

FIDUS INVESTMENT Corp  
Form 497  
September 30, 2014  
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Filed Pursuant to Rule 497  
Registration Statement No. 333-182785

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated April 29, 2014)

**2,000,000 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 2,000,000 shares of our common stock.*

*Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS. On September 26, 2014, the last reported sale price of our common stock was \$17.40 per share. We are required to determine the net asset value per share of our common stock on a quarterly basis. As of June 30, 2014, our net asset value per share was \$15.09 per share.*

*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, including risks 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.fidus.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	\$ 17.0000	\$ 34,000,000
Underwriting discount (4.00%)	\$ 0.6800	\$ 1,360,000
Proceeds, before expenses, to us <sup>(1)</sup>	\$ 16.3200	\$ 32,640,000

(1) We estimate that we will incur approximately \$200,000 in offering expenses in connection with this offering.

*The underwriters have the option to purchase up to an additional 300,000 shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this preliminary prospectus supplement. If the option is exercised in full, the total public offering price will be \$39,100,000, the total underwriting discount (4.00%) will be \$1,564,000, and the total proceeds to us, before deducting estimated expenses payable by us of \$200,000, will be \$37,536,000.*

*The underwriters expect to deliver the shares on or about October 3, 2014.*

*Joint Bookrunning Managers*

**RAYMOND JAMES**

**BAIRD**

*Co-Lead Managers*

**BB&T Capital Markets**

**Oppenheimer & Co.**

**The date of this prospectus supplement is September 30, 2014**

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**ABOUT THE 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 that 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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### **PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights some of the information in this prospectus supplement. It is not complete and may not contain all of the information that you may want to consider. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors, Capitalization, Selected Consolidated 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. Together, these documents describe the specific terms of the shares we are offering. 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 Fund I, and its general partner, Fidus Mezzanine Capital GP, LLC, or FMCGP, 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. Fund I 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 Fund I and its former general partner as described elsewhere in this prospectus supplement under Formation Transactions, whereby Fund I became our wholly-owned subsidiary. On March 29, 2013, we commenced operations of a new wholly-owned investment fund, Fidus Mezzanine Capital II, L.P., or Fund II, and on May 28, 2013, were granted a second license by the SBA to operate Fund II as an SBIC. Collectively, Fund I and Fund II are referred to as the Funds. Unless otherwise noted in this prospectus supplement the terms we, us, our, the Company, Fidus and FIC refer to Fidus Investment Corporation and its consolidated subsidiaries.*

*As used in this prospectus supplement 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. 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 to time opportunistically make investments in larger or smaller companies. Our investments typically range between \$5.0 million and \$20.0 million per portfolio company.

As of June 30, 2014, we had debt and equity investments in 37 portfolio companies with an aggregate fair value of \$310.5 million. The weighted average yield on our debt investments as of June 30, 2014 was 14.0% (computed using the effective interest rates as of June 30, 2014, including accretion of original issue discount and loan origination fees, but excluding any debt investments on non-accrual status). There can be no assurance that the weighted average yield will remain at its current level.

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### **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 subsidiaries.

### **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 portfolio 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 seek to 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.

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*Diversified Customer and Supplier Base.* We prefer to invest in portfolio 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 portfolio companies that we believe will provide a steady stream of cash flow to repay our debt investments and reinvest in their respective businesses. In addition, we seek to invest in portfolio 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 portfolio company resulting in repayment of all outstanding debt and equity; (b) the recapitalization of the portfolio 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 portfolio company. In some investments, there may be scheduled amortization of some portion of our debt investment that 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, and supervised by our board of directors, a majority of whom are not interested persons of Fidus as defined in Section 2(a)(19) of the 1940 Act, and who we refer to hereafter as the Independent Directors. 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 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 our realized capital gains, if any, on a cumulative basis from inception through the end of each fiscal 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

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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.

Among other things, 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. Our board of directors is not expected to review or approve each borrowing or incurrence of leverage. However, our board of directors periodically reviews our investment advisor's portfolio management decisions and portfolio performance. In addition, our board of directors at least annually reviews the services provided by and fees paid to our investment advisor. In connection with these reviews, our board of directors, including a majority of our Independent Directors, considers whether the fees and expenses (including those related to leverage) that we pay to our investment advisor are fair and reasonable in relation to the services provided.

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.

## **Operating and Regulatory Structure**

Our investment activities are managed by our investment advisor and supervised by our board of directors, a majority of whom are not interested persons of us, our investment advisor or its affiliates.

