FIDUS INVESTMENT Corp
Form 497
February 04, 2013
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**Filed Pursuant to Rule 497**
**Registration Statement No. 333-182785**

**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY 4, 2013**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

**(To Prospectus dated August 30, 2012)**

**Shares**

**Common Stock**

*Fidus Investment Corporation is an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. We are offering shares of our common stock to fund investments in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes.*

*Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS. On February 1, 2013, the last reported sale price of our common stock on the Nasdaq Global Select Market was $18.03 per share. We are required to determine the net asset value per share of our common stock on a quarterly basis. As of September 30, 2012, our net asset value per share was $15.27.*

*Fidus Investment Advisors, LLC serves as our investment advisor and as our administrator.*

**We generally invest in securities that would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as high yield or junk, have speculative characteristics with respect to the issuer s capacity to pay interest and repay principal.**

**Investing in our common stock is speculative and involves numerous risks, and you could lose your entire investment if any of the risks occur. Among these risks is the risk associated with leverage and dilution. For more information regarding these risks, please see Risk Factors beginning on page 11 of the accompanying prospectus.**

*Please read this prospectus supplement and the accompanying prospectus before investing, and keep it for future reference. It concisely sets forth important information about us that a prospective investor should know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1603 Orrington Avenue, Suite 1005, Evanston, Illinois 60201, Attention: Investor Relations, by accessing our website at http://www.fdus.com or by calling us collect at (847) 859-3940. Information contained on our website is not incorporated by reference into, and you should not consider that information to be part of, this*

*prospectus supplement or the accompanying prospectus. The Securities and Exchange Commission also maintains a website at http://www.sec.gov that contains such information.*

**The Securities and Exchange Commission has not approved or disapproved of these securities or determined if this preliminary prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount (4.00%) | $ | $ |
| Proceeds, before expenses, to us (1) | $ | $ |

(1) We estimate that we will incur approximately $300,000 in offering expenses in connection with this offering.

*The underwriters have the option to purchase up to an additional shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this preliminary prospectus supplement solely to cover any over-allotments. If the over-allotment option is exercised in full, the total public offering price will be $ , the total underwriting discount (4.00%) will be $ , and the total proceeds to us, before deducting estimated expenses payable by us of $300,000, will be $ .*

*The underwriters expect to deliver the shares on or about February , 2013.*

*Joint Bookrunning Managers*

**RAYMOND JAMES** **BAIRD**

*Co-Lead Managers*

**BB&T Capital Markets** **Oppenheimer & Co.**

**The date of this prospectus supplement is February , 2013**

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the common stock we are offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information about the securities which we may offer from time to time, some of which may not apply to the common stock offered by this preliminary prospectus supplement. For information about our common stock, see Description of Our Capital Stock in the accompanying prospectus.

If information varies between this prospectus supplement and the accompanying prospectus, you should rely only on such information in this prospectus supplement. The information contained in this prospectus supplement supersedes any inconsistent information included in the accompanying prospectus. In various places in this prospectus supplement and the accompanying prospectus, we refer you to other sections of such documents for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this prospectus supplement and the accompanying prospectus can be found is listed in the table of contents above. All such cross references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise stated.

**YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. WE HAVE NOT, AND THE UNDERWRITERS HAVE NOT, AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT OR ADDITIONAL INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR ADDITIONAL INFORMATION, YOU SHOULD NOT RELY ON IT. WE ARE NOT, AND THE UNDERWRITERS ARE NOT, MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IS ACCURATE ONLY AS OF THEIR RESPECTIVE DATES, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS OR ANY SALES OF THE SECURITIES. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THOSE DATES.**

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## SUMMARY

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. Together, these documents describe the specific terms of the shares we are offering. You should read the entire prospectus supplement and accompanying prospectus carefully, including Risk Factors, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements contained elsewhere in this prospectus supplement and the accompanying prospectus. Except as otherwise noted, all information in this prospectus supplement and the accompanying prospectus assumes no exercise of the underwriters over-allotment option.*

*Fidus Investment Corporation is a Maryland corporation, formed on February 14, 2011, for the purpose of acquiring 100.0% of the equity interests in Fidus Mezzanine Capital, L.P., or the Fund, and its general partner, Fidus Mezzanine Capital GP, LLC, raising capital in its initial public offering, or IPO, which was completed in June 2011, and thereafter, operating as an externally managed business development company, or BDC, under the Investment Company Act of 1940, or the 1940 Act. The Fund is licensed as a small business investment company, or SBIC, by the United States Small Business Administration, or SBA. Simultaneously with the consummation of our IPO, we acquired all of the equity interests in the Fund and its former general partner as described in the accompanying prospectus under Formation Transactions, whereby the Fund became our wholly owned subsidiary. Unless otherwise noted in this prospectus supplement or the accompanying prospectus, the terms we, us, our, the Company and Fidus refer to the Fund prior to the IPO and to Fidus Investment Corporation and its subsidiaries, including t Fund, for the periods after the IPO.*

*As used in this prospectus supplement and the accompanying prospectus, the term our investment advisor refers to Fidus Capital, LLC prior to the Formation Transactions and Fidus Investment Advisors, LLC after the Formation Transactions. The investment professionals of Fidus Investment Advisors, LLC were also the investment professionals of Fidus Capital, LLC.*

**Fidus Investment Corporation**

We provide customized debt and equity financing solutions to lower middle-market companies, which we define as U.S. based companies having revenues between $10.0 million and $150.0 million. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. We were formed to continue and to expand the business of the Fund, which was formed in February 2007 and is licensed by the SBA as a SBIC. Our investment strategy includes partnering with business owners, management teams and financial sponsors by providing customized financing for ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. We seek to maintain a diversified portfolio of investments in order to help mitigate the potential effects of adverse economic events related to particular companies, regions or industries.

We invest in companies that possess some or all of the following attributes: predictable revenues; positive cash flows; defensible and/or leading market positions; diversified customer and supplier bases; and proven management teams with strong operating discipline. We target companies in the lower middle-market with annual earnings, before interest, taxes, depreciation and amortization, or EBITDA, between $3.0 million and $20.0 million; however, we may from time

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to time opportunistically make investments in larger or smaller companies. Our investments typically range between $5.0 million and $15.0 million per portfolio company.

As of September 30, 2012, we had debt and equity investments in 29 portfolio companies with an aggregate fair value of $251.9 million. The weighted average yield on all of our debt investments as of September 30, 2012 was 15.4%. Yields are computed using the effective interest rates as of September 30, 2012, including accretion of original issue discount, divided by the weighted average cost of debt investments. There can be no assurance that the weighted average yield will remain at its current level.

## MARKET OPPORTUNITY

We believe that the limited amount of capital available to lower middle-market companies, coupled with the desire of these companies for flexible and partnership-oriented sources of capital, creates an attractive investment environment for us. From our perspective, lower middle-market companies have faced difficulty raising debt capital in both the capital markets and private markets. As a result of the difficulties in the credit markets and fewer sources of capital for lower middle-market companies, we see opportunities for improved risk-adjusted returns. Furthermore, we believe with a large pool of uninvested private equity capital seeking debt capital to complete transactions and a substantial supply of refinancing opportunities, there is an opportunity to attain appealing risk-adjusted returns on debt and equity investments. See The Company in the accompanying prospectus for more information.

## BUSINESS STRATEGY

We intend to accomplish our goal of becoming the premier provider of capital to and value-added partner of lower middle-market companies by:

- leveraging the experience of our investment advisor;
- capitalizing on our strong transaction sourcing network;
- serving as a value-added partner with customized financing solutions;
- employing rigorous due diligence and underwriting processes focused on capital preservation;
- actively managing our portfolio;
- maintaining portfolio diversification; and
- benefiting from lower cost of capital through our SBIC subsidiary.

**Investment Criteria/Guidelines**

We use the following criteria and guidelines in evaluating investment opportunities and constructing our portfolio. However, not all of these criteria and guidelines have been, or will be, met in connection with each of our investments.

*Value Orientation/Positive Cash Flow.* Our investment advisor places a premium on analysis of business fundamentals from an investor s perspective and has a distinct value orientation. We

focus on companies with proven business models in which we can invest at relatively low multiples of operating cash flow. We also typically invest in companies with a history of profitability and minimum trailing twelve month EBITDA of $3.0 million. We do not invest in start-up companies, turn-around situations or companies that we believe have unproven business plans.

*Experienced Management Teams with Meaningful Equity Ownership*. We target portfolio companies that have management teams with significant experience and/or relevant industry experience coupled with meaningful equity ownership. We believe management teams with these attributes are more likely to manage the companies in a manner that protects our debt investment and enhances the value of our equity investment.

*Niche Market Leaders with Defensible Market Positions*. We invest in companies that have developed defensible and/or leading positions within their respective markets or market niches and are well positioned to capitalize on growth opportunities. We favor companies that demonstrate significant competitive advantages, which we believe helps to protect their market position and profitability.

*Diversified Customer and Supplier Base.* We prefer to invest in companies that have a diversified customer and supplier base. Companies with a diversified customer and supplier base are generally better able to endure economic downturns, industry consolidation and shifting customer preferences.

*Significant Invested Capital*. We believe the existence of significant underlying equity value provides important support to our debt investments. With respect to our debt investments, we look for portfolio companies where we believe aggregate enterprise value significantly exceeds aggregate indebtedness, after consideration of our investment.

*Viable Exit Strategy.* We invest in companies that we believe will provide a steady stream of cash flow to repay our loans and reinvest in their respective businesses. In addition, we also seek to invest in companies whose business models and expected future cash flows offer attractive exit possibilities for our equity investments. We expect to exit our investments typically through one of three scenarios: (a) the sale of the company resulting in repayment of all outstanding debt and equity; (b) the recapitalization of the company through which our investments are replaced with debt or equity from a third party or parties; or (c) the repayment of the initial or remaining principal amount of our debt investment from cash flow generated by the company. In some investments, there may be scheduled amortization of some portion of our debt investment which would result in a partial exit of our investment prior to the maturity of the debt investment.

