive fee taking into account any unrealized gains or losses. As the provisional incentive fee is subject to the performance of investments until there is a realization event, the amount of provisional capital gains incentive fee accrued at a reporting date may vary from the capital gains incentive fee that is ultimately paid and the differences could be material.

Deferred Offering Costs

Deferred offering costs consist of expenses related to the Company's 2022 Notes, including underwriting fees, legal fees, and other direct costs incurred. The deferred offering costs are recognized as a reduction to the 2022 Notes on the Company's consolidated statement of assets and liabilities and are amortized as interest expense through the maturity of the 2022 Notes. The balance of deferred offering costs as of March 31, 2019 and December 31, 2018 was $0.8 million and $0.8 million, respectively. Amortization expense of the deferred offering costs was $48,360 and $44,986 for the three months ended March 31, 2019 and March 31, 2018, respectively.

Deferred Financing Costs

Deferred financing costs consist of debt issuance costs associated with the Company's revolving line of credit. The deferred financing costs consist of fees and other direct costs incurred by the Company in obtaining debt financing from its lenders and are recognized as assets and are amortized as interest expense over the term of the applicable credit facility. The balance of deferred financing costs as of March 31, 2019 and December 31, 2018 was $0.6 million and $0.6 million, respectively. The amortization expense relating to deferred debt financing costs during the three months ended March 31, 2019 and March 31, 2018 was $55,011 and $55,121, respectively.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded on the ex-dividend date. Distributions to shareholders which exceed tax distributable income (tax net investment income and realized gains, if any) are reported as distributions of paid-in capital (i.e., return of capital). The determination of the tax attributes of the Company's distributions is made at the end of the year based upon the Company's taxable income for the full year and the distributions paid during the full year. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment. The Company adopted a dividend reinvestment plan that provides for reinvestment of its dividends and other distributions on behalf of the Company's stockholders, unless a stockholder elects to receive cash. As a result, if the board of directors authorizes, and the Company declares, a cash dividend or other distribution, then stockholders who have not "opted out" of the dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash distribution.

During the three month periods ended March 31, 2019 and March 31, 2018, the Company paid distributions totaling $0.2550 and $0.3025 per share, respectively.

Income Taxes

Beginning with its first taxable year ending December 31, 2013, the Company elected to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code. To qualify for tax treatment as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. As a RIC, the Company will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless the Company distributes in a timely manner an amount at least equal to the sum of (1) 98% of its ordinary income for each calendar year, (2) 98.2% of its capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which the Company paid no U.S. federal income tax. To the extent the Company receives taxable income information from portfolio companies subsequent to the filing of the Form 10-K which alters taxable income estimates and book/tax differences as reported in the filing, the Company’s tax return will be trued-up.

The company's wholly-owned taxable subsidiary, HCAP Equity Holdings LLC, holds certain portfolio investments that are listed on the Consolidated Schedule of Investments. HCAP Equity Holdings LLC is consolidated for financial reporting purposes, such that the company’s consolidated financial statements reflect the Company’s investments in the portfolio companies owned by it. The purpose of the HCAP Equity Holdings LLC is to permit the Company to hold certain portfolio companies that are organized as limited liability companies (“LLCs”) (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of the RIC’s gross revenue for income tax purposes must consist of qualifying investment income. Absent such a taxable subsidiary, a proportionate amount of any gross income of an LLC (or other pass-through entity) portfolio investment would flow through directly to the RIC. To the extent that such income did not consist of qualifying investment income, it could jeopardize the Company’s ability to qualify as a RIC and therefore cause the Company to incur significant amounts of federal income taxes. When LLCs (or other pass-through entities) are owned by a taxable subsidiary, their income is taxed to the taxable subsidiary and does not flow through to the RIC, thereby helping the Company preserve its RIC status and resultant tax advantages. HCAP Equity Holdings LLC is not consolidated for income tax purposes and may generate income tax expense as a result of its ownership of the portfolio companies. This income tax expense is reflected in the Company’s Consolidated Statements of Operations.

HCAP Equity Holdings, LLC is subject to U.S. federal and state income taxes. HCAP Equity Holdings, LLC is not consolidated for income tax purposes and may generate income tax liabilities or assets from permanent and temporary differences in the recognition of items for financial reporting and income tax purposes at HCAP Equity Holdings, LLC. During the three months ended March 31, 2019 and March 31, 2018, the Company did not incur any deferred tax expense for such temporary differences. The Company did not recognize a current income tax expense during the three months ended year ended March 31, 2019 and March 31, 2018.

The Company’s tax returns are subject to examination by federal, state and local taxing authorities. Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, the amounts reported in the accompanying financial statements may be subject to change at a later date by the respective taxing authorities. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Penalties or interest that may be assessed related to any income taxes would be classified as other operating expenses in the financial statements. Based on an analysis of the Company's tax position, there are no uncertain tax positions that met the recognition or measurement criteria and the Company has no amounts accrued for interest or penalties as of March 31, 2019. Neither HCC LLC nor the Company is currently undergoing any tax examinations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The federal tax years 2015-2018 for HCC LLC and the Company remain subject to examination by the IRS. The state tax years 2013-2018 for HCC LLC and the Company remain subject to examination by the state taxing authorities.

Excise Tax

The Company estimates excise tax based on timely information available. The Company does not estimate that it will incur an excise tax for the fiscal year ended December 31, 2019. The Company incurred an excise tax expense for the year ended December 31, 2018 of $8,825, relating to an under accrual for its 2017 excise tax paid in 2018.

Note 3. Borrowings

The Company's principal balance of its debt obligations consist of the following:

		As of		
		March 31, 2019		December 31, 2018
Revolving line of credit	$	5,000,000	$	17,000,000
2022 Notes		28,750,000		28,750,000
Total debt obligations	$	33,750,000	$	45,750,000

The weighted average stated interest rate and weighted average maturity on all of the Company's debt obligations outstanding as of March 31, 2019 were 6.1% and 3.3 years, respectively. The weighted average stated interest rate and weighted average maturity on all of the Company's debt obligations outstanding as of December 31, 2018 was 5.9% and 3.4 years, respectively.

Revolving Line of Credit

On October 29, 2013, the Company entered into a Loan and Security Agreement with CapitalSource Bank (now Pacific Western Bank), as agent and a lender, and each of the lenders from time to time party thereto, including City National Bank, to provide the Company with a $55.0 million senior secured revolving credit facility (the “Credit Facility”). The Credit Facility is secured by all of the Company’s assets, including the Company's equity interest in HCAP Equity Holdings, LLC and HCAP ICC, LLC, and has an accordion feature that allows the size of the facility to increase up to $85.0 million. The Credit Facility has a revolving period that, following a recent amendment, expires on April 30, 2020. The maturity date under the Credit Facility is, following a recent amendment, the earlier of (x) October 30, 2021, or (y) the date that is six (6) months prior to the maturity of any of the Company's outstanding unsecured long-term indebtedness, which, based on the Company's outstanding 2022 Notes that mature on September 15, 2022, the maturity date under the Credit Facility would be October 30, 2021. HCAP Equity Holdings, LLC became a co-borrower under the Credit Facility in August 2016, and HCAP ICC, LLC, became a borrower under the Credit Facility in November 2017.

Advances under the Credit Facility bear interest at a rate per annum equal to the lesser of (i) the applicable LIBOR rate plus 3.25% (with a 0.50% LIBOR floor) and (ii) the maximum rate permitted under applicable law.

In addition, the Credit Facility requires payment of a fee for unused amounts during the revolving period, which fee varies depending on the obligations outstanding as follows: (i) 0.75% per annum, if the average daily principal balance of the obligations outstanding for the prior month are less than fifty percent of the maximum loan amount; and (ii) 0.50% per annum, if such obligations outstanding are equal to or greater than fifty percent of the maximum loan amount. In each case, the fee is calculated based on the difference between (i) the maximum loan amount under the Credit Facility and (ii) the average daily principal balance of the obligations outstanding during the prior calendar month.

The Credit Facility also contains customary terms and conditions, including, without limitation, affirmative and negative covenants, including, without limitation, information reporting requirements, a minimum tangible net worth, a minimum debt service coverage ratio, a minimum liquidity of 4% of the maximum loan amount, a maximum leverage ratio of 1.00 to 1.00, and maintenance of RIC and BDC status. In addition, the Credit Facility contains a covenant that limits the amount of the Company's unsecured longer-term indebtedness (as defined in the Credit Facility), which includes the 2022 Notes, to 50% of the maximum borrowing amount under the Credit Facility. The Credit Facility also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change of control, and the occurrence of a material adverse effect. In addition, the Credit Facility provides that, upon the occurrence and during the continuation of such an event of default, the Company’s administration agreement could be terminated and a backup administrator could be substituted by the agent.

Availability under the Credit Facility is determined by advance rates against eligible loans in the borrowing base up to a maximum aggregate availability of $55.0 million. Advance rates against individual investments range from 40% to 65% depending on the seniority of the investment in the borrowing base.

As of March 31, 2019 and December 31, 2018 the outstanding balance on the Credit Facility was $5.0 million and $17.0 million, respectively. As of March 31, 2019 and December 31, 2018, the Company was in compliance with its debt covenants.

2022 Notes

On August 24, 2017, the Company closed the public offering of $25.0 million in aggregate principal amount of its 6.125% Notes due 2022 (the "2022 Notes"). On September 1, 2017, the Company closed on an additional $3.75 million in aggregate principal amount of 2022 Notes to cover the over-allotment option exercised by the underwriters. In total, the Company issued 1,150,000 of the 2022 Notes at a price of $25.00 per Note. The total net proceeds to the Company from the 2022 Notes, after deducting underwriting discounts of $0.9 million and offering costs of $0.2 million, were $27.7 million. As of March 31, 2019, the outstanding principal balance of the 2022 Notes was $28.8 million and the debt issuance costs balance was $0.8 million. As of December 31, 2018, the outstanding principal balance of the 2022 Notes was $28.8 million and the debt issuance costs balance was $0.8 million. The Company used the proceeds of the 2022 Notes to redeem its 7.00% Notes due 2020 in full on September 23, 2017.

The 2022 Notes mature on September 15, 2022 and bear interest at a rate of 6.125%. They are redeemable in whole or in part at anytime at the Company's option after September 15, 2019 at a price equal to 100% of the outstanding principal amount of the 2022 Notes plus accrued and unpaid interest. The 2022 Notes are unsecured obligations of the Company and rank pari passu with any future unsecured unsubordinated indebtedness; senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2022 Notes; effectively subordinated to all of the existing and future secured indebtedness of the Company, to the extent of the value of the assets securing such indebtedness, including borrowings under the Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any subsidiaries, financing vehicles, or similar facilities the Company may form in the future, with respect to claims on the assets of any such subsidiaries, financing vehicles, or similar facilities. Interest on the 2022 Notes is payable quarterly on March 15, June 15, September 15, and December 15 of each year. The 2022 Notes are listed on the NASDAQ Global Market under the trading symbol "HCAPZ." The Company may from time to time repurchase 2022 Notes in accordance with the 1940 Act and the rules promulgated thereunder.

The indenture governing the 2022 Notes (the "2022 Notes Indenture") contains certain covenants, including covenants (i) requiring the Company's compliance with the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, whether or not the Company continues to be subject to such provisions of the 1940 Act; (ii) requiring the Company's compliance, under certain circumstances, with a modified version of the requirements set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act, whether or not the Company continues to be subject to such provisions of the 1940 Act, prohibiting the declaration of any cash dividend or distribution upon any class of the Company's capital stock (except to the extent necessary for the Company to maintain its status as a RIC under Subchapter M of the Code), or purchasing any such capital stock, if the Company's asset coverage, as defined in the 1940 Act, were below 200% (or 150% on and after May 4, 2019) at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution, or purchase; and (iii) requiring the Company to provide financial information to the holders of the 2022 Notes and the custodian if the Company ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 2022 Notes Indenture. As of March 31, 2019 and December 31, 2018 , the Company was in compliance with its debt covenants.