As a BDC, we are required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of shares of preferred stock, or notes and other borrowings, our ability to use leverage is limited in significant respects. See [Regulation](#) in the accompanying prospectus. Any decision on our part to use leverage will depend upon our assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See [Risk Factors](#), [Risks Relating to Our Business and Structure](#). Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital which may have a negative effect on our growth and [Risk Factors](#), [Risks Relating to Our Business and Structure](#). Because we borrow money and may in the future issue additional senior securities including preferred stock and debt securities, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us in the accompanying prospectus.

We have elected to be treated for U.S. federal income tax purposes as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. In order to maintain our status as a RIC, we must satisfy certain source of income, asset diversification and distribution requirements. See [Material U.S. Federal Income Tax Considerations](#) in the accompanying prospectus.

## **Risk Factors**

The value of our assets, as well as the market price of our shares, will fluctuate. Our investments may be risky, and you may lose part of or all of your investment in us. Investing in our securities involves other risks, including the following:

our dependence on key personnel of our investment advisor and our executive officers;

our ability to maintain or develop referral relationships;

our use of leverage;

the availability of additional capital on attractive terms or at all;

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uncertain valuations of our portfolio investments;

competition for investment opportunities;

actual and potential conflicts of interests with our investment advisor;

other potential conflicts of interest;

SBA regulations affecting our wholly-owned SBIC subsidiaries;

changes in interest rates;

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

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;

dilutions risks related to our ability to issue shares below our current net asset value;

possible resignation of our investment advisor;

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; and

our ability to invest in qualifying assets.

See Risk Factors beginning on page 11 of the accompanying prospectus, for additional discussion of factors you should carefully consider before deciding to invest in our securities.

**Recent Developments**

## Edgar Filing: FIDUS INVESTMENT Corp - Form 497

On July 3, 2014, we invested \$10.5 million in the subordinated notes and common equity of US GreenFiber, LLC, a leading manufacturer of recycled fiber insulation products for use in residential property applications across the U.S.

On July 21, 2014, we purchased a \$1.0 million loan participation in the senior secured loan of Paramount Building Solutions, LLC, a leading provider of outsourced janitorial and floor care services to big box retailers nationwide.

On July 24, 2014, we funded \$0.4 million of the senior secured loan commitment to Restaurant Finance Co., LLC. On July 31, 2014, we increased the senior secured loan commitment to Restaurant Finance Co., LLC to \$10.5 million. Since July 31, 2014, we have funded an additional \$0.3 million of the senior secured loan commitment to Restaurant Finance Co., LLC.

On August 5, 2014, the Board declared a regular quarterly dividend of \$0.38 per share, which was paid on September 26, 2014 to stockholders of record as of September 12, 2014.

On August 7, 2014, we invested \$20.0 million in the subordinated notes of Pinnergy, Ltd., a leading provider of fluid management and drilling services for oil and gas wells located throughout Texas and Louisiana.

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On August 8, 2014, we funded \$0.3 million of the revolving loan commitment to Oaktree Medical Centre, P.C., an operator of healthcare clinics and toxicology laboratories in the Southeastern U.S. focused on the treatment of patients suffering from chronic pain or actual pre/post-operative conditions.

On August 29, 2014, we invested an additional \$2.0 million in the subordinated notes of Malabar International, a supplier of ground support equipment for commercial and military aircraft.

On August 29, 2014, we exited our subordinated note and warrant investments in Brook Furniture Rental, Inc. ( Brook Furniture ) in connection with a sale of Brook Furniture. We received repayment in full on the subordinated note and recognized a gain of \$0.9 million on the subordinated notes and warrant investments.

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**THE OFFERING**

NASDAQ Symbol	FDUS
Common stock offered by us	2,000,000 shares of our common stock. To the extent that the underwriters sell more than 2,000,000 shares, we have granted the underwriters the option to purchase up to an additional 300,000 shares on the same terms within 30 days of the date of this prospectus.
Common stock outstanding prior to this offering	13,931,577 shares
Common stock to be outstanding after this offering <sup>(1)</sup>	15,931,577 shares
Use of proceeds	<p>The net proceeds from this offering (without exercise of the underwriters' over-allotment option and before deducting estimated expenses payable by us of approximately \$200,000) will be \$32,640,000.</p> <p>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.</p>
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, 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	<p>We have elected to be treated for U.S. federal income tax purposes as a RIC. Accordingly, we generally will not 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 and the associated tax benefits, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our realized net ordinary income and realized net short-term capital gains, if any, in excess of our net long-term capital losses. See "Distributions" and "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus.</p>
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





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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.

(1) The number of shares of common stock to be outstanding after this offering is based on 13,931,577 shares outstanding as of September 26, 2014 and, unless we indicate otherwise, excludes 300,000 shares of common stock that the underwriters have an option to purchase. For additional information regarding our common stock, see **Description of Our Capital Stock** in the accompanying prospectus.