**ABOUT OUR ADVISOR**

Our investment activities are managed by Fidus Investment Advisors, LLC, our investment advisor. Pursuant to the terms of the investment advisory and management agreement, which we refer to as the Investment Advisory Agreement, our investment advisor is responsible for determining the composition of our portfolio, including sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. Our investment advisor s investment professionals seek to capitalize on their significant deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience. These

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professionals have developed a broad network of contacts within the investment community, have gained extensive experience investing in assets that constitute our primary focus and have expertise in investing across all levels of the capital structure of lower middle-market companies. For information regarding the people who control our investment advisor and their affiliations with the Company, see Certain Relationships and Related Transactions Investment Advisory Agreement in the accompanying prospectus.

Our relationship with our investment advisor is governed by and dependent on the Investment Advisory Agreement and may be subject to conflicts of interest. We pay our investment advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts). The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a 2.0% preferred return, or hurdle, and a catch up feature. The second part is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20.0% of all realized capital gains, if any, on a cumulative basis from inception through the end of the 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. We accrue, but do not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. For more information about how we compensate our investment advisor and the related conflicts of interest, see Management and Other Agreements Investment Advisory Agreement and Certain Relationships and Related Transactions Conflicts of Interest in the accompanying prospectus.

Our board of directors is charged with protecting our interests by monitoring how our investment advisor addresses conflicts of interest associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors periodically review our investment advisor s services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether the fees and expenses (including those related to leverage) that we pay to our investment advisor remain appropriate.

Fidus Investment Advisors, LLC is a Delaware limited liability company that is registered as an investment advisor under the Investment Advisers Act of 1940, as amended, or the Advisers Act. In addition, Fidus Investment Advisors, LLC serves as our administrator and provides us with office space, equipment and clerical, book-keeping and record-keeping services pursuant to an administration agreement, which we refer to as the Administration Agreement.

**Recent Developments**

In October 2012, we made a follow-on equity investment of $1.1 million in ACFP Management, Inc.

On October 15, 2012, we submitted an application to the SBA for a second SBIC license, after receiving a Green Light letter from the SBA on July 30, 2012, allowing us to proceed with such an application. We have received no assurances from the SBA that our application for a second license will be approved, or of the timeframe in which we would receive a license in the event that our application is approved by the SBA.

On October 29, 2012, our board of directors declared a quarterly dividend of $0.38 per share payable on December 21, 2012 to stockholders of record as of December 7, 2012.

In November 2012, we invested $9.8 million of subordinated notes and equity in EBL, LLC, doing business as EbLens, a leading retailer of urban-inspired footwear, apparel, and accessories, with 36 stores located in the Northeast.

By correspondence dated November 12, 2012, Charles G. Phillips resigned as a director of our board of directors, and as a member of our Audit and the Nominating and Corporate Governance Committees, effective as of November 12, 2012. On November 13, 2012, our board of directors elected John A. Mazzarino as an independent director, effective November 13, 2012, to fill the vacancy created by Mr. Phillips departure. Mr. Mazzarino will serve until our 2013 annual meeting of the stockholders. Mr. Phillips informed the board of directors that his resignation was for personal reasons and was not due to any disagreements with the Company relating to the Company s operations, policies or practices. Mr. Mazzarino was also elected to serve as a member of the Audit Committee and the Nominating and Corporate Governance Committee.

In December 2012, we made a $4.4 million follow-on investment in additional subordinated notes and equity of Medsurant Holdings, LLC.

In December 2012, we invested $12.5 million of subordinated notes and equity in IOS Acquisitions, Inc., a leading independent inspection and value-added service provider for Oil Country Tubular Goods (OCTG) and drill tools service locations and mobile operations serving all of the major oil and natural gas producing regions in the contiguous United States.

In December 2012, we made a $0.1 million follow-on equity investment in Westminster Cracker Company, Inc.

In December 2012, we exited our portfolio investment in Innovative Product Achievement, LLC in connection with a refinancing transaction. We received total proceeds of approximately $6.5 million, including repayment of our subordinated loans in full and prepayment premiums.

In January 2013, we made a follow-on preferred equity investment of $0.03 million in K2 Industrial Services, Inc. In addition, we made a commitment to fund an additional $2.2 million in subordinated notes and $0.07 million in preferred equity, subject to certain conditions.

In January 2013, we invested $15.0 million of subordinated notes in FocusVision Worldwide, Inc., the leading global provider of live video transmission, analysis and archive solutions for the qualitative market research industry.

Since September 30, 2012, we have issued an additional $3.0 million in SBA debentures.

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**The Offering**

| | |
|---|---|
| Common stock offered by us | shares |
| Common stock outstanding prior to this offering | 11,953,847 shares |
| Common stock to be outstanding after this offering(1) | shares |
| Over-allotment option | shares |
| Use of proceeds | The net proceeds from this offering (without exercise of the underwriters over-allotment option and before deducting estimated expenses payable by us of approximately $300,000) will be $ . |

We intend to use the net proceeds from this offering to make investments in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. See Use of Proceeds in this prospectus supplement for more information.

| | |
|---|---|
| Dividends and distributions | Our dividends and other distributions, if any, are determined and declared by our board of directors from time to time. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), our ability to maintain our qualification as a regulated investment company, or RIC, compliance with applicable BDC regulations, our compliance with applicable SBIC regulations and such other factors as our board of directors may deem relevant from time to time. We typically pay quarterly dividends and may pay other distributions to our stockholders out of assets legally available for distribution. |
| Taxation | We have elected to be treated as a RIC under the Internal Revenue Code of 1986, as amended, or the Code, beginning with our taxable year ended December 31, 2011. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders. To maintain our qualification as a RIC we must satisfy certain requirements, including the requirement that we distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. See Distributions and Material U.S. Federal Income Tax Considerations in the accompanying prospectus. |

| | |
|---|---|
| Effective trading at a discount | Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See Risk Factors and Sales of Common Stock Below Net Asset Value in the accompanying prospectus. |
| Risk Factors | See Risk Factors beginning on page 11 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock. |
| The Nasdaq Global Select Market Symbol | FDUS |

(1) The number of shares of common stock to be outstanding after this offering is based on 11,953,847 shares outstanding as of February 1, 2013 and, unless we indicate otherwise, excludes shares of common stock that the underwriters have an option to purchase pursuant to their over-allotment option.

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**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear, directly or indirectly, based on the assumptions set forth below. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by you, us, the Company or Fidus, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in us.

| | |
|---|---|
| **Stockholder transaction expenses:** | |
| Sales load (as a percentage of offering price) | 4.0%(1) |
| Offering expenses borne by us (as a percentage of offering price) | %(2) |
| Dividend reinvestment plan expenses | (3) |
| Total stockholder transaction expenses paid by us (as a percentage of offering price) | % |
| **Annual expenses (as a percentage of net assets attributable to common stock)[(4)]:** | |
| Base management fee | 2.7%(5) |
| Incentive fees payable under Investment Advisory Agreement | 2.6%(6) |
| Interest payments on borrowed funds | 4.3%(7) |
| Other expenses | 1.7%(8) |
| Total annual expenses | 11.3%(9) |

(1) The underwriting discount with respect to our shares of commons stock sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) The offering expenses of this offering borne by us are estimated to be approximately $300,000. If the underwriters exercise their over-allotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be %.

(3) The expenses of administering our dividend reinvestment plan are included in other expenses.

(4) Annual expenses is calculated as a percentage of net assets attributable to common stock because such expenses are ultimately paid by our common stockholders. Offering expenses, if any, will be borne directly or indirectly by our common stockholders. Net assets attributable to common stock equals average net assets for the nine months ended September 30, 2012.

(5) Our base management fee is 1.75% of the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts) and are estimated by assuming the base management fee remains consistent with the fees incurred for the nine months ended September 30, 2012. We may from time to time decide it is appropriate to change the terms of the Investment Advisory Agreement. Under the 1940 Act, any material change to our Investment Advisory Agreement must be submitted to stockholders for approval. The 2.7% reflected in the table is calculated on our net assets (rather than our total assets). See Management and Other Agreements Investment Advisory Agreement in the accompanying prospectus.

(6) This item represents our investment advisor s incentive fees based on annualizing actual amounts earned on our pre-incentive fee net investment income for the nine months ended September 30, 2012 and assumes that the capital gains incentive fees payable at the end of the 2012 calendar year will be based on the actual cumulative realized capital gains net of cumulative realized losses and unrealized capital depreciation as of September 30, 2012.

The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20.0% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 2.0% quarterly (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, our investment advisor receives no incentive fee until our pre-incentive fee net investment income equals the hurdle rate of 2.0% but then receives, as a catch-up, 100.0% of our 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, our investment advisor will receive 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

The second part, payable annually in arrears, equals 20.0% of our realized capital gains net of realized capital losses and unrealized capital depreciation, if any, on a cumulative basis from inception through the end of the fiscal year (or upon the termination of the Investment Advisory Agreement, as of the termination date), less the aggregate amount of any previously paid capital gain incentive fees. We accrue, but do not pay, a capital gains incentive fee in connection

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with any net unrealized capital appreciation, as appropriate. Incentive fees payable under Investment Advisory Agreement does not include an accrual for a capital gains incentive fee of $0.7 million for the nine months ended September 30, 2012 because no capital gains incentive fee was earned and payable under the Investment Advisory Agreement.

See Management and Other Agreements Investment Advisory Agreement in the accompanying prospectus.

(7) Interest payments on borrowed funds represent our annualized interest payments on SBA debentures as of September 30, 2012, adjusted for projected increases in outstanding SBA debentures. As of September 30, 2012, we had outstanding SBA debentures of $141.5 million, with capacity to borrow up to an aggregate of $150.0 million. This item is based on the sum of (i) actual interest expense for the nine months ended September 30, 2012 and annualized for a full year, plus (ii) an estimated increase in outstanding SBA debentures of $8.5 million at a fixed rate of 3.5%. If, in the future, we enter into a credit facility or issue any debt securities, interest payments on borrowed funds will include estimated annual interest payments for any amounts outstanding under such credit facility or any debt securities we may issue. The amount of leverage that we employ at any particular time will depend on, among other things, our board of directors assessment of market and other factors at the time of any proposed borrowing.