Regulatory Requirements

As a BDC, the Company is generally required, upon issuing any senior securities, to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which include all of the Company's borrowings, of at least 200%. However, the Small Business Credit Availability Act, which was signed into law on March 23, 2018, has modified this requirement to permit a BDC to reduce the required minimum asset coverage ratio applicable to a BDC from 200% to 150%, if certain requirements are met. On May 4, 2018, the Company's board of directors unanimously approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the Investment Company Act of 1940, as amended by the Small Business Credit Availability Act. As a result, the asset coverage ratio applicable to the Company was changed from 200% to 150% effective May 4, 2019.

As of March 31, 2019 and December 31, 2018, the Company's aggregate indebtedness, including outstanding borrowings under the Credit Facility and the aggregate principal amount outstanding on the 2022 Notes, was $33.8 million and $45.8 million, respectively, and as of March 31, 2019, and December 31, 2018, the Company's asset coverage, as defined in the 1940 Act, was 322% and 271%, respectively.

Note 4. Concentrations of Credit Risk

The Company's investment portfolio consists primarily of loans to privately-held small to mid-size companies. Many of these companies may experience variation in operating results. Many of these companies do business in regulated industries and could be affected by changes in government regulations.

The largest debt investments may vary from year to year as new debt investments are recorded and repaid. The Company's five largest debt investments represented approximately 42.4% and 41.2% of total principal balance outstanding as of March 31, 2019 and December 31, 2018, respectively. Investment income, consisting of interest and fees, can fluctuate significantly upon repayment of large loans. Interest income and fee income from the five largest debt investments accounted for approximately 39.8% and 38.4% of total loan interest and fee income for the three months ended March 31, 2019 and March 31, 2018, respectively.

Note 5. Shareholders' Equity

The following table summarizes the total shares issued and proceeds received for shares of the Company's common stock net of any underwriting discounts and offering costs for the quarters ended March 31, 2019 and March 31, 2018.

	Three months ended March 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
Shares repurchased	(190,761)	$ (2,003,908)	(64,897)	$ (697,907)
Dividends reinvested	7,722	77,398	8,484	89,508
Total	(183,039)	$ (1,926,510)	(56,413)	$ (608,399)

As of March 31, 2019 and 2018, the Company had no dilutive securities outstanding.

On June 13, 2017, the Company's board of directors authorized a $3.0 million open market stock repurchase program. Pursuant to the program, the Company was authorized to repurchase up to $3.0 million in the aggregate of its outstanding stock in the open market. The repurchase program expired on June 30, 2018. Prior to the expiration of the share repurchase program on June 30, 2018, the Company repurchased 116,189 shares of its common stock for a total cost of $1.3 million.

On November 1, 2018, the board of directors authorized another open market stock repurchase program. Pursuant to the program, the Company is authorized to repurchase up to 250,000 shares in the aggregate of the Company's outstanding common stock in the open market. The timing, manner, price and amount of any share repurchases will be determined by the Company's management at its discretion, and no assurances can be given that any common stock, or any particular amount, will be purchased. Unless amended by the Company's board of directors, the repurchase program will expire on the earlier of June 30, 2019 or the repurchase of 250,000 shares of its outstanding common stock. Since the start of the repurchase program through March 31, 2019, the Company repurchased 230,225 shares of its common stock for a total cost of $2.4 million and as of March 31, 2019 the Company had 19,775 shares remaining to be repurchased under the current open market stock repurchase program.

See footnote 13 to the unaudited consolidated financial statements, as the Company purchased 19,775 shares of its common stock subsequent to March 31, 2019 and reached the 250,000 share limit. Also, subsequent to March 31, 2019, the Company's board of directors authorized another open market stock repurchase program in which the Company is authorized to repurchase up to 250,000 shares in the aggregate of the Company's outstanding common stock in the open market. This repurchase program will expire on the earlier of December 31, 2019 or the repurchase of 250,000 shares of the Company's outstanding common stock.

During the three months ended March 31, 2019, the Company repurchased 190,761 shares of its common stock at an average price of $10.50 per share, and a total cost of $2.0 million. During the three months ended March 31, 2018, the Company repurchased 64,897 shares of its common stock at an average price of $10.75 per share and a total cost of $0.7 million.

The Company has adopted an "opt out" dividend reinvestment plan, or "DRIP," for its common stockholders. As a result, if the Company makes cash distributions, then stockholders' cash distributions will be automatically reinvested in additional shares of the Company's common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash distributions.

Note 6. Fair Value Measurements

As described in Note 2, the Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below. The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a portion of the Company’s assets and liabilities.

2022 notes: The 2022 Notes are a Level 2 financial instrument with readily observable market inputs from other comparable unsecured notes in the marketplace. The unsecured notes trade under the ticker HCAPZ. As of March 31, 2019 and December 31, 2018, the fair value of the 2022 Notes was $29.1 million and $28.8 million, respectively, which was based on the closing price of the 2022 Notes on that day.

Revolving line of credit: Borrowings under the Credit Facility are carried at cost. The fair value of the Credit Facility as of March 31, 2019 and December 31, 2018 was $5.0 million and $17.0 million, which approximates cost.

Off-balance sheet financial instruments: The fair value of unfunded commitments is estimated based on the fair value of the funded portion of the corresponding debt investment.

As of March 31, 2019 and December 31, 2018, unfunded commitments totaled $0.9 million and $1.4 million, respectively, and if funded, their estimated fair values on such dates were $0.9 million and $1.3 million, respectively.

There were no assets or liabilities measured at fair value on a nonrecurring basis as of March 31, 2019 or December 31, 2018.

The following table details the financial instruments that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, respectively:

	Fair Values as of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Senior Secured	$ —	$ 2,967,526	$ 66,756,831	$ 69,724,357
Junior Secured	—	—	25,600,000	25,600,000
Equity and Equity Related Securities	—	—	6,376,413	6,376,413
	$ —	$ 2,967,526	$ 98,733,244	$ 101,700,770

	Fair Values as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Senior Secured	$ —	$ —	$ 54,609,097	$ 54,609,097
Junior Secured	—	—	33,231,424	33,231,424
Equity and Equity Related Securities	—	—	7,073,341	7,073,341
	$ —	$ —	$ 94,913,862	$ 94,913,862

The following table provides quantitative information related to the significant unobservable inputs used to fair value the Company's Level 3 investments as of March 31, 2019 and December 31, 2018, respectively, and indicates the valuation techniques utilized by the Company to determine the fair value:

Type of Investment	Fair Value at March 31, 2019	Valuation Technique (1)	Significant Unobservable Input	Range	Weighted Average
Senior Secured	$ 66,756,831	Bond Yield	Risk adjusted discount factor	8.0% - 32.5%	14.6%
		Market	EBITDA multiple	3.0x - 6.1x	4.0x
		Income	Weighted average cost of capital	8.0% - 31.3%	14.9%
Junior Secured	$ 25,600,000	Bond Yield	Risk adjusted discount factor	13.4% - 25.0%	16.4%
		Market	EBITDA multiple	4.5x - 9.1x	6.8x
		Market	Revenue multiple	0.7x - 0.7x	0.7%
		Income	Weighted average cost of capital	13.4% - 25.0%	17.0%
Equity and Equity Related Securities	$ 6,376,413	Market	EBITDA multiple	4.6x - 7.5x	6.4x
		Income	Weighted average cost of capital	12.3% - 12.3%	12.3%

Type of Investment	Fair Value at December 31, 2018	Valuation Technique (1)	Significant Unobservable Input	Range	Weighted Average
Senior Secured	$ 54,609,097	Bond Yield	Risk adjusted discount factor	9.2% - 32.5%	15.2%
		Market	EBITDA multiple	3.0x - 5.8x	4.9x
		Income	Weighted average cost of capital	9.4% - 31.3%	15.6%
Junior Secured	$ 33,231,424	Bond Yield	Risk adjusted discount factor	13.4% - 20.0%	15.8%
		Market	EBITDA multiple	5.2x - 8.9x	6.9x
		Market	Revenue multiple	0.7x - 0.7x	0.7x
		Income	Weighted average cost of capital	13.4% - 21.0%	15.6%
Equity and Equity Related Securities	$ 7,073,341	Market	EBITDA multiple	4.6x - 6.9x	5.9x
		Market	Book value multiple	1.0x - 1.0x	1.0x
		Income	Weighted average cost of capital	12.3% - 12.3%	12.3%

(1) When estimating the fair value of its debt investments, the Company typically utilizes the bond yield technique. The significant unobservable inputs used in the fair value measurement under this technique are risk adjusted discount factors. However, the Company also takes into consideration the market technique and income technique in order to determine whether the fair value of the debt investment is within the estimated enterprise value of the portfolio company. The significant unobservable inputs used under these techniques are EBITDA multiples and weighted average cost of capital. Under the bond yield technique, significant increases (decreases) in the risk adjusted discount factors would result in a significantly lower (higher) fair value measurement.

When estimating the fair value of its equity investments, the Company utilizes the (i) market technique and (ii) income technique. The significant unobservable inputs used in the fair value measurement of the Company's equity investments are EBITDA multiples and weighted average cost of capital ("WACC"). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement.

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets for the three months ended March 31, 2019 and March 31, 2018. Transfers between investment type and level, if any, are recognized at fair value at the beginning of the period in which the transfers occur :

	Three Months Ended March 31, 2019			
	Senior Secured	**Junior Secured**	**Equity and Equity Related Securities**	**Total Investments as of March 31, 2019**
Fair value of portfolio, beginning of period	$ 54,609,097	$ 33,231,424	$ 7,073,341	$ 94,913,862
New/Add-on investments	15,795,463	—	158,251	15,953,714
Principal payments received	(3,106,750)	(7,654,148)	(230,116)	(10,991,014)
Sales of investments	—	—	—	—
Loan origination fees received	(826,940)	—	—	(826,940)
Payment-in-kind interest earned	206,577	56	—	206,633
Accretion of deferred loan origination fees/ discounts	154,860	93,384	—	248,244
Transfers to (from) level 3	—	—	—	—
Transfer (to) from investment type	—	—	—	—
Net realized losses on investments	—	—	(34,570)	(34,570)
Change in unrealized depreciation on investments	(75,476)	(70,716)	(590,493)	(736,685)
Fair value of portfolio, end of period	$ 66,756,831	$ 25,600,000	$ 6,376,413	$ 98,733,244
Net unrealized depreciation relating to Level 3 assets still held at March 31, 2019	$ (75,476)	$ (4,349)	$ (548,489)	$ (628,314)

	Three Months Ended March 31, 2018				
	Senior Secured	Junior Secured	Equity and Equity Related Securities	Revenue - Linked Security	Total Investments as of March 31, 2018
Fair value of portfolio, beginning of period	$ 59,010,761	$ 44,379,140	$ 7,958,168	$ 533,000	$111,881,069
New/Add-on investments	8,350,000	—	150,000	—	8,500,000
Principal payments received	(4,759,404)	(37,500)	(130,271)	(172,057)	(5,099,232)
Sales of investments	—	—	(4,878)	—	(4,878)
Loan origination fees received	(150,000)	—	—	—	(150,000)
Payment-in-kind interest earned	180,378	183,542	—	—	363,920
Accretion of deferred loan origination fees/ discounts	134,453	53,634	—	—	188,087
Transfers to (from) level 3	—	—	—	—	—
Transfer (to) from investment type	(2,000,000)	—	2,000,000	—	—
Net realized losses on investments	(636,050)	—	(249,592)	—	(885,642)
Change in unrealized appreciation (depreciation) on investments	2,461,088	61,622	(772,611)	(35,943)	1,714,156
Fair value of portfolio, end of period	$ 62,591,226	$ 44,640,438	$ 8,950,816	$ 325,000	$116,507,480
Net unrealized appreciation (depreciation) relating to Level 3 assets still held at March 31, 2018	$ (36,362)	$ (71,106)	$ (1,835,733)	$ 103,542	$ (1,839,659)

There were no transfers between levels of the fair value hierarchy during the three months ended March 31, 2019 and March 31, 2018.

Note 7. Related Party Transactions

The Company was founded in September 2011 by certain members of its investment adviser and JMP Group Inc. (now JMP Group LLC) ("JMP Group"), a full-service investment banking and asset management firm. JMP Group currently holds an equity interest in the Company and the Company's investment adviser. JMP Group conducts its primary business activities through two wholly-owned subsidiaries: (i) Harvest Capital Strategies, LLC ("HCS"), an SEC registered investment adviser that focuses on long-short equity hedge funds, middle-market lending and private equity, and (ii) JMP Securities LLC, a full-service investment bank that provides equity research, institutional brokerage and investment banking services to growth companies and their investors.

Management and Incentive Fees

In conjunction with the Company's initial public offering in May 2013, HCAP entered into an investment advisory and management agreement with HCAP Advisors LLC ("HCAP Advisors"), which is a majority owned subsidiary of JMP Group. Under the investment advisory and management agreement, the base management fee is calculated based on the Company's gross assets (which includes assets acquired with the use of leverage and excludes cash and cash equivalents) at an annual rate of 2.0% on gross assets up to and including $350 million, 1.75% on gross assets above $350 million and up to and including $1 billion, and 1.5% on gross assets above $1 billion.

Management fee expense for the three months ended March 31, 2019 and March 31, 2018 totaled $0.5 million and $0.6 million, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears based on the pre-incentive fee net investment income for the immediately preceding calendar quarter and is 20% of the amount, if any, by which the pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds a 2.0% (which is 8.0% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, the investment adviser receives no incentive fee until the net investment income equals the hurdle rate of 2.0%, but then receives, as a "catch-up", 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, the investment adviser, HCAP Advisors (as defined above), will receive 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply. Since the hurdle rate is fixed, as interest rates rise, it is easier for the investment adviser to surpass the hurdle rate and receive an incentive fee based on net investment income.The second part is calculated and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and management agreement, as of the termination date) and equals 20% of the realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

The incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of the pre-incentive fee net investment income is payable except to the extent 20% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative income and capital gains incentive fees accrued and/or paid for the 11 preceding quarters. As a result, even in the event that the pre-incentive fee net investment income exceeds the hurdle rate, no incentive fee will be payable to the extent that the Company has generated cumulative net decreases in assets resulting from operations over the trailing 12 quarters due to unrealized or realized net losses on its investments.

The Company did not incur a pre-incentive fee net investment income incentive fee expense for the three months ended March 31, 2019 or March 31, 2018.

The capital gains incentive fee is determined and paid annually with respect to cumulative realized capital gains (but not unrealized capital gains) to the extent such cumulative realized capital gains exceed cumulative realized and unrealized capital losses through the end of such fiscal year (less the aggregate amount of any previously paid capital gain incentive fee). The Company also records an expense accrual relating to the capital gains incentive fee payable by the Company to its investment adviser when (i) the cumulative realized and unrealized gains on its investments exceed all cumulative realized and unrealized capital losses on its investments and (ii) the capital gains incentive fee that would be payable exceeds the aggregate amount of any previously paid capital gain incentive fee given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. Any decrease in unrealized appreciation in subsequent periods will result in the reversal of some or all of such previously recorded expense accrual. The actual incentive fee payable to the Company's investment adviser related to capital gains is determined and payable in arrears at the end of each fiscal year and is only based on cumulative realized capital gains, including realized capital gains for such period, but not unrealized capital gains. The Company recorded a net change in unrealized depreciation of $0.7 million for the three months ended March 31, 2019 and a net change in unrealized appreciation of $1.7 million for the three months ended March 31, 2018. The Company recorded a net realized gain of $35,410 for the three months ended March 31, 2019 and a net realized loss of $0.9 million for the three months ended March 31, 2018. The Company did not incur a capital gains incentive fee expense for the three months ended March 31, 2019 or March 31, 2018.

Total base management fees and incentive management fees expense was $0.5 million and $0.6 million for the three months ended March 31, 2019 and March 31, 2018, respectively. Accrued base management fees and incentive management fees were $0.5 million and $0.9 million as of March 31, 2019 and December 31, 2018, respectively.

Administrative Services Expense

In conjunction with the Company's initial public offering in May 2013, the Company entered into an administration agreement with JMP Credit Advisors LLC (now Medalist Partners Corporate Finance LLC) ("JMP Credit Advisors"), an affiliate of JMP Group, pursuant to which JMP Credit Advisors provided administrative services to the Company and furnished the Company with office facilities, equipment, and clerical, bookkeeping, and record keeping services. Payments under the administration agreement were equal to an amount based upon the Company's allocable portion of the administrator's overhead in performing its obligations under the administration agreement, including rent and the Company's allocable portion of the cost of its chief financial officer and chief compliance officer and their respective staffs and administrative services provided to the Company by its chief executive officer and other officers.

On April 17, 2018, in connection with the Company moving its administrative function from its Alpharetta, Georgia office to its New York, New York office, the board of directors approved entry into an administration agreement with HCAP Advisors, which was entered into and took effect as of April 29, 2018. Under the new agreement, HCAP Advisors will provide administrative services to HCAP and furnish the Company with office facilities, equipment, and clerical, bookkeeping, and record keeping services. Payments under the administration agreement are equal to an amount based upon the Company's allocable portion of the administrator's overhead in performing its obligations under the administration agreement, including rent and the Company's allocable portion of the cost of its executive officers and their respective staffs and administrative services provided to the Company by its executive officers. The Company negotiated a cap with HCAP Advisors to cap the amounts payable during the 2018 and 2019 fiscal years to $1.4 million, respectively.

Total administrative services expense was $0.4 million and $0.3 million for the three months ended March 31, 2019 and March 31, 2018, respectively. Accrued administrative services fees were $0.4 million and $0.4 million as of March 31, 2019 and December 31, 2018, respectively.

Expenses Reimbursed by HCAP Advisors

From time to time HCAP Advisors may voluntarily waive and/or reimburse expenses incurred by the Company. During the three months ended March 31, 2018 the Company incurred approximately $0.7 million in non-recurring professional fees for additional work provided by its legal counsel and external auditors in connection with the material weakness identified by management as disclosed in Item 9A of the Company's annual report on Form 10-K for the year ended December 31, 2018. HCAP Advisors has agreed to reimburse the Company approximately $0.4 million of those expenses. The Company is under no legal obligation to repay HCAP Advisors for any amount of the expenses HCAP Advisors is reimbursing the Company. HCAP Advisors did not voluntarily waive and/or reimburse any expenses incurred by the Company during the three months ended March 31, 2019.

Co-investment Transactions With Affiliates

On September 14, 2018, in accordance with the exemptive order issued by the Securities and Exchange Commission to the Company, the Company executed a co-investment transaction whereby the Company invested alongside affiliate funds of JMP Group in an add-on investment in National Program Management & Project Controls, LLC. The Company's share of the co-investment transaction consisted of $3.5 million of senior secured term loan and $0.3 million of Class A membership interests. As of March 31, 2019, the Company's total investment, at fair value, in National Program Management & Project Controls, LLC consisted of a $6.9 million senior secured term loan and $1.3 million of class A membership interests.

On February 15, 2019, in accordance with the exemptive order issued by the Securities and Exchange Commission to the Company, the Company executed a co-investment transaction whereby the Company invested alongside affiliate funds of JMP Group in a $4.8 million senior secured term loan and $0.5 million revolving line of credit of Peerless Media, LLC. As of March 31, 2019, the Company total investment, at fair value, in Peerless Media, LLC consisted of a $4.8 million senior secured term loan and a $0.5 million fully-funded revolving line of credit.

Note 8. Commitments and Contingencies

At March 31, 2019, the Company had a total of $0.9 million in unfunded commitments comprised of unfunded revolving line of credit commitments on two of the Company’s debt investments. At December 31, 2018, the Company had a total of $1.4 million in unfunded commitments comprised entirely of unfunded revolving line of credit commitments on three of the Company’s debt investments. The following table summarizes the Company's unfunded commitments and extended fair value if the unfunded commitments were fully funded as of March 31, 2019 and December 31, 2018:

	As of March 31, 2019		As of December 31, 2018	
	Unfunded commitment	Extended fair value of unfunded commitment if fully funded	Unfunded commitment	Extended fair value of unfunded commitment if fully funded
Coastal Screen and Rail, LLC	$ —	$ —	$ 250,000	$ 250,000
Surge Busy Bee Holdings, LLC	450,000	434,635	450,000	434,419
V-Tek, Inc.	463,903	463,903	663,903	663,903
	$ 913,903	$ 898,538	$ 1,363,903	$ 1,348,322

Legal Proceedings

The Company is party to certain legal proceedings incidental to the normal course of business, including where third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, the Company does not expect that these proceedings will have a material effect on the Company's financial condition or results of operations.

Note 9. Net Increase in Net Assets Resulting from Operations per Common Share

In accordance with the provision of ASC 260, "*Earnings per Share,*" basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. There were no potentially dilutive common shares issued as of March 31, 2019 or March 31, 2018 because there were no dilutive securities outstanding.

The following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for each period:

	Three Months Ended March 31,	
	2019	**2018**
Net increase in net assets resulting from operations	$ 60,995	$ 2,069,995
Weighted average shares outstanding (basic and diluted)	6,302,724	6,437,478
Net increase in net assets resulting from operations per share	$ 0.01	$ 0.32

Note 10. Income Tax

To receive RIC tax treatment, the Company must, among other things, distribute annually at least 90% of its net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. The Company may, in the future, make actual distributions to its stockholders of its net capital gains. The Company can offer no assurance that it will achieve results that will permit the payment of any cash distributions and, if the Company issues senior securities, the Company may be prohibited from making distributions if doing so causes the Company to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of the Company's borrowings. The Company did not incur an excise tax for calendar year 2018.

The Company's wholly-owned subsidiaries, HCAP Equity Holdings, LLC and HCAP ICC, LLC, have each elected to be taxed as a C-Corporation. As such, income taxes are accrued for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are limited to amounts considered to be realizable in future periods. The Company accounts for any interest and penalties related to unrecognized tax benefits as part of the income tax provision.

HCAP Equity Holdings, LLC has a net operating loss for federal and state income taxes as of March 31, 2019 of approximately $0.6 million. As HCAP Equity Holdings, LLC has historically generated taxable losses, the Company cannot assume as of March 31, 2019 that it will be able to utilize this net operating loss to offset future taxable income. As a result, any deferred income tax assets, which are estimated to be approximate $0.9 million as of March 31, 2019, resulting from net operating loss carry forwards and deferred taxes on unrealized losses, include certain future tax benefits that management believes will not be utilized, and as such, the Company has recorded a full valuation allowance. The loss carryforward does not expire.

Note 11. Financial Highlights

The following is a schedule of financial highlights for the three months ended March 31, 2019, and March 31, 2018, respectively:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Per share data:		
Net asset value at beginning of period	$ 12.30	$ 12.66
Net investment income (1)	0.12	0.19
Realized gains (losses) on investments (1)	0.01	(0.14)
Net change in unrealized appreciation (depreciation) on investments (1)	(0.12)	0.27
Net increase in net assets from operations (1)	0.01	0.32
Distributions (2)	(0.26)	(0.30)
Total distributions	(0.26)	(0.30)
Effect of shares repurchased	0.06	0.02
Net asset value at end of period	$ 12.11	$ 12.70
Net assets at end of period	74,925,538	81,295,937
Shares outstanding at end of period	6,189,542	6,401,175
Weighted average shares outstanding (basic and diluted)	6,302,724	6,437,478
Per share closing price at end of period	$ 10.44	$ 10.26
Ratios and Supplemental data:		
Total return based on change in NAV (not annualized) (3)	0.98%	3.22 %
Total investment return (not annualized) (4)	6.55%	(3.68)%
Average Net Assets	$ 76,660,751	$ 81,538,683
Ratio of expenses to average net assets, excluding expenses reimbursed by HCAP Advisors (annualized)	11.88%	14.54 %
Ratio of expenses to average net assets, including expenses reimbursed by HCAP Advisors (annualized)	11.88%	12.39 %
Ratio of net investment income to average net assets (annualized)	3.98%	5.96 %

(1) Based on weighted average number of common shares outstanding for the period.