(8) Other expenses represent our estimated annual operating expenses, including professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan and payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by our administrator. See Management and Other Agreements Administration Agreement in the accompanying prospectus. Other expenses exclude interest payments on borrowed funds, and if we issue debt securities or preferred stock, interest payments on debt securities and distributions with respect to preferred stock. We currently do not have any class of securities outstanding other than common stock. Other expenses are based on actual other expenses for the nine months ended September 30, 2012 and annualized for a full year.

(9) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the total annual expenses percentage be calculated as a percentage of net assets, rather than the total assets including assets that have been purchased with borrowed amounts. If the total annual expenses percentage were calculated instead as a percentage of average consolidated total assets for the nine months ended September 30, 2012, our total annual expenses would be 6.2% of average consolidated total assets.

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in us. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 4.00% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

| | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return | $ 156 | $ 365 | $ 548 | $ 909 |

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5.0% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all distributions at net asset value, if our board of directors authorizes and we declare a cash dividend, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

**This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

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## SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, would, should, targets, projects and variations of these words and similar expressions a identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- our inexperience operating a BDC;
- our dependence on key personnel of our investment advisor and our executive officers;
- our ability to maintain or develop referral relationships;
- our ability to manage our business effectively;
- our ability to receive a second SBIC license;
- our use of leverage;
- the availability of additional capital on attractive terms or at all;
- uncertain valuations of our portfolio investments;
- competition for investment opportunities;
- actual and potential conflicts of interest with our investment advisor;
- potential divergent interests of our investment advisor and our stockholders arising from our management and incentive fee structure;
- constraint on investment due to access to material nonpublic information;
- other potential conflicts of interest;
- SBA regulations affecting our wholly-owned SBIC subsidiary;

changes in interest rates;

the impact of a protracted decline in the liquidity of credit markets on our business and portfolio investments;

fluctuations in our quarterly operating results;

our ability to maintain our status as a RIC and as a BDC;

the timing, form and amount of any distributions from our portfolio companies;

- changes in laws or regulations applicable to us;
- dilution risks related to issuing shares below our current net asset value;
- possible resignation of our investment advisor or administrator;
- the general economy and its impact on the industries in which we invest;
- risks associated with investing in lower middle-market companies;
- the ability of our investment advisor to identify, invest in and monitor companies that meet our investment criteria;
- our ability to invest in qualifying assets; and
- our ability to identify and timely close on investment opportunities.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement and the accompanying prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in Risk Factors and elsewhere in the accompanying prospectus. You should not place undue reliance on these forward-looking statements as a prediction of actual results, which apply only as of the date of this prospectus supplement and accompanying prospectus. We expressly disclaim any responsibilities to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements and projections contained in this prospectus supplement and accompanying prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act.

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## USE OF PROCEEDS

The net proceeds from this offering are estimated to be approximately $ (or approximately $ if the underwriters exercise their over-allotment option in full) after deducting underwriting discounts of $ (or $ if the underwriters exercise their over-allotment option in full) and estimated offering expenses of approximately $300,000 payable by us. We may change the size of this offering based on demand and market conditions.

We intend to use the net proceeds of this offering to invest in lower middle-market companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. Pending such use, we will invest the net proceeds of this offering primarily in short-term securities consistent with our BDC election and our qualification as a RIC for U.S. federal income tax purposes. See Regulation Temporary Investments in the accompanying prospectus.

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**CAPITALIZATION**

The following table sets forth our capitalization:

- on an actual basis as of September 30, 2012; and
- on an as-adjusted basis giving effect to the sale of shares of our common stock in this offering at the public offering price of $ per share, less estimated underwriting discounts and offering expenses payable by us.

This table should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement and the accompanying prospectus.

| | As of September 30, 2012 | |
|---|---|---|
| | Actual | As-adjusted for this Offering (1) |
| | (Unaudited) | |
| Cash and cash equivalents | $ 68,129,793 | $ |
| Borrowings (SBA debentures) | 141,500,000 | 141,500,000 |
| Stockholders equity: | | |
| Common stock, par value $0.001 per share; 100,000,000 shares authorized, 11,930,084 shares issued and outstanding, actual; shares outstanding, as adjusted | 11,930 | |
| Additional paid-in capital (2) | 177,109,526 | |
| Undistributed net investment income | 275,063 | 275,063 |
| Accumulated net realized gain on investments | 1,492,676 | 1,492,676 |
| Accumulated net unrealized appreciation on investments | 3,230,612 | 3,230,612 |
| Total stockholders equity | 182,119,807 | |
| Total capitalization | $ 323,619,807 | $ |

(1) Excludes up to shares of our common stock issuable upon exercise of the underwriters over-allotment option.
(2) Pro forma additional paid-in capital has been reduced by the estimated costs of the offering payable by us and the underwriting discounts.

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## PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock began trading on June 21, 2011 on The Nasdaq Global Market under the symbol FDUS. Effective January 3, 2012, our common stock is included in the Nasdaq Global Select Market. Prior to June 21, 2011, there was no established public trading market for our common stock. The following table lists the high and low closing sale price for our common stock, and the closing sale price as a percentage of net asset value, or NAV, since shares of our common stock began being regularly quoted on the Nasdaq Global Select Market.

| | | Closing Sales Price | | Premium/ (Discount) of High Sales Price to NAV (2) | Premium/ (Discount) of Low Sales Price to NAV (2) | Cash Distributions Per Share (3) |
|---|---|---|---|---|---|---|
| **Period** | **NAV (1)** | **High** | **Low** | | | |
| **Year ended December 31, 2011** | | | | | | |
| Second Quarter (4) | $ 14.82 | $ 15.00 | $ 14.81 | 1.2% | (0.1)% | $ |
| Third Quarter | 14.77 | 15.00 | 11.33 | 1.6 | (23.3) | 0.32 |
| Fourth Quarter | 14.90 | 13.52 | 11.73 | (9.3) | (21.3) | 0.32 |
| **Year ended December 31, 2012** | | | | | | |
| First Quarter | $ 14.94 | $ 14.38 | $ 12.85 | (3.7)% | (14.0)% | $ 0.34 |
| Second Quarter | 15.02 | 15.17 | 13.22 | 1.0 | (12.0) | 0.36 |
| Third Quarter | 15.27 | 16.78 | 14.89 | 9.9 | (2.5) | 0.38 |
| Fourth Quarter | * | 17.00 | 14.55 | * | * | 0.38 |
| **Year ended December 31, 2013** | | | | | | |
| First Quarter (through February 1, 2013) | * | $ 18.06 | $ 16.52 | * | * | * |

(1) Net asset value per share is determined as of the last day in the applicable quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of the each period.
(2) Calculated as of the respective high or low closing sales price divided by net asset value as of the last day in the applicable quarter.
(3) Represents the distribution declared in the specified quarter. We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. See Dividend Reinvestment Plan in the accompanying prospectus.
(4) Reflects the period from June 21, 2011 (commencement of trading) to June 30, 2011.
* Not determinable at the time of filing.

Shares of BDCs may trade at a market price that is less than the value of the net assets (i.e., the net asset value) attributable to those shares. Since the Company s initial public offering in June of 2011, the Company s shares of common stock have traded at times at a discount to the net assets attributable to those shares. As of February 1, 2013, the Company s shares of common stock traded at a premium of approximately 18.1% of the net asset value attributable to those shares as of September 30, 2012. The possibilities that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether the common stock that will be sold in the offering will trade at, above, or below net asset value.

We intend to continue to pay quarterly distributions to our stockholders. Our quarterly distributions, if any, are determined by our board of directors from time to time. We have elected

to be taxed as a RIC under Subchapter M of the Code beginning with our taxable year ended December 31, 2011. As long as we maintain our qualification as a RIC, we will not be taxed on our investment company taxable income or net capital gain, to the extent that such income or gain is distributed, or deemed to be distributed, to stockholders on a timely basis.

To maintain our qualification as a RIC, we must, among other things, distribute at least 90.0% of our net ordinary income and our net short-term capital gain in excess of our net long-term capital loss, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98.0% of our net ordinary income for the calendar year, (2) 98.2% of our capital gain net income for the calendar year and (3) any net ordinary income and capital gain net income for the preceding calendar year that were not distributed during such year and on which we paid no U.S. federal income tax. We may retain for investment some or all of our net capital gain (i.e., net long-term capital gains in excess of net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, you will be treated as if you received an actual distribution of the capital gain we retain and then reinvested the net after-tax proceeds in our common stock. You also may be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gain deemed distributed to you. Please refer to Material U.S. Federal Income Tax Considerations in the accompanying prospectus for further information regarding the consequences of our retention of net capital gain. In the future, we may make actual distributions to our stockholders of our net capital gain. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See Regulation and Material U.S. Federal Income Tax Considerations in the accompanying prospectus.

We may make distributions that are payable in cash or shares of our stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends to the extent of the distributing corporation s current and accumulated earnings and profits. The Internal Revenue Service has issued private letter rulings indicating that such treatment will apply under circumstances in which the total amount of cash distributed is limited to as little as 20.0% of the total distribution. If we decide to make any distributions that are payable in part in shares of our stock, U.S. stockholders receiving such distributions will be required to include the full amount of the distribution (whether received in cash, shares of our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. federal tax with respect to such distributions, including in respect of all or a portion of such distributions that are payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on such distributions, it may put downward pressure on the trading price of shares of our stock.

We will report certain U.S. federal income tax information with respect to our distributions to our stockholders on IRS Form 1099-DIV after the end of the year. Our ability to pay distributions could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

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## SELECTED FINANCIAL DATA

The selected consolidated financial data below reflects the consolidated operations of Fidus Investment Corporation and its subsidiaries, including the Fund. The selected financial information as of December 31, 2009, 2010 and 2011 and for the years ended December 31, 2008, 2009, 2010 and 2011, is derived from the consolidated financial statements that have been audited by McGladrey LLP, independent auditors. Financial information prior to our IPO in June 2011 is that of the Fund. The selected financial data for the period from May 1, 2007 (inception) through December 31, 2007, statement of assets and liabilities data as of December 31, 2008, and the nine months ended September 30, 2012 and 2011 is unaudited. However, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been made. This financial data should be read in conjunction with our consolidated financial statements and the notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus supplement and the accompanying prospectus.

| | Period from May 1 (inception) through December 31, 2007 (unaudited) | Year Ended December 31, | | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|---|
| | | 2008 | 2009 | 2010 | 2011 | 2011 | 2012 |
| | | | | | | (unaudited) | |
| | (dollars in thousands) | | | | | | |
| **Statement of operations data:** | | | | | | | |
| Total investment income | $ 1,312 | $ 7,504 | $ 14,184 | $ 17,985 | $ 23,387 | $ 16,063 | $ 24,206 |
| Interest expense | 272 | 1,994 | 3,688 | 4,962 | 5,488 | 4,095 | 4,663 |
| Management fees, net | 1,787 | 3,087 | 2,969 | 3,436 | 3,182 | 2,310 | 3,044 |
| Incentive fees | | | | | 1,609 | 536 | 3,568 |
| All other expenses | 496 | 179 | 431 | 627 | 1,551 | 977 | 1,944 |
| Net investment income (loss) before income taxes | (1,243) | 2,244 | 7,096 | 8,960 | 11,557 | 8,145 | 10,987 |
| Income tax expense | | | | | 24 | | 13 |
| Net investment income (loss) | (1,243) | 2,244 | 7,096 | 8,960 | 11,533 | 8,145 | 10,974 |
| Net realized gain (loss) on investments | | | (5,551) | (3,858) | (12,318) | (7,935) | 1,975 |
| Net unrealized appreciation (depreciation) on investments | | (750) | (3,137) | (78) | 16,170 | 10,876 | 1,346 |
| Net increase (decrease) in net assets resulting from operations | (1,243) | 1,494 | (1,592) | 5,024 | 15,385 | 11,086 | 14,295 |
| **Per Share Data [(1)]:** | | | | | | | |
| Net asset value (at end of period) | n/a | n/a | n/a | n/a | $ 14.90 | $ 14.77 | $ 15.27 |
| Net investment income | n/a | n/a | n/a | n/a | 1.22 | 0.86 | 1.14 |
| Net gain (loss) on investments | n/a | n/a | n/a | n/a | 0.40 | 0.32 | 0.35 |
| Net increase (decrease) in net assets resulting from operations | n/a | n/a | n/a | n/a | 1.63 | 1.18 | 1.49 |
| Dividends (post IPO) | n/a | n/a | n/a | n/a | 0.64 | 0.32 | 1.08 |
| **Other data:** | | | | | | | |
| Weighted average annual yield on debt investments [(2)] | 15.7% | 15.0% | 15.6% | 15.0% | 15.3% | 15.5% | 15.4% |
| Number of portfolio companies at period end | 4 | 9 | 15 | 17 | 23 | 22 | 29 |
| Expense ratios (as percentage of average net assets) [(1)]: | | | | | | | |
| Operating expenses | 23.7% | 12.4% | 7.5% | 8.6% | 4.7% | 2.8% | 5.7% |
| Interest expense | 2.8% | 7.6% | 8.0% | 10.5% | 4.0% | 3.0% | 3.1% |

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(1) Per share data and average net assets are presented as if the Formation Transaction and IPO had occurred on January 1, 2011.

(2) Yields are computed using the effective interest rates as of the balance sheet date, including accretion of original issue discount, divided by the weighted average cost of debt investments, but excluding any debt investments on non-accrual status.

| | As of December 31, | | | | | As of September 30, 2012 (unaudited) |
|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | |
| | (unaudited) | | | | | |
| | (dollars in thousands) | | | | | |
| **Statement of assets and liabilities data:** | | | | | | |
| Total investments at fair value | $ 33,151 | $ 75,849 | $ 122,900 | $ 141,341 | $ 204,745 | $ 251,917 |
| Total assets | 34,905 | 79,786 | 129,650 | 147,377 | 248,643 | 328,084 |
| Borrowings | 15,250 | 46,450 | 79,450 | 93,500 | 104,000 | 141,500 |
| Total net assets | 19,591 | 32,573 | 48,481 | 52,005 | 140,482 | 182,120 |

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## MANAGEMENT S DISCUSSION AND ANALYSIS OF

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Financial Data, Fidus Investment Corporation s consolidated financial statements and related notes appearing elsewhere in this prospectus supplement and the accompanying prospectus. The information in this section contains forward-looking statements that involve risks and uncertainties. Please see Special Note Regarding Forward-Looking Statements in this prospectus supplement and Risk Factors and Special Note Regarding Forward-Looking Statements in the accompanying prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements.*

### Organization

Fidus Investment Corporation was formed as a Maryland corporation on February 14, 2011. On June 20, 2011, Fidus Investment Corporation acquired all of the limited partnership interests of Fidus Mezzanine Capital, L.P. (the Fund ) and membership interests of Fidus Mezzanine Capital GP, LLC, its general partner, through the Formation Transactions (as defined in Note 1 to the consolidated financial statements in this prospectus supplement), resulting in the Fund becoming our wholly-owned SBIC subsidiary. Immediately following the Formation Transactions, we and the Fund elected to be treated as business development companies ( BDC ) under the 1940 Act and our investment activities have been managed by Fidus Investment Advisors, LLC (our Investment Advisor ) and supervised by our Board, a majority of whom are independent of us.

In June 2011, we closed our initial public offering, issuing a total of 5,370,500 shares of common stock at a price of $15.00 per share resulting in net proceeds of $73.6 million, after deducting underwriting fees totaling $5.3 million and transaction costs associated with the offering totaling $1.7 million. Our shares are listed on The NASDAQ Global Select Market under the symbol FDUS. In September 2012, the Company issued 2,472,500 shares in a follow-on public offering, including shares purchased by the underwriters pursuant to their exercise of the over-allotment option at an offering price of $16.10 per share resulting in net proceeds of $38.0 million after deducting underwriting fees and commissions and offering costs totaling $1.9 million.

The Fund is licensed by the United States Small Business Administration ( SBA ) as a Small Business Investment Company ( SBIC ) and we plan to continue to operate the Fund as an SBIC, subject to SBA approval, and to utilize the proceeds of the sale of SBA debentures to enhance returns to our stockholders. We have also made, and continue to make, investments directly through Fidus Investment Corporation. We believe that utilizing both entities as investment vehicles provides us with access to a broader array of investment opportunities. Given our access to lower cost capital through the SBA s SBIC debenture program, we expect that the majority of our investments will continue to be made through the Fund. As of September 30, 2012, we had investments in 29 portfolio companies with an aggregate fair value of $251.9 million and cost of $238.4 million.

### Business Overview

We provide customized debt and equity financing solutions to lower middle-market companies, which we define as U.S. based companies having revenues between $10.0 million and $150.0 million. Our investment objective is to provide attractive risk-adjusted returns by generating both current income from our debt investments and capital appreciation from our equity related investments. Our investment strategy includes partnering with business owners,

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management teams and financial sponsors by providing customized financing for ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. We seek to maintain a diversified portfolio of investments in order to help mitigate the potential effects of adverse economic events related to particular companies, regions or industries.

*Revenues*: We generate revenue in the form of interest income on debt investments and capital gains and distributions, if any, on equity investments. Our debt investments, whether in the form of mezzanine, senior secured or unitranche loans, typically have a term of three to seven years and bear interest at a fixed rate but may bear interest at a floating rate. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity may reflect the proceeds of sales of securities. In some cases, our investments provide for deferred interest payments or payment-in-kind interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, amendment, or structuring fees and fees for providing managerial assistance. Loan origination fees, original issue discount and market discount or premium, if any, are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums on loans as fee income. Interest and dividend income is recorded on the accrual basis to the extent that the Company expects to collect such amounts. Interest and dividend income is accrued based upon the outstanding principal amount and contractual terms of debt and preferred equity investments. Interest is accrued on a daily basis. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is income or a return of capital.

We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the amortized cost basis of the investment, without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

*Expenses*: All investment professionals of our Investment Advisor, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses of personnel allocable to these services to us, are provided and paid for by our Investment Advisor and not by us. We bear all other out-of-pocket costs and expenses of our operations and transactions, including, without limitation, those relating to:

- organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- fees and expenses incurred by our Investment Advisor under the Investment Advisory Agreement or payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory fees and management fees;

- administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement between us and our Investment Advisor based upon our allocable portion of our Investment Advisor s overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of our chief compliance officer, our chief financial officer, and their respective staffs);
- transfer agent, dividend agent and custodial fees and expenses;
- federal and state registration fees;
- all costs of registration and listing our shares on any securities exchange;
- U.S. federal, state and local taxes;
- independent directors fees and expenses;
- costs of preparing and filing reports or other documents required by the SEC or other regulators including printing costs;
- costs of any reports, proxy statements or other notices to stockholders, including printing and mailing costs;
- our allocable portion of any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;
- proxy voting expenses; and
- all other expenses reasonably incurred by us or our Investment Advisor in connection with administering our business.

**Portfolio Composition, Investment Activity and Yield**

During the nine months ended September 30, 2012, we invested $57.7 million in seven new and five existing portfolio companies. The new investments consisted of subordinated notes ($26.1 million, or 45.2%), senior secured loans ($26.1 million, or 45.2%), warrants ($3.5 million, or 6.1%) and equity securities ($2.0 million, or 3.5%). During the nine months ended September 30, 2012 we received proceeds from repayments and sales of investments of $17.9 million. During the year ended December 31, 2011, we invested $78.0 million in nine new and five existing portfolio companies. The new investments consisted of subordinated notes ($64.2 million, or 82.4%), senior secured loans ($4.8 million, or 6.2%), warrants ($2.4 million, or 3.0%) and equity securities ($6.6 million, or 8.4%). During the year ended December 31, 2011 we received proceeds from repayments of principal of $23.3 million.

As of September 30, 2012, our investment portfolio totaled $251.9 million and consisted of 29 portfolio companies. As of September 30, 2012, our debt portfolio was comprised entirely of fixed rate investments. Overall, the portfolio had a net unrealized appreciation of $13.6 million as of September 30, 2012. Our average portfolio company investment at amortized cost was $8.2 million as of September 30, 2012.