(2) Distributions for the three months ended March 31, 2019 exceeded net investment income in the amount of $842,642 and distributions for the three months ended March 31, 2018 exceeded net investment income in the amount of $731,800. See Dividends and Distributions Policy in Note 2.

(3) This measure of total investment return measures the changes in net asset value over the period indicated, taking into account dividends as reinvested. The return is calculated by taking the difference between the net asset value per share at the end of the period (plus assumed reinvestment of dividends and distributions at prices obtained under the Company's dividend reinvestment plan) and the net asset value per share at the beginning of the period, and dividing that difference by the net asset value per share at the beginning of the period. This return primarily differs from the total investment return in that it does not take into account changes in the market price of the Company's stock.

(4) This measure of total investment return measures the changes in market value over the period indicated, taking into account dividends as reinvested. The return is calculated based on an assumed purchase of stock at the market price on the first day of the period (plus assumed reinvestment of dividends and distributions at prices obtained under the Company’s dividend reinvestment plan) and an assumed sale at the market price on the last day of the period. The difference between the sale and purchases is then divided by the purchase prices. The total investment return does not reflect any sales load that may be paid by investors.

Note 12. Significant Subsidiaries

The Company has determined that Infinite Care, LLC, an unconsolidated portfolio company of the Company, has met the conditions of a significant subsidiary under Regulation S-X Rule 10-01(b)(1) for the three months ended ended March 31, 2019. The financial information presented below includes a summarized income statement for Infinite Care, LLC, LLC for the three months ended March 31, 2019 and March 31, 2018.

Income Statement - Infinite Care, LLC	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Net sales	$ 4,222,044	$ 3,783,801
Cost of goods sold	3,069,129	2,676,737
Gross profit	1,152,915	1,107,064
Operating expenses	1,101,435	1,095,252
Income from operations	51,480	11,812
Other expenses, net	(137,960)	(305,277)
Net loss	$ (86,480)	$ (293,465)

Note 13. Subsequent Events

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the three months ended March 31, 2019, except as discussed below.

Since March 31, 2019, and through May 13, 2019, the Company repurchased 19,775 shares of its common stock at an average price of $10.59 per share. With those shares repurchased in the second quarter of 2019, the Company reached the 250,000 share limit under the stock repurchase program authorized by the Company's board of directors in November 2018.

On April 4, 2019, the Company sold its senior secured term loan in Dell International L.L.C. and received approximately $3.0 million in sale proceeds.

On April 9, 2019, the Company made a $0.3 million equity contribution to Infinite Care, LLC.

On April 15, 2019, the Company increased its equity investment in National Program Management & Project Controls, LLC, with a $0.3 million pro-rata increase through an add-on funding to purchase Class A Units.

On May 2, 2019, the board of directors authorized an open market stock repurchase program. Pursuant to the program, the Company is authorized to repurchase up to 250,000 shares in the aggregate of the Company's outstanding common stock in the open market. The timing, manner, price and amount of any share repurchases will be determined by the Company's management at its discretion, and no assurances can be given that any common stock, or any particular amount, will be purchased. Unless amended by the Company's board of directors, the repurchase program will expire on the earlier of December 31, 2019 or the repurchase of 250,000 shares of the Company's outstanding common stock.

On May 3, 2019, the Company declared monthly distributions of $0.08 per share payable on each May 30, 2019, June 27, 2019, and July 25, 2019.

Effective May 4, 2019, the asset coverage ratio applicable to the Company decreased from 200% to 150% as a result of the board of directors' approval in May 2018 of the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act.

On May 10, 2019, the Company entered into an Eighth Amendment to Loan and Security Agreement (the “Amendment”), by and among the Company, HCAP Equity Holdings, LLC, HCAP ICC, LLC, Pacific Western Bank (successor-by-merger to CapitalSource Bank), as agent and a lender, and each of the other lenders from to time to time party thereto, including City National Bank. The Amendment amends the Credit Facility to, among other things, (i) provide for a senior leverage ratio (the ratio of total borrowed money other than subordinated debt and unsecured longer-term indebtedness to equity) of 1 to 1; (ii) provide for a total leverage ratio (the ratio of total debt to equity) of 1.4 to 1, which replaces the prior 1-to-1 leverage ratio; and (iii) provide for a minimum utilization fee of 2.50% that will be payable on unused commitments below $16.5 million at any time that Company’s unsecured longer-term indebtedness (which is currently $28.8 million) exceeds $30 million.

Schedule 12-14

Harvest Capital Credit Corporation
Consolidated Schedule of Investments in and Advances to Affiliates (Unaudited)
Three Months Ended March 31, 2019

Portfolio Company	Type of Investment (4) (5) (12) (18) (19)		Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Amount of Dividends or Interest Credited to Income (1)	December 31, 2018 Value	Gross Additions (2)	Gross Reductions (3)	March 31, 2019 Value
More than 25% Owned									
Flight Lease VII, LLC	Common Equity Interest (46.14% fully diluted interest)	(10) (13)	$ (10,890)	$ —	$ —	$ 684,311	$ —	$ (10,890)	$ 673,421
Infinite Care, LLC	Senior Secured Term Loan, due 02/2019 (14.50%; 1M LIBOR +6.00% with a 0.42% LIBOR floor + 6.00% PIK)	(8) (15)	—	67,000	—	3,948,000	67,000	—	4,015,000
	Revolving Line of Credit, due 02/2019 (14.50%, 1M LIBOR +12.00% with a 0.42% LIBOR floor)		—	(3,500)	—	3,716,000	—	(3,500)	3,712,500
	Membership Interest (100% membership interests)	(7)	—	—	—	—	—	—	—
Total More Than 25% Owned Portfolio Companies			**$ (10,890)**	**$ 63,500**	**$ —**	**$ 8,348,311**	**$ 67,000**	**$ (14,390)**	**$ 8,400,921**
5% and Greater Owned, But Not Greater Than 25%									
Coastal Screen and Rail, LLC	Senior Secured Term Loan, due 01/2023 (12.00%; 10.50% Cash/1.50% PIK)	(17)	$ —	$ (30,797)	$ 199,386	$ 6,328,000	$ 31,392	$ (105,799)	$ 6,253,593
	Revolving Line of Credit, due 07/2022 (10.63%; 3M LIBOR + 8.00%)		—	—	21,229	700,000	250,000	—	950,000
	Preferred Equity Interest (6.21% fully diluted Common Equity)	(7)	—	(89,000)	—	395,000	—	(89,000)	306,000
Flight Lease XII, LLC	Common Equity Interest (1,000 Units)	(7) (13)	—	—	70,985	636,000	—	—	636,000

Portfolio Company	Type of Investment (4) (5) (12) (18) (19)		Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Amount of Dividends or Interest Credited to Income (1)	December 31, 2018 Value	Gross Additions (2)	Gross Reductions (3)	March 31, 2019 Value
National Program Management & Project Controls, LLC	Senior Secured Term Loan, due 06/2023 (12.51%; 1M LIBOR + 10.00%)	(17)	—	19,946	221,764	6,911,000	24,727	(43,909)	6,891,818
	Class A Membership Interest (163,296 Units)	(7) (11)	—	222,945	—	973,500	358,516	—	1,332,016
Northeast Metal Works LLC	Senior Secured Term Loan, due 12/2019 (17.00%; 10.50% Cash + 6.50% PIK)	(16)	—	(84,093)	455,541	10,223,500	175,093	(84,093)	10,314,500
	Revolving Line of Credit, due 12/2019 (15.00%)	(9)	—	(1,000)	56,250	1,497,500	—	(1,000)	1,496,500
	Preferred Equity Interest (2,493 Class A Units; 12.0% cumulative preferred return)	(7)	—	—	—	—	—	—	—
V-Tek, Inc.	Senior Secured Term Loan, due 03/2022 (13.75%; 3M LIBOR + 11.00%)	(14)	—	(27,231)	123,653	3,341,000	5,981	(70,981)	3,276,000
	Senior Secured Revolver, due 03/2021 (9.25%; 3M LIBOR + 6.50%)	(6)	—	—	34,386	1,336,097	200,000	—	1,536,097
	Common Stock (90 Shares)	(7)	—	(72,000)	—	188,500	—	(72,000)	116,500
Total 5% And Greater Owned, But Not Greater Than 25% Owned Portfolio Companies			**$ —**	**$ (61,230)**	**$ 1,183,194**	**$ 32,530,097**	**$ 1,045,709**	**$ (466,782)**	**$ 33,109,024**

(1) Represents the total amount of interest and fees credited to income for the portion of the year an investment was included in Affiliate categories.

(2) Gross additions include increase in the cost basis of investments resulting from new portfolio investment and accrued PIK interest.

(3) Gross reductions include decreases in the total cost basis of investments resulting from principal or PIK repayments or sales.

(4) Debt investments are income producing investments unless an investment is on non-accrual. Common equity, residual values and warrants are non-income producing.

(5) For each loan, the Company has provided the interest rate in effect on the date presented, as well as the contractual components of that interest rate. In the case of the Company's variable or floating rate loans, the interest rate in effect takes into account the applicable LIBOR rate in effect on the date presented or, if higher, the applicable LIBOR floor.

(6) Credit facility has an unfunded commitments in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 in the Notes to Consolidated Financial Statements for further discussion on portion of commitment unfunded at March 31, 2019.

(7) The investment is held by HCAP Equity Holdings, LLC, the Company's taxable blocker subsidiary.

(8) Infinite Care LLC ("ICC") is in default under the terms of its credit agreement. In October 2017, the Company exercised its rights under a stock pledge of the borrower. The Company formed a wholly owned subsidiary, HCAP ICC, LLC, to exercise its proxy right under the pledge agreement and take control of the board of ICC. The loan was placed on non-accrual status in Q4 2017. In January 2018, HCAP took control of the borrower's equity after accelerating the debt and auctioning the borrower's equity in a public sale. The Company bid a portion of its outstanding debt to gain control of the company. Upon completion of this process the Company converted $2.0 million of its debt investment in the borrower to membership interests.

(9) The interest rate on the revolver is 11% prior to and following the interim advance term; 13.5% from the first amendment effective date to February 28, 2018; 14.25% from March 1, 2018 through May 31, 2018 and 15% from June 1, 2018 until expiration of the interim advance. The interest rate on the term loan is 11% prior to and following the interim advance term; 10.5% cash pay plus 6% PIK from the first amendment date trough February 28, 2018; 10.5% cash pay plus 6.25% PIK from March 1, 2018 to May 31, 2018; 10.5% cash pay plus 6.5% PIK from 6/1/18 until expiration of the interim advance.

(10) This is an equity investment that receives a cash flow stream based on lease payments received by Flight Lease VII, LLC. Flight Lease VII, LLC owns an aircraft that was leased to one lessee. The lessee had been in arrears on its lease payments and in June of 2018, Flight Lease VII, LLC terminated the lease. As a result of the cessation of cash flows, future payments on this equity investment will resume only if Flight Lease VII, LLC is successful in obtaining a new lessee or sells the aircraft.

(11) During the three months ended March 31, 2019, the Company's voting rights ownership interest increased to over the 5.0% affiliate investment classification threshold. Previously, this portfolio company was classified as a non-control/non-affiliated portfolio company.

(12) The Company's non-qualifying assets, on a fair value basis, comprise approximately 5% of the Company's total assets

(13) Industry: Aerospace & Defense

(14) Industry: Capital Equipment

(15) Industry: Healthcare & Pharmaceuticals

(16) Industry: Metals & Mining

(17) Industry: Construction & Building

(18) All of the Company's portfolio investments are generally subject to restrictions on resale as "restricted securities," unless otherwise noted.

(19) The Company's Credit Facility is secured by all of the Company's assets. Refer to Note 3 in the accompanying notes to the unaudited consolidated financial statements for more information.