As of December 31, 2011, our investment portfolio totaled $204.7 million and consisted of 23 portfolio companies. As of December 31, 2011, our debt portfolio was comprised entirely of fixed rate investments. Overall, the portfolio had a net unrealized appreciation of $12.2 million as of December 31, 2011. Our average portfolio company investment at amortized cost was $8.4 million as of December 31, 2011.

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The weighted average yield on debt investments at their cost basis at September 30, 2012 and December 31, 2011 was 15.4% and 15.3%, respectively. Yields are computed using the effective interest rates as of the balance sheet date, including accretion of original issue discount, divided by the weighted average cost of debt investments, but excluding any debt investments on non-accrual status.

The following table shows the portfolio composition by investment type at cost and fair value as a percentage of total investments:

| | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| **Cost** | | |
| Senior secured loans | 13.7% | 7.7% |
| Subordinated notes | 74.5 | 80.6 |
| Equity | 9.2 | 9.3 |
| Warrants | 2.6 | 2.4 |
| Total | 100.0% | 100.0% |
| **Fair Value** | | |
| Senior secured loans | 13.2% | 7.3% |
| Subordinated notes | 70.8 | 76.7 |
| Equity | 8.6 | 9.3 |
| Warrants | 7.4 | 6.7 |
| Total | 100.0% | 100.0% |

The following table shows the portfolio composition by geographic region at cost and fair value as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

| | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| **Cost** | | |
| Midwest | 26.3% | 34.5% |
| Southwest | 20.4 | 16.8 |
| Northeast | 13.9 | 14.8 |
| Southeast | 20.2 | 18.8 |
| West | 19.2 | 15.1 |
| Total | 100.0% | 100.0% |
| **Fair Value** | | |
| Midwest | 24.6% | 33.4% |
| Southwest | 23.6 | 20.3 |
| Northeast | 12.5 | 13.6 |
| Southeast | 19.5 | 17.7 |
| West | 19.8 | 15.0 |
| Total | 100.0% | 100.0% |

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The following tables show the detailed industry composition of our portfolio at cost and fair value as a percentage of total investments:

| | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| **Cost** | | |
| Transportation services | 8.8% | 10.3% |
| Healthcare services | 11.4 | 9.7 |
| Aerospace & defense manufacturing | 11.8 | 10.4 |
| Restaurants | 6.2 | 3.8 |
| Movie theaters | 5.4 | 6.6 |
| Electronic components supplier | 7.3 | 5.0 |
| Industrial cleaning & coatings | 5.6 | 6.8 |
| Utility equipment manufacturing | 4.1 | 5.0 |
| Specialty distribution | 4.0 | 4.9 |
| Financial services | 3.9 | |
| Printing services | 3.8 | 4.5 |
| Furniture rental | 3.3 | 4.0 |
| Commercial cleaning | 3.5 | 4.2 |
| Information technology services | 3.4 | 3.0 |
| Specialty cracker manufacturer | 3.6 | 4.3 |
| Retail cleaning | 3.3 | 4.0 |
| Healthcare products | 2.6 | 3.3 |
| Apparel distribution | 2.4 | 3.0 |
| Oil & gas services | 2.0 | 2.5 |
| Debt collection services | 2.3 | |
| Laundry services | 1.3 | 2.4 |
| Restoration & mitigation services | | 2.3 |
| Total | 100.0% | 100.0% |

| | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| **Fair Value** | | |
| Transportation services | 12.0% | 14.0% |
| Healthcare services | 11.9 | 10.1 |
| Aerospace & defense manufacturing | 11.8 | 10.2 |
| Restaurants | 6.0 | 3.6 |
| Movie theaters | 5.8 | 7.1 |
| Electronic components supplier | 5.7 | 4.1 |
| Industrial cleaning & coatings | 5.2 | 6.4 |
| Utility equipment manufacturing | 4.1 | 4.8 |
| Specialty distribution | 4.0 | 4.6 |
| Financial services | 3.7 | |
| Printing services | 3.6 | 4.4 |
| Furniture rental | 3.3 | 3.7 |
| Commercial cleaning | 3.2 | 3.8 |
| Information technology services | 3.2 | 2.7 |
| Specialty cracker manufacturer | 2.9 | 3.6 |
| Retail cleaning | 2.8 | 3.9 |
| Healthcare products | 2.5 | 3.1 |
| Apparel distribution | 2.2 | 2.8 |
| Oil & gas services | 2.5 | 2.5 |
| Debt collection services | 2.2 | |
| Laundry services | 1.4 | 2.5 |
| Restoration & mitigation services | | 2.1 |
| Total | 100.0% | 100.0% |

**Portfolio Asset Quality**

We utilize an internally developed investment rating system for our portfolio of investments. Investment Rating 1 is used for investments that involve the least amount of risk in our portfolio and the portfolio company is performing above expectations. Investment Rating 2 is used for investments that are performing substantially within our expectations and the portfolio company s risk factors are neutral or favorable. Each new portfolio investment enters our portfolio with Investment Rating 2. Investment Rating 3 is used for investments performing below expectations and require closer monitoring, but with respect to which we expect a full return of original capital invested and collection of all interest. Investment Rating 4 is used for investments performing materially below expectations, and have the potential for some loss of investment return. Investment Rating 5 is used for investments performing substantially below our expectations and where we expect a loss of principal.

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The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of September 30, 2012 and December 31, 2011:

| | September 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| **Investment Rating** | **Investments at Fair Value** | **Percent of Total Portfolio** | **Investments at Fair Value** | **Percent of Total Portfolio** |
| | | *(Dollars in thousands)* | | |
| 1 | $ 16,135 | 6.4% | $ 8,715 | 4.3% |
| 2 | 227,340 | 90.2 | 180,751 | 88.2 |
| 3 | 8,442 | 3.4 | 15,279 | 7.5 |
| 4 | | | | |
| 5 | | | | |
| Totals | $ 251,917 | 100.0% | $ 204,745 | 100.0% |

Based upon our investment rating system, the weighted average rating of our portfolio as of both September 30, 2012 and December 31, 2011 was 2.0. As of September 30, 2012 and December 31, 2011, we had no investments on non-accrual status.

**Discussion and Analysis of Results of Operations**

***Comparison of three months ended September 30, 2012 and 2011***

*Investment Income*

For the three months ended September 30, 2012, total investment income was $9.0 million, an increase of $3.0 million, or 50.9%, over the $6.0 million of total investment income for the three months ended September 30, 2011. The increase was primarily attributable to a $3.0 million increase in interest and fee income from investments. The increase in interest and fee income is primarily due to higher average levels of outstanding debt investments in the three months ended September 30, 2012 compared to the prior year period.

*Expenses*

For the three months ended September 30, 2012, total expenses were $5.0 million, an increase of $1.7 million or 50.8%, over the $3.3 million of total expenses for the three months ended September 30, 2011. Interest expense increased $0.3 million as a result of higher average balances of SBA debentures outstanding during the three months ended September 30, 2012 than the comparable period in 2011. The base management fee increased $0.4 million due to a higher invested asset base, the incentive fee increased $1.1 million due to higher net investment income and gains on investments. These increases were partially offset by a $0.1 million decrease in professional fees primarily due to lower legal costs compared to the prior year period.

*Net Investment Income*

As a result of the $3.0 million increase in total investment income as compared to the $1.7 million increase in total expenses, net investment income increased $1.3 million, or 50.8% for the three months ended September 30, 2012 to $4.0 million compared to net investment income of $2.7 million during the three months ended September 30, 2011.

*Net Increase in Net Assets Resulting From Operations*

For the three months ended September 30, 2012 and 2011, the total realized gain on investments was $2.0 million and $0, respectively. The realized gain in 2012 resulted primarily from the sale of one non-control/non-affiliate investment.

During the three months ended September 30, 2012, we recorded net unrealized appreciation of $0.6 million comprised of $0.7 million of net unrealized appreciation on equity investments and $0.1 million of reclassifications to realized gain on investments (resulting in unrealized appreciation), partially offset by $0.2 million of net unrealized depreciation on debt investments. During the three months ended September 30, 2011, we recorded net unrealized appreciation of $0.5 million. This consisted of $0.3 million of net unrealized appreciation on equity investments and $0.2 million of net unrealized appreciation on debt investments.

As a result of these events, our net increase in net assets resulting from operations during the three months ended September 30, 2012, was $6.6 million, or an increase of $3.4 million compared to a net increase in net assets resulting from operations of $3.1 million during the three months ended September 30, 2011.

***Comparison of nine months ended September 30, 2012 and 2011***

*Investment Income*

For the nine months ended September 30, 2012, total investment income was $24.2 million, an increase of $8.1 million, or 50.7%, over the $16.1 million of total investment income for the nine months ended September 30, 2011. The increase was primarily attributable to an $8.0 million increase in interest and fee income from investments due to higher average levels of outstanding debt investments in the nine months ended September 30, 2012 compared to the prior year period.

*Expenses*

For the nine months ended September 30, 2012, total expenses were $13.2 million, an increase of $5.3 million or 66.9%, over the $7.9 million of total expenses for the nine months ended September 30, 2011. The increase in total expenses was attributable to an increase in all expense categories. The base management fee (including management fee offset) increased $0.7 million, incentive fees increased $3.0 million and administrative service expenses increased $0.5 million primarily due to the new Investment Advisory and Administration Agreements. The Investment Advisor voluntarily waived the incentive fee of $0.1 million for the period June 21, 2011 through June 30, 2011. Interest expense increased $0.6 million as a result of higher average balances of SBA debentures outstanding during the nine months ended September 30, 2012 than the comparable period in 2011. Professional fees increased $0.1 million primarily due to increased legal and accounting costs associated with being a publicly-traded company. Other general and administrative expenses increased $0.4 million primarily due to increased director fees, insurance costs and other corporate expenses related to being a publicly-traded company.

*Net Investment Income*

As a result of the $8.1 million increase in total investment income as compared to the $5.3 million increase in total expenses, net investment income increased $2.8 million, or 34.7% for the nine months ended September 30, 2012 to $11.0 million compared to net investment income of $8.1 million during the nine months ended September 30, 2011.

*Net Increase in Net Assets Resulting From Operations*

For the nine months ended September 30, 2012, the total realized gain on investments was $2.0 million resulting primarily from the sale of one non-control/non-affiliate investment. For the nine months ended September 30, 2011, the total realized loss on investments was $7.9 million, resulting from one non-control/non-affiliate investment.

During the nine months ended September 30, 2012, we recorded net unrealized appreciation of $1.3 million comprised of $2.3 million of net unrealized appreciation on equity investments, partially offset by $1.0 million of net unrealized depreciation on debt investments. During the nine months ended September 30, 2011, we recorded net unrealized appreciation of $10.9 million. This consisted of $3.9 million of net unrealized appreciation on equity investments and $7.9 million of reclassifications to realized loss on investments (resulting in unrealized appreciation), partially offset by $0.9 million of net unrealized depreciation on debt investments.

As a result of these events, our net increase in net assets resulting from operations during the nine months ended September 30, 2012, was $14.3 million, or an increase of $3.2 million compared to a net increase in net assets resulting from operations of $11.1 million during the nine months ended September 30, 2011.

***Liquidity and Capital Resources***

As of September 30, 2012, we had $68.1 million in cash and cash equivalents, and our net assets totaled $182.1 million. We believe that our current cash and cash equivalents on hand, our available SBA leverage and our anticipated cash flows from operations will be adequate to meet our cash needs for our daily operations for at least the next 12 months. We intend to generate additional cash primarily from future offerings of securities, future borrowings as well as cash flows from operations, including income earned from investments in our portfolio companies. On both a short-term and long-term basis, our primary use of funds will be investments in portfolio companies and cash distributions to our stockholders.

*Cash Flows*

For the nine months ended September 30, 2012, we experienced a net increase in cash and cash equivalents in the amount of $29.1 million. During that period, we used $34.7 million in cash in operating activities, primarily for the funding of $57.7 million of investments, partially offset by $17.9 million of principal repayments and sales proceeds received and $11.0 million of net investment income. During the same period, we generated $63.7 million from financing activities, consisting primarily of proceeds, net of expenses of $38.0 million from our follow-on equity offering in September 2012 and $37.5 million from the issuance of SBA debentures. These increases were partially offset by cash dividends paid to stockholders in the amount of $10.6 million and payment of deferred financing fees totaling $1.1 million.

For the nine months ended September 30, 2011, we experienced a net increase in cash and cash equivalents in the amount of $50.2 million. During that period, we used $29.1 million in cash in operating activities, primarily due to new investments in portfolio companies of $37.6 million, partially offset by $5.3 million in portfolio company investment repayments. During the same period, we generated $79.3 million from financing activities, consisting primarily of proceeds from our initial public offering of $73.6 million, net of expenses, and the issuance of $3.3 million in SBA debentures. These increases were partially offset by dividends to our stockholders of $3.0 million. In addition, capital contributions from the Fund s partners prior to the Formation Transactions totaled $7.0 million, while capital distributions to the Fund s partners prior to the Formation Transactions totaled $1.5 million.

*Capital Resources*

We anticipate that we will continue to fund our investment activities on a long-term basis through a combination of debt and additional equity capital. Our wholly-owned subsidiary, the Fund, is a licensed SBIC, and has the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the SBIC Act and the SBA rules applicable to SBICs, an SBIC can

have outstanding at any time debentures guaranteed by the SBA in an amount up to twice its regulatory capital. The maximum statutory limit on the dollar amount of outstanding debentures guaranteed by the SBA issued by a single SBIC as of September 30, 2012 was $150.0 million. Debentures guaranteed by the SBA have fixed interest rates that approximate prevailing 10-year Treasury Note rates plus a spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the SBA debentures is not required to be paid before maturity but may be pre-paid at any time. As of September 30, 2012, the Fund had $141.5 million of outstanding SBA debentures, which had a weighted average interest rate of 4.6%. Based on its $75.0 million of regulatory capital as of September 30, 2012, the Fund has the current capacity to issue up to an additional $8.5 million of SBA debentures. For more information on the SBA debentures the Fund has issued, see Note 6 to our consolidated financial statements in this prospectus supplement.

We are in the process of filing our application with the SBA for a second SBIC license through which we may issue more SBA debentures to fund additional investments; however, we can make no assurances that the application process will be completed successfully or that the SBA will approve such application. If we are approved by the SBA for a second SBIC license, the maximum amount of outstanding SBA debentures for two or more SBICs under common control cannot exceed $225.0 million. However, as a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement limits the amount that we may borrow. We received exemptive relief from the SEC to allow us to exclude any indebtedness guaranteed by the SBA and issued by the Fund from the 200.0% asset coverage requirements, which, in turn, enables us to fund more investments with debt capital. However, we have not received exemptive relief for any debt that may be incurred under a second SBIC license, if granted.

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our Board, including independent directors, determines that such sale is in the best interests of us and our stockholders approve such sale. At our June 6, 2012 Annual Meeting, our stockholders voted and authorized us to sell up to 25.0% of our outstanding shares of common stock at below the then current net asset value per share of our common stock in one or more offerings for a period of one year.

*Distributions*

In order to maintain our status as a regulated investment company, or RIC and to avoid corporate level tax on the income we distribute to our stockholders, we will be required under the Code to distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Additionally, to avoid a 4.0% nondeductible U.S. federal excise tax, we must distribute at least 98.0% of our net ordinary income and 98.2% of our capital gain net income on an annual basis as well as any net ordinary income and net capital gains for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax. We intend to continue distributing regular quarterly dividends to our stockholders, as determined by our Board. Our most recent quarterly dividend payment to stockholders was for the three months ended September 30, 2012 and totaled $4.5 million or $0.38 per share.

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 our distributions from time to time. In the future, pursuant to SBA guidelines, the Fund may be limited by provisions of the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to make the minimum required distributions to our

stockholders and qualify as a RIC. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not make sufficient distributions to our stockholders on an annual basis, we will suffer adverse tax consequences, including the possible loss of our RIC status. We cannot assure stockholders that they will receive any distributions or that we will be able to maintain our RIC status.

To the extent our distributions for a fiscal year exceed our taxable income for such fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying a dividend payment carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically opts out of our dividend reinvestment plan. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.

*Current Market Conditions*

Though global credit and other financial market conditions have improved and stability has increased throughout the international financial system since the financial crisis, the uncertainty surrounding the United States rapidly increasing national debt, European economic conditions, the automatic federal spending reductions and expiration of tax cuts at year-end, and continuing global economic malaise have kept markets volatile. These unstable conditions could continue for a prolonged period of time. Although we have been able to secure access to additional liquidity, including our public stock offering in 2011, our follow-on equity offering in September 2012 and leverage available through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

**Recent Developments**

In October 2012, we made a follow-on equity investment of $1.1 million in ACFP Management, Inc.

On October 15, 2012, we submitted an application to the SBA for a second SBIC license, after receiving a Green Light letter from the SBA on July 30, 2012 allowing us to proceed with such an application. We have received no assurances from the SBA that our application for a second license will be approved, or of the timeframe in which we would receive a license in the event that our application is approved by the SBA.

On October 29, 2012, the Board declared a quarterly dividend of $0.38 per share payable on December 21, 2012 to stockholders of record as of December 7, 2012.

In November 2012, we invested $9.8 million of subordinated notes and equity in EBL, LLC, doing business as EbLens, a leading retailer of urban-inspired footwear, apparel, and accessories, with 36 stores located in the Northeast.

By correspondence dated November 12, 2012, Charles G. Phillips resigned as a director of our board of directors, and as a member of our Audit and the Nominating and Corporate Governance

Committees, effective as of November 12, 2012. On November 13, 2012, our board of directors elected John A. Mazzarino as an independent director, effective November 13, 2012, to fill the vacancy created by Mr. Phillips departure. Mr. Mazzarino will serve until our 2013 annual meeting of the stockholders. Mr. Phillips informed the board of directors that his resignation was for personal reasons and was not due to any disagreements with the Company relating to the Company s operations, policies or practices. Mr. Mazzarino was also elected to serve as a member of the Audit Committee and the Nominating and Corporate Governance Committee.

In December 2012, we made a $4.4 million follow-on investment in additional subordinated notes and equity of Medsurant Holdings, LLC.

In December 2012, we invested $12.5 million of subordinated notes and equity in IOS Acquisitions, Inc., a leading independent inspection and value-added service provider for Oil Country Tubular Goods (OCTG) and drill tools service locations and mobile operations serving all of the major oil and natural gas producing regions in the contiguous United States.

In December 2012, we made a $0.1 million follow-on equity investment in Westminster Cracker Company, Inc.

In December 2012, we exited our portfolio investment in Innovative Product Achievement, LLC in connection with a refinancing transaction. We received total proceeds of approximately $6.5 million, including repayment of our subordinated loans in full and prepayment premiums.

In January 2013, we made a follow-on preferred equity investment of $0.03 million in K2 Industrial Services, Inc. In addition, we made a commitment to fund an additional $2.2 million in subordinated notes and $0.07 million in preferred equity, subject to certain conditions.

In January 2013, we invested $15.0 million of subordinated notes in FocusVision Worldwide, Inc., the leading global provider of live video transmission, analysis and archive solutions for the qualitative market research industry.

Since September 30, 2012, we have issued an additional $3.0 million in SBA debentures.

**Critical Accounting Policies and Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions affecting amounts reported in the financial statements. We have identified investment valuation and revenue recognition as our most critical accounting estimates. We continuously evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

***Valuation of Portfolio Investments***

We conduct the valuation of our investments, pursuant to which our net asset value is determined, at all times consistent with generally accepted accounting principles in the United States, or GAAP, and the 1940 Act.

Our investments generally consist of illiquid securities including debt and equity investments in lower middle-market companies. Investments for which market quotations are readily available are valued at such market quotations. Because we expect that there will not be a readily available market for substantially all of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our Board using a documented valuation policy and consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair

value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the difference could be material.

With respect to investments for which market quotations are not readily available, our Board undertakes a multi-step valuation process each quarter, as described below:

- our quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals of our Investment Advisor responsible for the portfolio investment;

- preliminary valuation conclusions are then documented and discussed with the investment committee of our Investment Advisor;

- our Board also engages one or more independent valuation firms to provide an independent appraisal for each of our investments at least once in every calendar year, and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment;

- the audit committee of our Board reviews the preliminary valuations of our Investment Advisor and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and

- the Board discusses the valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our Investment Advisor, the independent valuation firm(s) and the audit committee.