As of March 31, 2019, affiliate investments consisted of the following:

Type	**Amortized Cost**	**Fair Value**	**% of Fair Value**	**% of Net Assets**
Senior Secured Debt	$ 38,004,992	$ 38,446,008	37.8%	51.3%
Equity	9,354,602	3,063,937	3.0%	4.1%
Total	$ 47,359,594	$ 41,509,945	40.8%	55.4%

The rate type of affiliate debt investments at fair value as of March 31, 2019 consisted of the following:

Type	**Amortized Cost**	**Fair Value**	**% of Fair Value**	**% of Net Assets**
Fixed Rate	$ 18,316,890	$ 18,064,593	17.8%	24.1%
Floating Rate	19,688,102	20,381,415	20.0%	27.2%
Total	$ 38,004,992	$ 38,446,008	37.8%	51.3%

The industry composition of affiliate investments at fair value as of March 31, 2019 consisted of the following:

Industry	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Aerospace & Defense	$ 1,063,178	$ 1,309,421	1.3%	1.7%
Capital Equipment	4,990,474	4,928,597	4.8%	6.6%
Construction & Building	14,872,015	15,733,427	15.5%	21.0%
Healthcare & Pharmaceuticals	12,745,702	7,727,500	7.6%	10.3%
Metals & Mining	13,688,225	11,811,000	11.6%	15.8%
Total	$ 47,359,594	$ 41,509,945	40.8%	55.4%

The geographic concentrations of affiliate investments at fair value as of March 31, 2019 consisted of the following:

United States Region	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
West	$ 25,284,006	$ 20,879,931	20.5%	27.8%
Northeast	13,688,225	11,811,000	11.6%	15.8%
South	8,387,363	8,819,014	8.7%	11.8%
Total	$ 47,359,594	$ 41,509,945	40.8%	55.4%

Harvest Capital Credit Corporation
Consolidated Schedule of Investments in and Advances to Affiliates
Year Ended December 31, 2018

Portfolio Company	Type of Investment (4) (5) (10) (17) (20)		Net Realized Loss	Net Change in Unrealized Appreciation (Depreciation)	Amount of Dividends or Interest Credited to Income (1)	December 31, 2017 Value	Gross Additions (2)	Gross Reductions (3)	December 31, 2018 Value
More than 25% Owned									
Flight Lease XI, LLC	Common Equity Interest (400 Units)	(7) (11) (18)	$ 156,347	$ (127,421)	$ 92,791	$ 327,421	$ —	$ (327,421)	$ —
Flight Lease VII, LLC	Common Equity Interest (46.14% fully diluted interest)	(11) (19)	(241,963)	27,424	38,144	829,849	96,424	(241,962)	684,311
Infinite Care, LLC	Senior Secured Term Loan, due 2/2019 (14.51%; 1M LIBOR + 6.00% with a 0.42% LIBOR floor plus 6.00% PIK)	(8) (13)	—	2,940,646	—	3,492,000	3,221,067	(2,765,067)	3,948,000
	Revolving Line of Credit, due 2/2019 (14.51%; 1M LIBOR + 12.00% with a 0.42% LIBOR floor		—	(3,000)	—	2,065,000	1,654,000	(3,000)	3,716,000
	Membership Interest (100% membership interests)	(7) (8)	—	(2,649,000)	—	—	2,649,000	(2,649,000)	—
Total More Than 25% Owned Portfolio Companies			**$ (85,616)**	**$ 188,649**	**$ 130,935**	**$ 6,714,270**	**$ 7,620,491**	**$ (5,986,450)**	**$ 8,348,311**
5% and Greater Owned, But Not Greater Than 25%									
Coastal Screen and Rail, LLC	Senior Secured Term Loan, due 01/2023 (12.00%; 10.50% Cash/1.50% PIK)	(16)	$ —	$ 60,205	$ 758,954	$ —	$ 6,503,278	$ (175,278)	$ 6,328,000
	Revolving Line of Credit, due 07/2022 (10.74%; 3M LIBOR + 8.00%)	(6)	—	—	56,288	—	835,000	(135,000)	700,000
	Preferred Equity Interest (6.21% fully diluted Common Equity)		—	245,000	—	—	395,000	—	395,000
Flight Lease XII, LLC	Common Equity Interest (1,000 Units)	(7) (11)	—	129,741	222,925	616,502	129,741	(110,243)	636,000
24/7 Software, Inc. (formerly Instant Sales Solutions, Inc.)	Senior Secured Term Loan	(6) (14) (18)	—	—	279,923	2,859,272	—	(2,859,272)	—

Portfolio Company	Type of Investment (4) (5) (10) (17) (20)		Net Realized Loss	Net Change in Unrealized Appreciation (Depreciation)	Amount of Dividends or Interest Credited to Income (1)	December 31, 2017 Value	Gross Additions (2)	Gross Reductions (3)	December 31, 2018 Value
	Revolving Line of Credit	(18)	—	—	—	—	—	—	—
	Common Stock (950 Shares)	(7) (18)	259,506	(350,000)	—	1,300,000	—	(1,300,000)	—
Northeast Metal Works, LLC	Senior Secured Term Loan, due 12/2019 (17.00%; 10.50% Cash plus 6.50% PIK)	(15)	—	(93,583)	1,734,426	9,652,000	647,967	(76,467)	10,223,500
	Revolving Line of Credit, due 12/2019 (15.00%)	(9)	—	15,500	231,500	1,482,000	165,500	(150,000)	1,497,500
	Preferred Equity Interest (2,493 Class A Units; 12.0% cumulative preferred return)	(7)	398	(1,476,520)	—	1,481,000	—	(1,481,000)	—
V-Tek, Inc.	Senior Secured Term Loan, due 03/2022 (13.75%; 3M LIBOR + 11.00%)	(12)	—	(94,673)	489,831	3,500,000	—	(159,000)	3,341,000
	Senior Secured Revolver, due 03/2021 (9.25%; 3M LIBOR + 6.50%)	(6)	—	—	111,697	886,097	450,000	—	1,336,097
	Common Stock (90 Shares)	(7)	—	(162,500)	—	351,000	—	(162,500)	188,500
WorkWell, LLC	Senior Secured Term Loan	(13) (18)	(636,050)	654,993	—	3,856,000	654,993	(4,510,993)	—
	Preferred Stock (250,000 Shares)	(18)	(249,990)	250,000	—	—	250,000	(250,000)	—
	Common Stock (250,000 Shares)	(18)	—	—	—	—	—	—	—
Total 5% and Greater Owned, But Not Greater Than 25% Owned Portfolio Companies			**$ (626,136)**	**$ (821,837)**	**$ 3,885,544**	**$ 25,983,871**	**$ 10,031,479**	**$ (11,369,753)**	**$ 24,645,597**

(1) Represents the total amount of interest and fees credited to income for the portion of the year an investment was included in Affiliate categories.

(2) Gross additions include increase in the cost basis of investments resulting from new portfolio investment and accrued PIK interest.

(3) Gross reductions include decreases in the total cost basis of investments resulting from principal or PIK repayments or sales.

(4) Debt investments are income producing investments unless an investment is on non-accrual. Common equity, residual values and warrants are non-income producing.

(5) For each loan, the Company has provided the interest rate in effect on the date presented, as well as the contractual components of that interest rate. In the case of the Company's variable or floating rate loans, the interest rate in effect takes into account the applicable LIBOR rate in effect on the date presented or, if higher, the applicable LIBOR floor.

(6) Credit facility has an unfunded commitments in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 in the Notes to Consolidated Financial Statements for further discussion on portion of commitment unfunded at December 31, 2018.

(7) The investment is held by HCAP Equity Holdings, LLC, the Company's taxable blocker subsidiary.

(8) Infinite Care LLC ("ICC") is in default under the terms of its credit agreement. In October 2017, the Company exercised its rights under a stock pledge of the borrower. The Company formed a wholly owned subsidiary, HCAP ICC, LLC, to exercise its proxy right under the pledge agreement and take control of the board of ICC. The loan was placed on non-accrual status in Q4 2017. In January 2018, HCAP took control of the borrower's equity after accelerating the debt and auctioning the borrower's equity in a public sale. The Company bid a portion of its outstanding debt to gain control of the company. Upon completion of this process the Company converted $2.0 million of its debt investment in the borrower to membership interests.

(9) The interest rate on the revolver is 11% prior to following the interim advance term; 13.5% from the first amendment effective date to February 28, 2018; 14.25% from March 1, 2018 through May 31, 2018 and 15% from June 1, 2018 until expiration of the interim advance. The interest rate on the term loan is 11% prior to and following the interim advance term; 10.5% cash pay plus 6% PIK from the first amendment date trough February 28, 2018; 10.5% cash pay plus 6.25% PIK from March 1, 2018 to May 31, 2018; 10.5% cash pay plus 6.5% PIK from 6/1/18 until expiration of the interim advance.

(10) The Company's non-qualifying assets, on a fair value basis, total approximately 2.0% of the Company's total assets.

(11) Industry: Aerospace & Defense

(12) Industry: Capital Equipment

(13) Industry: Healthcare & Pharmaceuticals

(14) Industry: High Tech Industries

(15) Industry: Metals & Mining

(16) Industry: Construction & Building

(17) All of the Company's portfolio investments are generally subject to restrictions on resale as "restricted securities," unless otherwise noted.

(18) The Company exited its investment in this portfolio company 2018.

(19) This is an equity investment that receives a cash flow stream based on lease payments received by Flight Lease VII, LLC. Flight Lease VII, LLC owns an aircraft that was leased to one lessee. The lessee had been in arrears on its lease payments and in June of 2018, Flight Lease VII, LLC terminated the lease. As a result of the cessation of cash flows, future payments on this equity investment will resume only if Flight Lease VII, LLC is successful in obtaining a new lessee or sells the aircraft. For the year ended December 31, 2018, the Company recognized an impairment charge of $0.2 million, which is presented in the net realized gains (losses) - control investments balance on the consolidated Statement of Operations.

(20) The Company's Credit Facility is secured by all of the Company's assets. Refer to Note 3 in the accompanying notes to the unaudited consolidated financial statements for more information.

As of December 31, 2018, affiliate investments consisted of the following:

Type	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Senior Secured Debt	$ 30,660,353	$ 31,090,097	32.8%	39.7%
Equity	8,618,588	1,903,811	2.0%	2.4%
Total	$ 39,728,941	$ 32,993,908	34.8%	42.1%

The rate type of affiliate debt investments at fair value as of December 31, 2018 was as follows:

Type	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Fixed Rate	$ 18,185,407	$ 18,049,000	19.1%	23.1%
Floating Rate	12,474,946	13,041,097	13.7%	16.6%
Total	$ 30,660,353	$ 31,090,097	32.8%	39.7%

The industry composition of affiliate investments at fair value as of December 31, 2018 consisted of the following:

Industry	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
Aerospace & Defense	$ 1,074,068	$ 1,320,311	1.4%	1.7%
Capital Equipment	4,828,244	4,865,597	5.1%	6.2%
Construction & Building	7,117,795	7,423,000	7.8%	9.4%
Healthcare & Pharmaceuticals	12,745,702	7,664,000	8.1%	9.8%
Metals & Mining	13,513,132	11,721,000	12.4%	15.0%
Total	$ 39,278,941	$ 32,993,908	34.8%	42.1%

The geographic concentrations of affiliate investments at fair value as of December 31, 2018 consisted of the following:

United States Region	Amortized Cost	Fair Value	% of Fair Value	% of Net Assets
West	$ 17,573,946	$ 12,529,597	13.2%	16.0%
Northeast	13,513,132	11,721,000	12.4%	15.0%
South	8,191,863	8,743,311	9.2%	11.1%
Total	$ 39,278,941	$ 32,993,908	34.8%	42.1%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results, including the performance of our existing investments;
- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of our investment adviser;
- the impact of increased competition;
- the impact of investments we intend to make and future acquisitions and divestitures;
- our ability to turn potential investment opportunities into transactions and thereafter into completed and successful investments;
- the unfavorable resolution of any future legal proceedings;
- our business prospects and the prospects of our portfolio companies;
- our regulatory structure and tax status;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of interest rate volatility on our results, particularly because we use leverage as part of our investment strategy;
- the ability of our portfolio companies to achieve their objective;
- the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us or our investment adviser;
- our contractual arrangements and relationships with third parties;
- our ability to access capital and any future financings by us;
- the ability of our investment adviser to attract and retain highly talented professionals; and
- the impact of changes to tax legislation and, generally, our tax position.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "may," "might," "will," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "anticipate," "predict," "potential," "plan" or similar words.