In making the good faith determination of the value of portfolio investments, we start with the cost basis of the security, which includes the amortized original issue discount and payment-in-kind income, if any. The transaction price is typically the best estimate of fair value at inception. When evidence supports a subsequent change to the carrying value from the original transaction price, adjustments are made to reflect the expected exit values.

We perform detailed valuations of our debt and equity investments, using both the market and income approaches as appropriate. Under the market approach, we typically use the enterprise value methodology to determine the fair value of an investment. There is no one methodology to estimate enterprise value and, in fact, for any one portfolio company, enterprise value is generally best expressed as a range of values, from which we derive a single estimate of enterprise value. Under the income approach, we typically prepare and analyze discounted cash flow models to estimate the present value of future cash flows of either an individual debt investment or of the underlying portfolio company itself.

We evaluate investments in portfolio companies using the most recent portfolio company financial statements and forecasts. We also consult with the portfolio company s senior management to obtain further updates on the portfolio company s performance, including information such as industry trends, new product development and other operational issues.

For our debt investments, including senior secured loans and subordinated notes, the primary valuation technique used to estimate the fair value is the discounted cash flow method. However, if there is deterioration in credit quality or a debt investment is in workout status, we may consider other methods in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. Our discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of our debt investments, based on future interest and principal payments as set forth in the associated loan agreements. We prepare a weighted average cost of capital for use in the discounted cash flow model for each

investment, based on factors including, but not limited to: current pricing and credit metrics for similar proposed or executed investment transactions of private companies; the portfolio company s historical financial results and outlook; and the portfolio company s current leverage and credit quality as compared to leverage and credit quality as of the date the investment was made. We may also consider the following factors when determining the fair value of debt investments: the portfolio company s ability to make future scheduled payments; prepayment penalties; estimated remaining life; the nature and realizable value of any collateral; and changes in the interest rate environment and the credit markets that generally may affect the price at which similar investments may be made. We estimate the remaining life of our debt investments to generally be the legal maturity date of the instrument, as we generally intend to hold loans to maturity. However, if we have information available to us that the loan is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date.

For our equity investments, including equity and warrants, we generally use a market approach, including valuation methodologies consistent with industry practice, to estimate the enterprise value of portfolio companies. Typically, the enterprise value of a private company is based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value. In estimating the enterprise value of a portfolio company, we analyze various factors consistent with industry practice, including but not limited to original transaction multiples, the portfolio company s historical and projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the nature and realizable value of any collateral, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public. Where applicable, we consider our ability to influence the capital structure of the portfolio company, as well as the timing of a potential exit.

We may also utilize an income approach when estimating the fair value of our equity securities, either as a primary methodology if consistent with industry practice or if the market approach is otherwise not applicable, or as a supporting methodology to corroborate the fair value ranges determined by the market approach. We typically prepare and analyze discounted cash flow models based on projections of the future free cash flows (or earnings) of the portfolio company. We consider various factors, including but not limited to the portfolio company s projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our financial statements express the uncertainties with respect to the possible effect of such valuations, and any changes in such valuations, on the financial statements.

We classify our investments in accordance with the 1940 Act. See Note 2 to our consolidated financial statements in this prospectus supplement for definitions of Control, Affiliate and Non-Control/Non-Affiliate included elsewhere in this prospectus supplement.

***Revenue Recognition***

The Company s revenue recognition policies are as follows:

Investments and related investment income. Realized gains or losses on portfolio investments are calculated based upon the difference between the net proceeds from the disposition and the amortized cost basis of the investment, without regard to unrealized gains and losses previously recognized. Changes in the fair value of investments from the prior period, as determined by our Board through the application of our valuation policy, are included as changes in unrealized appreciation or depreciation of investments in the consolidated statement of operations.

Interest, fee and dividend income. Interest and dividend income is recorded on the accrual basis to the extent that we expect to collect such amounts. Interest and dividend income is accrued based upon the outstanding principal amount and contractual terms of debt and preferred equity investments. Interest is accrued on a daily basis. Dividend income is recorded as dividends when declared or at the point an obligation exists for the portfolio company to make a distribution. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is income or a return of capital.

We have investments in our portfolio that contain a payment-in-kind income provision, which represents contractual interest or dividends that are added to the principal balance and recorded as income. We stop accruing payment-in-kind income when it is determined that payment-in-kind income is no longer collectible. In addition, to maintain RIC tax treatment, substantially all of this income must be paid out to stockholders in the form of distributions, even though we have not yet collected the cash. We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income.

In connection with our debt investments, we will sometimes receive warrants or other equity-related securities ( Warrants ). We determine the cost basis of Warrants based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and Warrants received. Any resulting difference between the face amount of the debt and its recorded fair value resulting from the assignment of value to the Warrants are treated as original issue discount ( OID ), and accreted into interest income based on the effective interest method over the life of the debt security.

All transaction fees received in connection with our investments are recognized as income. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. We recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as fee income when received. Prior to the Formation Transactions, and in accordance with the prior limited partnership agreement, we historically recorded transaction fees provided in connection with our investments as a direct offset to management fee expense.

We also typically receive upfront loan origination or closing fees in connection with investments. Such upfront loan origination and closing fees are capitalized as unearned income offset against investments on our statement of assets and liabilities and amortized as additional interest income over the life of the investment.

Non-accrual. Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal, interest or dividends are paid and, in management s judgment, are likely to remain current.

**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 September 30, 2012, we had one off-balance sheet arrangement with a portfolio company consisting of a $1.0 million revolving credit facility commitment that was unfunded. The commitment is generally subject to the borrowers meeting certain criteria such as compliance with financial and nonfinancial covenants. As of December 31, 2011, we had no off-balance sheet arrangements.

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**Related Party Transactions**

We have entered into a number of business relationships with affiliated or related parties, including the following:

Prior to the consummation of the Formation Transactions, the Fund had entered into a management agreement with Fidus Capital, LLC to manage the day-to-day operational and investment activities of the Fund and was paid management fees. See Note 5 to our consolidated financial statements in this prospectus supplement.

In connection with the Formation Transactions, the Fund terminated its management services agreement with Fidus Capital, LLC and we entered into the Investment Advisory Agreement with Fidus Investment Advisors, LLC, as our Investment Advisor. The investment professionals of Fidus Investment Advisors, LLC were also the investment professionals of Fidus Capital, LLC. We entered into the Investment Advisory Agreement with Fidus Investment Advisors, LLC to manage our day-to-day operating and investing activities. We pay our Investment Advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. See Note 5 to our consolidated financial statements in this prospectus supplement.

Edward H. Ross, our Chairman and Chief Executive Officer, Cary L. Schaefer, our Chief Financial Officer, Chief Compliance Officer and Secretary, and Thomas C. Lauer, one of our directors, are all managers of Fidus Investment Advisors, LLC.

We entered into the Administration Agreement with Fidus Investment Advisors, LLC to provide us with the office facilities and administrative services necessary to conduct day-to-day operations. See Note 5 to our consolidated financial statements in this prospectus supplement.

We entered into a license agreement with Fidus Partners, LLC, pursuant to which Fidus Partners, LLC has granted us a non-exclusive, royalty-free license to use the name Fidus.

In connection with our initial public offering and our election to be regulated as a BDC, we applied for and received exemptive relief from the SEC on March 27, 2012 to allow us to take certain actions that would otherwise be prohibited by the 1940 Act, as applicable to BDCs. The relief permits Fidus Investment Corporation and Fidus Mezzanine Capital, L.P. to operate effectively as one company, specifically allowing them to: (1) engage in certain transactions with each other; (2) invest in securities in which the other is or proposes to be an investor; (3) file consolidated reports with the Commission; and (4) be subject to modified consolidated asset coverage requirements for senior securities issued by a BDC and its SBIC subsidiary. The fourth exemption described above allows us to exclude any indebtedness guaranteed by the SBA and issued by Fidus Mezzanine Capital, L.P. from the 200.0% asset coverage requirements applicable to us.

In addition, we, the Fund and our Investment Advisor have each adopted a joint code of ethics that governs the conduct of our and our Investment Advisor s officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

**Quantitative and Qualitative Disclosures About Market Risk.**

We are subject to financial market risks, including changes in interest rates. Changes in interest rates affect both our cost of funding and the valuation of our investment portfolio. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks and limits by means of

reliable administrative and information systems and other policies and programs. In the future, our investment income may also be affected by changes in various interest rates, including the London Interbank Offering Rate, or LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. As of September 30, 2012, all of our debt investments earned interest at fixed rates and all of our pooled SBA debentures bore interest at fixed rates. Assuming that the consolidated statements of assets and liabilities as of September 30, 2012 and December 31, 2011 were to remain constant, a hypothetical 100 basis point change in interest rates would not have a material effect on our level of interest income from debt investments or interest expense on SBA debentures.

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

## ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary of additional material U.S. federal income tax considerations supplements the discussion set forth under the heading Material U.S. Federal Income Tax Considerations in the accompanying prospectus, is for general information purposes only and is not tax advice. This discussion does not purport to deal with all aspects of taxation that may be relevant to particular holders of our common stock in light of their personal investment or tax circumstances.

We urge you to consult your own tax advisor regarding the specific tax consequences to you of acquisition, ownership and disposition of our common stock and of our election to be taxed as a RIC. Specifically, you should consult your own tax advisor regarding the U.S. federal, state, local, foreign, and other tax consequences of such acquisition, ownership, disposition and election, and regarding potential changes in applicable tax laws.

The current U.S. federal income tax treatment of RICs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The RIC rules are under review constantly by persons involved in the legislative process and by the Internal Revenue Service ( IRS ) and the U.S. Treasury Department which may result in statutory changes as well as revisions to Treasury regulations, administrative rulings and other guidance.