We have based the forward-looking statements included in this quarterly report on Form 10-Q on information available to us on the date of this quarterly report on Form 10-Q, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law or SEC rule or regulation. You are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this quarterly report on Form 10-Q.

Overview

We were formed as a Delaware corporation on November 14, 2012. We completed our initial public offering on May 7, 2013, raising $51.0 million in gross proceeds. On May 17, 2013, we raised another $6.5 million in gross proceeds from the closing of the initial public offering underwriters' overallotment option. Immediately prior to the initial public offering, we acquired Harvest Capital Credit LLC in a merger whereby the outstanding limited liability company membership interests were converted into shares of our common stock and we assumed and succeeded to all of Harvest Capital Credit LLC's assets and liabilities, including its entire portfolio of investments. We issued 2,246,699 shares of our common stock for all of Harvest Capital Credit LLC's 2,266,974 outstanding membership interests in connection with the merger. Harvest Capital Credit LLC is considered to be our predecessor for accounting purposes and, as such, its financial statements are our historical financial statements.

Our investment objective is to generate both current income and capital appreciation primarily by making direct investments in the form of subordinated debt, senior debt and, to a lesser extent, minority equity investments. We plan to accomplish our investment objective by targeting investments in small and mid-sized U.S. private companies with annual revenues of less than $100 million and EBITDA (earnings before interest, taxes, depreciation and amortization) of less than $15 million. We believe that transactions involving companies of this size offer higher yielding investment opportunities, lower leverage levels and other terms more favorable than transactions involving larger companies.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, we are required to comply with certain regulatory requirements. For instance, as a BDC, we must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." Under the relevant SEC rules, the term "eligible portfolio company" includes all private operating companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than $250 million, in each case organized in the United States.

We have also elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code (the "Code"), and we intend to receive RIC tax treatment annually. To maintain our qualification as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any income we distribute to our stockholders, provided we distribute at least 90% of our ordinary income and short term capital gains.

Portfolio

Portfolio Composition

As of March 31, 2019, we had $101.7 million (at fair value) invested in 25 portfolio companies. As of March 31, 2019, our portfolio was comprised of approximately 68.5% senior secured debt, 25.2% junior secured debt and 6.3% equity and equity-like investments.

As of December 31, 2018, we had $94.9 million (at fair value) invested in 24 portfolio companies. As of December 31, 2018, our portfolio was comprised of approximately 57.5% senior secured debt, 35.0% junior secured debt and 7.5% equity and equity-like investments.

We originate and invest primarily in privately held small and mid-sized companies (typically those with less than $15.0 million of EBITDA) through first lien and second lien debt, sometimes with a corresponding equity investment component. The composition of our investments as of March 31, 2019 and December 31, 2018 was as follows:

	March 31, 2019		December 31, 2018	
	Cost	Fair Value	Cost	Fair Value
Senior Secured Debt	$ 69,240,369	$ 69,724,357	$ 54,049,633	$ 54,609,097
Junior Secured Debt	26,466,654	25,600,000	34,027,362	33,231,424
Equity	10,699,365	6,376,413	10,805,799	7,073,341
Total Investments	$ 106,406,388	$ 101,700,770	$ 98,882,794	$ 94,913,862

At March 31, 2019, our average portfolio company debt investment at amortized cost and fair value was approximately $3.7 million and $3.7 million, respectively, and our largest portfolio company debt investment by amortized cost and fair value was approximately $12.1 million and $11.8 million, respectively. At December 31, 2018, our average portfolio company debt investment at amortized cost and fair value was approximately $4.0 million and $4.0 million, respectively, and our largest portfolio company debt investment by amortized cost and fair value was approximately $11.9 million and $11.7 million, respectively.

At March 31, 2019, 66.0% of our debt investments bore interest based on floating rates (some of which were subject to interest rate floors), such as LIBOR, and 34.0% of our debt investments bore interest at fixed rates. At December 31, 2018, 54.5% of our debt investments bore interest based on floating rates (some of which were subject to interest rate floors), such as LIBOR, and 45.5% bore interest at fixed rates.

The weighted average effective yield of our debt and other income-producing investments, as of March 31, 2019 and December 31, 2018, was approximately 14.5% and 14.8%, respectively. The weighted average effective yield on the entire portfolio, as of March 31, 2019 and December 31, 2018, was 12.2% and 12.7%, respectively.

The weighted average annualized effective yield on debt and other income-producing investments is computed using the effective interest rates for our debt and other income producing investments, including cash and PIK interest as well as the accretion of deferred fees. The individual investment yields are then weighted by the respective fair values of the investments (as of the date presented) in calculating the weighted average effective yield as a percentage of our debt and other income-producing investments. Infinite Care, LLC and CP Holding Co., Inc. (Choice Pet) were excluded from the calculation as of March 31, 2019 because they were on non-accrual status as of that date. Infinite Care, LLC was excluded from the calculation as of December 31, 2018 because it was on non-accrual status on that date. Equity components of the investment portfolio were also excluded from these calculations either because they do not have stated interest rates or are non-income producing. The weighted average annualized yield on total investments takes the same yields but weights them to determine the weighted average effective yield as a percentage of the Company's total investments. The dollar-weighted average annualized yield on the Company's investments for a given period will generally be higher than what investors in our common stock would realize in a return over the same period because the dollar-weighted average annualized yield does not reflect the Company's expenses or any sales load that may be paid by investors.

For investments that have a PIK interest component, PIK interest is accrued each period but generally not collected until the debt investment is sold or paid off. A roll forward of PIK interest for the three months ended March 31, 2019 and March 31, 2018 is summarized in the table below.

	Three Months Ended March 31,	
	2019	2018
PIK, beginning of period	$ 3,123,501	$ 3,852,636
Accrual	206,634	363,919
Payments	(42,636)	—
Write-off	—	(116,574)
PIK, end of period	$ 3,287,499	$ 4,099,981

Investment Activity

During the three months ended March 31, 2019, we closed $21.0 million of debt investment commitments and $0.2 million of equity investments in five new and two existing portfolio companies. During the three months ended March 31, 2018, we closed $7.8 million of debt investment commitments and $0.1 million of equity investments in one new and four existing portfolio companies

During the three months ended March 31, 2019, we exited $10.4 million of debt investment commitments and $0.2 million of equity investments in four portfolio companies. During the three months ended March 31, 2018, we exited $6.8 million of debt investment commitments in two portfolio companies.

Our level of investment activity can vary substantially from period to period depending on many factors, including the level of merger and acquisition activity in our target market, the general economic environment and the competitive environment for the types of investments we make.

Asset Quality

In addition to various risk management and monitoring tools, we use an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in our portfolio. This investment rating system uses a five-level numeric scale. The following is a description of the conditions associated with each investment rating:

- Investment Rating 1 is used for investments that are performing above expectations, and whose risks remain favorable compared to the expected risk at the time of the original investment.
- Investment Rating 2 is used for investments that are performing within expectations and whose risks remain neutral compared to the expected risk at the time of the original investment. All new loans are initially rated 2.
- Investment Rating 3 is used for investments that are performing below expectations and that require closer monitoring, but where no loss of return or principal is expected. Portfolio companies with a rating of 3 may be out of compliance with financial covenants.
- Investment Rating 4 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are often in workout. Investments with a rating of 4 are those for which some loss of return but no loss of principal is expected.
- Investment Rating 5 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are almost always in workout. Investments with a rating of 5 are those for which some loss of return and principal is expected.

The following table shows the investment rankings of our debt investments at fair value (in millions):

	As of March 31, 2019			As of December 31, 2018		
Investment Rating	Fair Value (in millions)	% of Debt Portfolio	Number of Portfolio Companies	Fair Value (in millions)	% of Debt Portfolio	Number of Portfolio Companies
1	$ 18.9	19.8%	3	$ 28.2	32.1%	5
2	47.5	49.8%	11	30.7	35.0%	7
3	18.4	19.3%	3	18.4	21.0%	3
4	2.8	3.0%	1	2.8	3.2%	1
5	7.7	8.1%	1	7.7	8.7%	1
	$ 95.3	100.0%	19	$ 87.8	100.0%	17

Loans and Debt Securities on Non-Accrual Status

We do not accrue interest income on loans and debt securities if we doubt our ability to collect such interest. Generally, when an interest payment default occurs on a loan in the portfolio, when interest has not been paid for greater than 90 days, or when management otherwise believes that the issuer of the loan will not be able to service the loan and other obligations, we will place the loan on non-accrual status and will cease accruing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed collectible. However, collections actually received on non-accrual loans may be recognized as interest income on a cash basis or applied to principal depending on management's judgment regarding collectability. As of March 31, 2019, we had two loans on non-accrual status (our senior secured debt investment in Infinite Care, LLC and our junior secured debt investment in CP Holding Co., Inc. (Choice Pet)) which comprised 10.7% of our debt investments at cost. As of December 31, 2018, we had one loan on non-accrual status (our senior secured debt investment in Infinite Care, LLC), which comprised 8.1% of our debt investments at cost. The failure by a borrower or borrowers to pay interest and repay principal could have a material adverse effect on our financial condition and results of operation.

Results of Operations

An important measure of our financial performance is the net increase or decrease in net assets resulting from operations, which includes net investment income, net realized gain or loss and net change in unrealized appreciation or depreciation. Net investment income is the difference between our income from interest, distributions, fees and other investment income and our operating expenses, including interest on borrowed funds. Net realized gain or loss on investments is generally the difference between the proceeds received from dispositions of portfolio investments and their amortized cost. Net change in unrealized appreciation or depreciation on investments is the net unrealized change in the fair value of our investment portfolio.

Comparison of the Three Months Ended March 31, 2019 and March 31, 2018

Revenues

We generate revenue primarily in the form of interest income on debt investments and, to a lesser extent, capital gains on equity investments we make in portfolio companies. Our debt investments typically have terms of five to seven years and bear interest at a fixed or floating rate. Interest on our debt investments is payable at least quarterly. Payments of principal on our debt investments may be amortized over the stated term of the investment, deferred for several years or due entirely at maturity. In some cases, our debt investments may pay interest in kind, or PIK. Any outstanding principal amount of our debt investments and any accrued but unpaid interest will generally become due at the maturity date. The level of interest income we receive is directly related to the balance of interest-bearing investments multiplied by the weighted average yield of our investments. We expect that the dollar amount of interest and any dividend income that we earn to increase as the size of our investment portfolio increases. In addition, we may generate revenue in the form of prepayment, commitment, loan origination, structuring or due diligence fees and consulting fees, which may be non-recurring in nature.

Investment income for the three months ended March 31, 2019 totaled $3.0 million, compared to investment income of $3.7 million for the three months ended March 31, 2018. Investment income for the three months ended March 31, 2019 was comprised of $2.4 million in cash interest, $0.2 million in PIK interest, $0.3 million in fees earned on the investment portfolio, and $0.1 million in other income. Investment income for the three months ended March 31, 2018 was comprised of $3.1 million in cash interest, $0.4 million in PIK interest, $0.2 million in fees earned on the investment portfolio, and $0.1 million of other income. The decrease in investment income in the three months ended March 31, 2019 is primarily attributable a smaller investment portfolio, on average during the period, coupled with a lower weighted average effective yield, as compared to the three months ended March 31, 2018.

Expenses

Our primary operating expenses include the payment of fees to HCAP Advisors LLC under the investment advisory and management agreement, our allocable portion of overhead expenses and other administrative expenses under the administration agreement with JMP Credit Advisors (which expired on April 29, 2018) and the administration agreement with HCAP Advisors (which commenced on April 29, 2018) and other operating costs described below. We bear all other out-of-pocket costs and expenses of our operations and transactions, which include:

- Interest expense and unused line fees;
- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to making investments, including out-of-pocket fees and expenses associated with performing due diligence and reviews of prospective investments;
- transfer agent and custodial fees;
- out-of-pocket fees and expenses associated with marketing efforts;
- federal and state registration fees and any stock exchange listing fees;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- fidelity bond, directors' and officers' liability insurance and other insurance premiums;
- direct costs, such as printing, mailing, long distance telephone and staff;

- fees and expenses associated with independent audits and outside legal costs, and
- costs associated with our reporting and compliance obligations under the 1940 Act and other applicable U.S. federal and state securities laws.

Operating expenses totaled $2.3 million for the three months ended March 31, 2019, compared to $2.5 million for the three months ended March 31, 2018. Operating expenses in both periods consisted of interest expense, base and incentive management fees, administrator expenses, interest and related fees, professional fees, valuation fees, insurance expenses, directors' fees, taxes, and other general and administrative expenses. The decrease in operating expenses was primarily due to higher professional fees and general and administrative costs incurred during the three months ended March 31, 2018 relating to the material weakness identified by management at December 31, 2017, coupled with a decrease in interest expense (due to a decrease in borrowings throughout the the three months ended March 31, 2019 due to a lower portfolio balance) and a decrease in management fees expense (due to the aforementioned lower portfolio balance).

From time to time HCAP Advisors may voluntarily waive and/or reimburse expenses incurred by us. During the three months ended March 31, 2018 we incurred approximately $0.7 million in non-recurring professional fees for additional work provided by its legal counsel and external auditors in connection with the material weakness identified by management as disclosed in Item 9A of our annual report on Form 10-K for the year ended December 31, 2017. HCAP Advisors agreed to reimburse us approximately $0.4 million of those expenses. We are under no legal obligation to repay HCAP Advisors for any amount of the expenses HCAP Advisors is reimbursing us. Net of expenses reimbursed by HCAP Advisors, we incurred approximately $0.3 million in one-time expenses related to additional professional fees incurred relating to the material weakness that we do not expect to recur in the future. HCAP Advisors did not voluntarily waive and/or reimburse expenses incurred by us during the three months ended March 31, 2019.

Interest expense decreased due to a lower average outstanding debt balance during the three months ended March 31, 2019, compared to March 31, 2018.

Administrative services expense was $0.4 million for the three months ended March 31, 2019, compared to $0.3 million for the three months ended March 31, 2018.

Base management fees for the three months ended March 31, 2019 was $0.5 million, compared to $0.6 million for the three months ended March 31, 2018. The decrease in base management fees is attributable to a smaller average amount of gross investments outstanding during the three months ended March 31, 2019, as compared to the three months ended March 31, 2018.

We did not incur any incentive management fees for the three months ended March 31, 2019 or for the three months ended March 31, 2018. This is primarily a result of the pre-incentive fee net investment income not exceeding the hurdle rate for both periods. We only incur an incentive management fee if our pre-incentive fee net investment income return exceeds a 2.0% (8.0% annualized) hurdle rate. The Company's pre-incentive fee net investment income return failed to meet this hurdle rate for both the three months ended March 31, 2019 and March 31, 2018. In addition, the incentive fees paid or owed to HCAP Advisors are subject to a three year total return requirement, such that no incentive fee, in respect of pre-incentive fee net investment income, will be payable except to the extent 20.0% of the cumulative net increase in net assets resulting from operations over the calendar quarter for which such fees are being calculated and the 11 preceding quarters exceeds the cumulative incentive fees paid or accrued over the 11 preceding quarters.

Net Investment Income

For the three months ended March 31, 2019, net investment income was $0.8 million, compared to $1.2 million for the three months ended March 31, 2018. For the three months ended March 31, 2019, net investment income per share was $0.12 compared to $0.19 for the three months ended March 31, 2018.

Net Realized Gains and Losses

Realized gains and losses on investments are calculated using the specific identification method. We measure realized gains or losses on equity investments as the difference between the net proceeds from the sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. We measure realized gains or losses on debt investments as the difference between the net proceeds from the repayment or sale and the contractual amount owed to us on the investment, without regard to unrealized appreciation or depreciation previously recognized or unamortized deferred fees. Upon prepayment of debt investments, we recognize the acceleration of unamortized deferred fees as interest income and we recognize the collection of prepayment and other fees as other income.

We recognized $35,410 in net realized gains on our investments for the three months ended March 31, 2019, compared to $0.9 million of realized losses on our investments in the three months ended March 31, 2018. A summary of realized gains and losses for the three months ended March 31, 2019 and 2018 is as follows:

	Three Months Ended March 31,	
	2019	**2018**
Flight Lease VII, LLC (Common Equity Interest)	$ (10,890)	$ —
Flight Lease XIII, LLC (Common Equity Interest)	(23,680)	—
Mercury Network, LLC (Common Equity Units)	69,980	—
Northeast Metal Works LLC (Preferred Equity Interest)	—	398
WorkWell, LLC (Senior Secured Term Loan)	—	(636,050)
WorkWell, LLC (Preferred Equity Interest)	—	(249,990)
Net realized gains (losses)	$ 35,410	$ (885,642)

Net Change in Unrealized Appreciation (Depreciation) of Investments

Net change in unrealized appreciation (depreciation) primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded appreciation or depreciation when gains or losses are realized.

Net change in unrealized appreciation (depreciation) on investments totaled $(0.7) million for the three months ended March 31, 2019 and $1.7 million for the three months ended March 31, 2018.

Net Increase in Net Assets Resulting from Operations

The net increase in net assets resulting from operations was $0.1 million for the three months ended March 31, 2019, compared to $2.1 million for the three months ended March 31, 2018. The $2.0 million net decrease in net assets resulting from operations for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, was primarily attributable to a decrease in investment income (attributed to a lower income-earning portfolio and a lower effective yield) and an increase in unrealized depreciation, offset by lower operating expenses (including lower interest expense due to lower borrowings outstanding) and an increase in realized gains.

Financial Condition, Liquidity and Capital Resources

Cash Flows from Operating and Financing Activities

Our operating activities used cash of $2.1 million for the three months ended March 31, 2019 and provided cash of $0.6 million for the three months ended March 31, 2018, primarily in connection with investment exits and fundings of new investments.

Our financing activities used cash of $15.5 million for the three months ended March 31, 2019 and used cash of $10.0 million for the three months ended March 31, 2018. Our financing activity proceeds and uses for both periods were primarily in connection with distributions paid to shareholders and net borrowings on our Credit Facility.

Our liquidity and capital resources are derived from our Credit Facility and cash flows from operations, including investment sales and repayments. Our primary use of funds from operations includes investments in portfolio companies and other operating expenses we incur, as well as the payment of distributions to the holders of our common stock. We used, and expect to continue to use, these capital resources as well as proceeds from public and private offerings of securities to finance our investment activities.

Although we expect to fund the growth of our investment portfolio through the net proceeds from future equity offerings and issuances of senior securities or future borrowings to the extent permitted by the 1940 Act, our plans to raise capital may not be successful. In this regard, if our common stock trades at a price below our then-current net asset value per share, we may be limited in our ability to raise equity capital given that we cannot sell our common stock at a price below net asset value per share unless our stockholders approve such a sale and our board of directors makes certain determinations in connection therewith. For all of 2019 to date and all of 2018, our common stock traded at a discount to our then-current net asset value. If our common stock continues to trade at a discount to net asset value, we may be limited in our ability to raise equity capital unless we obtain the approval described above, which we have not obtained.

In addition, we intend to distribute between 90% and 100% of our taxable income to our stockholders in order to satisfy the requirements applicable to RICs under Subchapter M of the Code. Consequently, we may not have the funds or the ability to fund new investments, to make additional investments in our portfolio companies, to fund our unfunded commitments to portfolio companies or to repay borrowings. In addition, the illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

Also, as a BDC, we are generally required, upon issuing any senior securities, to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which include all of our borrowings and any outstanding preferred stock, of at least 200%. However, the Small Business Credit Availability Act, which was signed into law, on March 23, 2018, has modified this requirement to permit a BDC to reduce the required minimum asset coverage ratio applicable to a BDC from 200% to 150%, if certain requirements are met. On May 4, 2018, our board of directors unanimously approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the Investment Company Act of 1940, as amended by the Small Business Credit Availability Act. As a result, the asset coverage ratio applicable to the Company was changed from 200% to 150% effective May 4, 2019. This requirement limits the amount that we may borrow. As of March 31, 2019, our aggregate indebtedness, including outstanding borrowings under our Credit Facility and the aggregate principal amount outstanding on our 2022 Notes, was $33.8 million, and our asset coverage, as defined in the 1940 Act, was 322%. As of December 31, 2018, our aggregate indebtedness, including outstanding borrowings under our Credit Facility and the aggregate principal amount outstanding on our 2022 Notes, was $45.8 million, and our asset coverage, as defined in the 1940 Act, was 271%. The amount of leverage that we employ as a BDC will depend on our assessment of market conditions and other factors at the time of any proposed borrowing, such as the maturity, covenant package and rate structure of the proposed borrowings, our ability to raise funds through the issuance of shares of our common stock and the risks of such borrowings within the context of our investment outlook. Ultimately, we only intend to use leverage if the expected returns from borrowing to make investments will exceed the cost of such borrowing.

As of March 31, 2019 and December 31, 2018, we had cash and restricted cash of $11.2 million and $28.8 million, respectively.

Credit Facility

On October 29, 2013, we entered into a Loan and Security Agreement with CapitalSource Bank (now Pacific Western Bank), as agent and a lender, and each of the lenders from time to time party thereto, including City National Bank, to provide the us with a $55.0 million senior secured revolving credit facility (the “Credit Facility”). The Credit Facility is secured by all of the our assets, including the Company's equity interest in HCAP Equity Holdings, LLC and HCAP ICC, LLC, and has an accordion feature that allows the size of the facility to increase up to $85.0 million. The Credit Facility has a revolving period that, following a recent amendment, expires on April 30, 2020. The maturity date under the Credit Facility is, following a recent amendment, the earlier of (x) October 30, 2021, or (y) the date that is six (6) months prior to the maturity of any of the Company's outstanding unsecured longer-term indebtedness, which, based on our outstanding unsecured notes that mature on September 15, 2022, the maturity date under the facility would be October 30, 2021. HCAP Equity Holdings, LLC became a co-borrower under the Credit Facility in August 2016, and HCAP ICC, LLC, became a borrower under the Credit Facility in November 2017.

Advances under the Credit Facility bear interest at a rate per annum equal to the lesser of (i) the applicable LIBOR rate plus 3.25% (with a 0.50% LIBOR floor) and (ii) the maximum rate permitted under applicable law.

In addition, the Credit Facility requires payment of a fee for unused amounts during the revolving period, which fee varies depending on the obligations outstanding as follows: (i) 0.75% per annum, if the average daily principal balance of the obligations outstanding for the prior month are less than fifty percent of the maximum loan amount; and (ii) 0.50% per annum, if such obligations outstanding are equal to or greater than fifty percent of the maximum loan amount. In each case, the fee is calculated based on the difference between (i) the maximum loan amount under the Credit Facility and (ii) the average daily principal balance of the obligations outstanding during the prior calendar month.

The Credit Facility also contains customary terms and conditions, including, without limitation, affirmative and negative covenants, including, without limitation, information reporting requirements, a minimum tangible net worth, a minimum debt service coverage ratio, a minimum liquidity of 4% of the maximum loan amount, a maximum leverage ratio of 1.00 to 1.00, and maintenance of RIC and BDC status. In addition, the Credit Facility contains a covenant that limits the amount of our unsecured longer-term indebtedness (as defined in the Credit Facility), which includes our 2022 Notes, to 50% of the maximum borrowing amount under the Credit Facility. The Credit Facility also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change of control, and the occurrence of a material adverse effect. In addition, the Credit Facility provides that, upon the occurrence and during the continuation of such an event of default, the Company's administration agreement could be terminated and a backup administrator could be substituted by the agent.