**Recently Enacted Legislation**

The recently enacted American Taxpayer Relief Act of 2012 ( ATRA ) permanently extended certain U.S. federal income tax rates in effect for 2012 for taxpayers that are taxable as individuals, trusts or estates. Among other things, ATRA provided for the permanent extension of the ordinary income and long-term capital gains tax rates in effect for individuals with taxable income at or below certain thresholds, which are indexed for inflation ($400,000 in the case of unmarried individuals and $450,000 in the case of married couples filing jointly). However, because ATRA did not extend such tax rates with respect to taxable income above such thresholds, taxpayers that are taxable as individuals, trusts or estates will be subject to a maximum U.S. federal income tax rate of 39.6% on ordinary income and 20.0% on long-term capital gains for taxable years beginning after December 31, 2012.

ATRA also provided for a permanent extension of the taxation of qualified dividends received by taxpayers that are taxable as individuals, trusts or estates at the same maximum U.S. federal income tax rates applicable to long-term capital gains. Accordingly, distributions of our investment company taxable income that are reported by us as being derived from qualified dividend income will be taxed in the hands of non-corporate U.S. stockholders at the rates applicable to long-term capital gain, provided that holding period requirements and all other requirements are met by both the stockholders and us. As discussed in the accompanying prospectus, dividends distributed by us will generally not be attributable to qualified dividend income. In addition, ATRA permanently extended the 28.0% rate for backup withholding.

ATRA also extended the provision of the Code that exempts certain distributions of interest and net short-term capital gains to Non-U.S. stockholders from U.S. federal withholding tax. For our taxable year ending December 31, 2013 (and retroactively for our taxable year ended December 31, 2012), we generally will not be required to withhold any amounts with respect to distributions of (i) U.S.-source interest income that would not have been subject to withholding of U.S. federal income tax if they had been earned directly by a Non-U.S. stockholder, and (ii) net short-term capital gains in excess of net long-term capital losses that would not have been subject to withholding of U.S. federal income tax if they had been earned directly by a Non-U.S.

stockholder, in each case only to the extent that such distributions are properly designated by us as interest-related dividends or short-term capital gain dividends, as the case may be, and certain other requirements are met. There can be no assurance that this provision will be further extended and, depending on the circumstances, we may designate all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, or treat such dividends, in whole or in part, as ineligible for this exemption from withholding tax. Additionally, a portion of our distributions may be ineligible for this potential exemption from withholding tax. In order to qualify for this exemption from withholding tax, a Non-U.S. stockholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or an acceptable substitute or successor form). In the case of common stock held through an intermediary, the intermediary could withhold even if we designate the payment as qualified net interest income or qualified short-term capital gain. Prospective investors should contact their intermediaries with respect to the application of these rules to their accounts.

**FATCA Withholding**

The Foreign Account Tax Compliance Act ( FATCA ) imposes a 30.0% withholding tax on certain types of payments made to foreign financial institutions and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied.

The U.S. Treasury Department and the IRS recently issued final Treasury regulations under FATCA. FATCA generally imposes a 30.0% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our common stock if paid to a foreign entity unless either (i) the foreign entity is a foreign financial institution that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of a foreign financial institution that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence and reporting requirements of such agreement, (ii) the foreign entity is not a foreign financial institution and identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is excepted under FATCA. Under delayed effective dates provided for in the Treasury regulations, such required withholding would not begin until January 1, 2014 with respect to dividends on our common stock, and January 1, 2017 with respect to gross proceeds from a sale or other disposition of our common stock.

If withholding is required under FATCA on a payment related to our common stock, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). You should consult your own tax advisor regarding the effect of FATCA on an investment in our common stock.

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## UNDERWRITING

The Company and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Raymond James & Associates, Inc. is the representative of the underwriters.

| Underwriter | Number of Shares |
|---|---|
| Raymond James & Associates, Inc. | |
| Robert W. Baird & Co. Incorporated | |
| BB&T Capital Markets, a division of BB&T Securities, LLC | |
| Oppenheimer & Co. Inc. | |
| **Total** | |

The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are severally obligated to take and pay for all shares of common stock offered hereby (other than those covered by the underwriters over-allotment option described below) if any such shares are taken. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS.

**Over-Allotment Option**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of additional shares of common stock at the public offering price set forth on the cover page hereof, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter s name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

**Lock-Up Agreements**

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for 90 days from the date of this prospectus supplement, subject to extension upon material announcements or earnings releases. The representative, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

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**Underwriting Discounts**

The underwriters initially propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at a price that represents a concession not in excess of $ per share below the public offering price. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters.

The following table provides information regarding the per share and total underwriting discount that we are to pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase up to additional shares from us.

| | Per Share | Total without Exercise of Over-allotment | Total with Full Exercise of Over-allotment |
|---|---|---|---|
| Underwriting discount payable by us on shares sold to the public | $ | $ | $ |

We estimate that the total expenses of the offering payable by us, excluding the underwriting discount, will be approximately $300,000.

A prospectus supplement in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering. The representative may agree to allocate a number of shares to underwriters and selling group members for the sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations. The representative may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders.

**Price Stabilization, Short Positions and Penalty Bids**

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. An over-allotment involves syndicate sales of shares in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of shares in the open market after the distribution has been completed in order to cover syndicate short positions.

Stabilizing transactions consist of some bids or purchases of shares of our common stock made for the purpose of preventing or slowing a decline in the market price of the shares while the offering is in progress.

In addition, the underwriters may impose penalty bids, under which they may reclaim the selling concession from a syndicate member when the shares of our common stock originally sold by that syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions.

Similar to other purchase transactions, these activities may have the effect of raising or maintaining the market price of the common stock or preventing or slowing a decline in the market price of the common stock. As a result, the price of the common stock may be higher than

the price that might otherwise exist in the open market. Except for the sale of shares of our common stock in this offering, the underwriters may carry out these transactions on the Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Neither the underwriters nor we make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the shares. In addition, neither the underwriters nor we make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Passive Market Making**

In connection with the offering, the underwriters may engage in passive market making transactions in the common stock on the Nasdaq Global Select Market in accordance with Rule 103 of Regulation M under the Exchange Act during the period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market maker s bid that bid must be lowered when specified purchase limits are exceeded.

**Conflicts of Interest**

The underwriters and/or their affiliates from time to time provide and may in the future provide investment banking, commercial banking and financial advisory services to us, for which they have received and may receive customary compensation.

In addition, the underwriters and/or their affiliates may from time to time refer investment banking clients to us as potential portfolio investments. If we invest in those clients, we may utilize net proceeds from this offering to fund such investments, and the referring underwriter or its affiliate may receive placement fees from its client in connection with such financing, which placement fees may be paid out of the amount funded by us.

The addresses of the underwriters are: Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716 and Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; BB&T Capital Markets, 901 East Byrd Street, Suite 410, Richmond, Virginia 23219; and Oppenheimer & Co. Inc., 125 Broad Street, New York, New York 10004.

## LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Memphis, Tennessee, and the legality of the securities offered by us and certain matters with respect to Maryland law will be passed upon by Venable LLP, Baltimore, Maryland. Bass, Berry & Sims PLC also represents our investment advisor. Certain legal matters in connection with this offering will be passed upon for the underwriters by Sutherland Asbill & Brennan LLP, Washington, D.C.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

McGladrey LLP (formerly McGladrey & Pullen, LLP) is the independent public accounting firm located at One South Wacker Drive, Suite 800, Chicago, IL 60606, for Fidus Investment Corporation.

## AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act of 1933, as amended, with respect to the shares of common stock offered by this prospectus supplement. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus supplement.

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934, as amended. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. We maintain a website at http://www.fdus.com and intend to make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus supplement or the accompanying prospectus, and you should not consider information on our website to be part of this prospectus supplement or the accompanying prospectus. You may also obtain such information by contacting us in writing at 1603 Orrington Avenue, Suite 1005, Evanston, Illinois 60201, Attention: Investor Relations. The SEC maintains a website that contains reports, proxy and information statements and other information we file with the SEC at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

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**FIDUS INVESTMENT CORPORATION**

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Statements of Assets and Liabilities**

| | September 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Investments, at fair value | | |
| Control investments (cost: $20,630,677 and $19,916,617, respectively) | $ 30,407,264 | $ 28,598,962 |
| Affiliate investments (cost: $59,311,692 and $49,913,338, respectively) | 57,636,050 | 50,058,243 |
| Non-control/non-affiliate investments (cost: $158,423,437 and $122,709,976, respectively) | 163,874,163 | 126,088,167 |
| Total investments, at fair value (cost: $238,365,806 and $192,539,931, respectively) | 251,917,477 | 204,745,372 |
| Cash and cash equivalents | 68,129,793 | 39,058,516 |
| Interest receivable | 3,754,228 | 1,686,851 |
| Deferred financing costs (net of accumulated amortization of $1,466,376 and $1,134,767, respectively) | 3,464,999 | 2,687,233 |
| Prepaid expenses and other assets | 817,004 | 465,171 |
| Total assets | 328,083,501 | 248,643,143 |
| **LIABILITIES** | | |
| SBA debentures | 141,500,000 | 104,000,000 |
| Accrued interest payable | 501,768 | 1,718,989 |
| Due to affiliates | 3,356,185 | 2,162,160 |
| Accounts payable and other liabilities | 605,741 | 279,849 |
| Total liabilities | 145,963,694 | 108,160,998 |
| **Net assets** | $ 182,119,807 | $ 140,482,145 |
| **ANALYSIS OF NET ASSETS** | | |
| Common stock, $0.001 par value (100,000,000 shares authorized, 11,930,084 and 9,427,021 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively) | $ 11,930 | $ 9,427 |
| Additional paid-in capital | 177,109,526 | 138,648,226 |
| Undistributed net investment income | 275,063 | 422,049 |
| Accumulated net realized gain (loss) on investments | 1,492,676 | (481,937) |
| Accumulated net unrealized appreciation on investments | 3,230,612 | 1,884,380 |
| **Total net assets** | $ 182,119,807 | $ 140,482,145 |
| **Net asset value per share** | $ 15.27 | $ 14.90 |

*See Notes to Consolidated Financial Statements (unaudited).*

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Statements of Operations (unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Investment income: | | | | |
| Interest and fee income | | | | |
| Control investments | $ 743,717 | $ 871,795 | $ 2,193,331 | $ 2,545,183 |
| Affiliate investments | 1,992,048 | 1,102,565 | 5,553,392 | 3,027,253 |
| Non-control/non-affiliate investments | 6,023,5 | | | |