As of March 31, 2019 and December 31, 2018, the outstanding balance on the $55.0 million Credit Facility was $5.0 million and $17.0 million, respectively.

Notes Offering

On August 24, 2017, the Company closed the public offering of $25.0 million in aggregate principal amount of its 6.125% Notes due 2022 (the "2022 Notes"). On September 1, 2017, the Company closed on an additional $3.75 million in aggregate principal amount of 2022 Notes to cover the over-allotment option exercised by the underwriters. In total, the Company issued 1,150,000 of the 2022 Notes at a price of $25.00 per Note. The total net proceeds to the Company from the 2022 Notes, after deducting underwriting discounts of $0.9 million and offering expenses of $0.2 million, were $27.7 million. As of March 31, 2019, the outstanding principal balance of the 2022 Notes was $28.8 million and the debt issuance costs balance was $0.8 million. As of December 31, 2018, the outstanding principal balance of the 2022 Notes was $28.8 million and the debt issuance costs balance was $0.8 million. The Company used the proceeds of the 2022 Notes to redeem the 2020 Notes in full on September 23, 2017.

The 2022 Notes mature on September 15, 2022 and bear interest at a rate of 6.125%. They are redeemable in whole or in part at anytime at our option after September 15, 2019 at a price equal to 100% of the outstanding principal amount of the 2022 Notes plus accrued and unpaid interest. The 2022 Notes are unsecured obligations and rank pari passu with any future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 2022 Notes; effectively subordinated to all of the existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under the Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any subsidiaries, financing vehicles, or similar facilities we may form in the future, with respect to claims on the assets of any such subsidiaries, financing vehicles, or similar facilities. Interest on the 2022 Notes is payable quarterly on March 15, June 15, September 15, and December 15 of each year. The 2022 Notes are listed on the NASDAQ Global Market under the trading symbol "HCAPZ." The Company may from time to time repurchase 2022 Notes in accordance with the 1940 Act and the rules promulgated thereunder.

The indenture governing the 2022 Notes (the "2022 Notes Indenture") contains certain covenants, including covenants (i) requiring the Company's compliance with the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, whether or not the Company continues to be subject to such provisions of the 1940 Act; (ii) requiring the Company's compliance, under certain circumstances, with a modified version of the requirements set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act, whether or not the Company continues to be subject to such provisions of the 1940 Act, prohibiting the declaration of any cash dividend or distribution upon any class of the Company's capital stock (except to the extent necessary for the Company to maintain its treatment as a RIC under Subchapter M of the Code), or purchasing any such capital stock, if the Company's asset coverage, as defined in the 1940 Act, were below 200% (or 150% on and after May 4, 2019) at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution, or purchase; and (iii) requiring the Company to provide financial information to the holders of the 2022 Notes and the Trustee if the Company ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 2022 Notes Indenture.

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. As of March 31, 2019, our only off-balance sheet arrangements consisted of $0.9 million of unfunded revolving line of credit commitments to two of our portfolio companies. As of December 31, 2018, our only off-balance sheet arrangements consisted of $1.4 million of unfunded revolving line of credit commitments to three of our portfolio companies.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP, which requires the use of estimates that involve the exercise of judgment and the use of assumptions as to future uncertainties. Our most critical accounting policies involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments upon which our consolidated financial statements are based are reasonable at the time made and based upon information available to use at that time. We rely upon a thorough valuation process, which includes, for certain portfolio investments, the input of an an independent external valuation firm to arrive at what we believe to be reasonable estimates of fair market value, whenever available. For more information on our fair value measurements, see Note 6 of the Notes to Consolidated Financial Statements. For a review of our significant accounting policies and the recent accounting pronouncements that may impact our results of operations, see Note 2 of the Notes to Consolidated Financial Statements.

Regulated Investment Company Status and Distributions

We have elected to be treated as a RIC under Subchapter M of the Code. If we receive RIC tax treatment, we will not be taxed on our investment company taxable income or realized net capital gains, to the extent that such taxable income or gains are distributed, or deemed to be distributed, to stockholders on a timely basis.

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation until realized. Distributions declared and paid by us in a year may differ from taxable income for that year as such dividends may include the distribution of current year taxable income or the distribution of prior year taxable income carried forward into and distributed in the current year. Distributions also may include returns of capital.

To receive RIC tax treatment, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. As a RIC, the Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes in a timely manner an amount at least equal to the sum of (1) 98% of its ordinary income for each calendar year, (2) 98.2% of its capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which the Company paid no U.S. federal income tax.

We intend to distribute to our stockholders between 90% and 100% of our annual taxable income (which includes our taxable interest and fee income). However, the covenants contained in the Credit Facility may prohibit us from making distributions to our stockholders, and, as a result, could hinder our ability to satisfy the distribution requirement. In addition, we may retain for investment some or all of our net taxable capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. Our stockholders also may be eligible to claim tax credits (or, in certain circumstances, tax refunds) equal to their allocable share of the tax we paid on the capital gains deemed distributed to them. To the extent our taxable earnings for a fiscal taxable year fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings applicable to us as a BDC under the 1940 Act and due to provisions in the Credit Facility. We cannot assure stockholders that they will receive any dividends or distributions at a particular level.

In accordance with certain applicable Treasury regulations and private letter rulings issued by the Internal Revenue Service, a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC, subject to a limitation that the aggregate amount of cash to be distributed to all stockholders must be at least 20% of the aggregate declared distribution. If too many stockholders elect to receive cash, the cash available for distribution must be allocated among each stockholder electing to receive cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than the lesser of (a) the portion of the distribution such shareholder has elected to receive in cash, or (b) an amount equal to his or her entire distribution times the percentage limitation on cash available for distribution. If these and certain other requirements are met, for U.S federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock. We have no current intention of paying distributions in shares of our stock in accordance with these Treasury regulations or private letter rulings.

Recent Developments

Since March 31, 2019, and through May 13, 2019, we repurchased 19,775 shares of our common stock at an average price of $10.59 per share. With those shares repurchased in the second quarter of 2019, the Company reached the 250,000 total share limit under the stock repurchase program authorized by our board of directors in November 2018.

On April 4, 2019, we sold our senior secured term loan in Dell International L.L.C. and received approximately $3.0 million in sale proceeds.

On April 9, 2019, we made a $0.3 million equity contribution to Infinite Care, LLC.

On April 15, 2019, we increased our equity investment in National Program Management & Project Controls, LLC, with a $0.3 million pro-rata increase through an add-on funding to purchase Class A units.

On May 2, 2019, our board of directors authorized an open market stock repurchase program. Pursuant to the program, we are authorized to repurchase up to 250,000 shares in the aggregate of our outstanding common stock in the open market. The timing, manner, price and amount of any share repurchases will be determined by our management at its discretion, and no assurances can be given that any common stock, or any particular amount, will be purchased. Unless amended by our board of directors, the repurchase program will expire on the earlier of December 31, 2019 or the repurchase of 250,000 shares of our outstanding common stock.

On May 3, 2019, we declared monthly distributions of $0.08 per share payable on each May 30, 2019, June 27, 2019, and July 25, 2019.

Effective May 4, 2019, the asset coverage ratio applicable to us decreased from 200% to 150%as a result of the board of directors' approval in May 2018 of the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the 1940 Act, as modified by the Small Business Credit Availability Act.

On May 10, 2019, we entered into an Eighth Amendment to Loan and Security Agreement (the “Amendment”), by and among the Company, HCAP Equity Holdings, LLC, HCAP ICC, LLC, Pacific Western Bank (successor-by-merger to CapitalSource Bank), as agent and a lender, and each of the other lenders from to time to time party thereto, including City National Bank. The Amendment amends the Credit Facility to, among other things, (i) provide for a senior leverage ratio (the ratio of total borrowed money other than subordinated debt and unsecured longer-term indebtedness to equity) of 1 to 1; (ii) provide for a total leverage ratio (the ratio of total debt to equity) of 1.4 to 1, which replaces the prior 1-to-1 leverage ratio; and (iii) provide for a minimum utilization fee of 2.50% that will be payable on unused commitments below $16.5 million at any time that our unsecured longer-term indebtedness (which is currently $28.8 million) exceeds $30 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. For the three months ended March 31, 2019, nineteen of our debt investments, or 66.0%, of the fair value of our portfolio bore interest at floating rates. For the three months ended March 31, 2018, seventeen loans, or 50.1%, of the fair value of the portfolio bore interest at floating rates. Assuming that the Consolidated Statement of Assets and Liabilities as of March 31, 2019 were to remain constant and no actions were taken to alter the existing interest rate sensitivity, a hypothetical one percent increase in LIBOR would increase our net investment income by approximately $0.7 million. Alternatively, a hypothetical one percent decrease in LIBOR would decrease our net investment income by approximately $0.6 million. Although we believe that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could affect net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by this estimate. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contacts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. We have not engaged in any hedging activities to date.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2019 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) Changes in Internal Control Over Financial Reporting

Management did not identify any change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to certain legal proceedings incidental to the normal course of our business, including where third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, we do not expect these these proceedings will have a material effect on our financial condition or results of operations.

Item 1A. Risk Factors

There has been no material change in the information provided under the heading "Risk Factors" in our annual report on Form 10-K for the fiscal year ended December 31, 2018. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, financial condition, and/or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2019, we issued a total of 7,722 shares of our common stock under our dividend reinvestment plan ("DRIP"). This issuance was not subject to the registration requirements of the Securities Act of 1933. The aggregate value of the shares of our common stock issued under the DRIP was approximately $0.1 million for the three months ended March 31, 2019.

On November 1, 2018, our board of directors authorized an open market stock repurchase program. Pursuant to our program, we are authorized to repurchase up to 250,000 shares in the aggregate of our outstanding common stock in the open market. The timing, manner, price and amount of any share repurchases will be determined by our management at its discretion, and no assurances can be given that any common stock or any particular amount will be purchased. Unless amended by our board of directors, the repurchase program will expire on the earlier of June 30, 2019 or the repurchase of 250,000 shares of our outstanding common stock.

During the three months ended March 31, 2019, the Company made the following repurchases pursuant to the repurchase plan:

Month (1)	Total Number of Shares Purchased		Average Purchase Price	Total Number of Shares Purchased as part of Publicly Announced Plan	Maximum Remaining Shares That May Yet Be Purchased Under Plan (1)
January 1 - January 31	47,537	$	10.74	47,537	162,999
February 1 - February 28	26,336		10.28	26,336	136,663
March 1 - March 31	116,888		10.46	116,888	19,775
	190,761	$	10.50	190,761	

(1) Subsequent to March 31, 2019, the Company repurchased an additional 19,775 shares of its common stock pursuant to the stock repurchase program at an average price of $10.59 per share. As of May 12, 2019, the 250,000 share limit under the share repurchase program authorized by our board of directors in November 2018 has been met, but on May 2, 2019, our board of directors renewed our share repurchase program as described under "Recent Developments" in Item 2 above.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Harvest Capital Credit Corporation (the “Company”) (incorporated by reference to the registrant’s Registration Statement on Form N-2, File No. 333-185672, filed on April 24, 2013).
3.2	Bylaws of the Company (incorporated by reference to the registrant’s Registration Statement on Form N-2, File No. 333-185672, filed on March 26, 2013).
10.1	Eighth Amendment to Loan and Security Agreement, dated as of May 10, 2019, by and among Harvest Capital Credit Corporation, HCAP Equity Holdings, LLC, HCAP ICC, LLC, Pacific Western Bank (successor-by-merger to CapitalSource Bank), as agent and a lender, and each of the other lenders from time to time party thereto (incorporated by reference to the registrant's current report on Form 8-K filed on May 10, 2019).
31.1	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARVEST CAPITAL CREDIT CORPORATION

Date: May 14, 2019

/s/ Joseph A. Jolson

Joseph A. Jolson
Chairman and Chief Executive Officer

Date: May 14, 2019

/s/ William E. Alvarez, Jr.

William E. Alvarez, Jr.
Chief Financial Officer, Chief Compliance Officer and Secretary
(Principal Financial and Accounting Officer)