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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. Moreover, the information set forth below does not include all transaction costs and expenses that investors may incur in connection with each offering of our common stock pursuant to this prospectus supplement. Except where the context suggests otherwise, whenever this prospectus supplement 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.

<b>Stockholder transaction expenses:</b>	
Sales load (as a percentage of offering price)	4.0%(1)
Offering expenses borne by us (as a percentage of offering price)	0.6%(2)
Dividend reinvestment plan expenses	%(3)
<b>Total stockholder transaction expenses paid by us (as a percentage of offering price)</b>	<b>4.6%</b>
<b>Annual expenses (as a percentage of net assets attributable to common stock)<sup>(4)</sup>:</b>	
Base management fee	2.6%(5)
Incentive fees payable under Investment Advisory Agreement	2.4%(6)
Interest payments on borrowed funds	3.8%(7)
Other expenses	2.1%(8)
<b>Total annual expenses</b>	<b>10.9%(9)</b>

- (1) The underwriting discount with respect to our common 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 \$0.2 million. 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 0.5%.
- (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 six months ended June 30, 2014.
- (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 six months ended June 30, 2014. 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 2.6% 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 an estimate of our investment advisor's incentive fees assuming the incentive fee related to pre-incentive fee net investment income remains consistent with the fees incurred on pre-incentive fee net investment income for the six months ended June 30, 2014. The estimate also assumes that the capital gains incentive fees payable at the end of the 2014 calendar year will be based on the actual cumulative realized capital gains net of cumulative realized losses and unrealized capital depreciation as of December 31, 2014, which we believe is consistent with no capital gains incentive fees payable as of June 30, 2014.

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

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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 with any net unrealized capital appreciation, as appropriate. For the six months ended June 30, 2014, we reversed \$0.8 million in capital gains incentive fee accruals in accordance with generally accepted accounting principles.

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

- (7) Interest payments on borrowed funds represents our annualized interest payments on SBA debentures as of June 30, 2014, adjusted for projected increases in outstanding SBA debentures. As of June 30, 2014, we had outstanding SBA debentures of \$145.5 million, and unfunded commitments from the SBA to purchase up to an additional of \$29.5 million SBA debentures. This item is based on the sum of (i) actual interest expense for the six months ended June 30, 2014, plus (ii) an estimated increase in outstanding SBA debentures of \$29.5 million at a fixed rate of 4.5% and (iii) an estimate of commitment fees incurred under the Credit Facility. We intend to incur additional leverage within the next 12 months. If, in the future, we borrow under the Credit Facility or issue any debt securities, interest payments on borrowed funds will include estimated annual interest payments for any amounts outstanding under the 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 six months ended June 30, 2014.
- (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 six months ended June 30, 2014, our total annual expenses would be 7.3% of average consolidated total assets.

**Table of Contents****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. Transaction expenses are not included in the following example.

	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	\$ 112	\$ 315	\$ 493	\$ 852

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** in the accompanying prospectus 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 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 dependence on key personnel of our investment advisor and our executive officers;

our ability to maintain or develop referral relationships;

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;

other potential conflicts of interest;

SBA regulations affecting our wholly-owned SBIC subsidiaries;

changes in interest rates;

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

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 our ability to issue 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; and

our ability to invest in qualifying assets.

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 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 this prospectus supplement and 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. 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 the 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**

We estimate that our net proceeds from the sale of the 2,000,000 shares of common stock we are offering will be approximately \$32,440,000 million, and approximately \$37,336,000 million if the underwriters' over-allotment option is exercised in full, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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, to repay the outstanding indebtedness under our Credit Facility and for working capital and general corporate purposes. As of September 30, 2014, there were no amounts outstanding under our Credit Facility.

Pending such use, we will invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. Government securities and other high-quality debt instruments that mature in one year or less, or temporary investments, as appropriate. These securities may have lower yields than our other investments and accordingly result in lower distributions, if any, by us during such period. See Regulation Temporary Investments in the accompanying prospectus. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from the offering, pending full investment, are held in interest bearing deposits or other short-term instruments that produce income at a rate less than our cost of capital.

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**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of June 30, 2014:

on an actual basis as of June 30, 2014; and

on an as further adjusted basis giving effect to the sale of 2,000,000 shares of our common stock at a price of \$17.00 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 June 30, 2014	
	Actual	As Adjusted(1)
	(Unaudited)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 40,687	\$ 73,127
Investments, at fair value	\$ 310,473	\$ 310,473
Other assets	\$ 9,346	\$ 9,346
Total assets	\$ 360,506	\$ 392,946
<b>Liabilities:</b>		
Credit Facility	\$	\$
SBA debentures	\$ 145,500	\$ 145,500
Other liabilities	\$ 7,140	\$ 7,140
Total liabilities	\$ 152,640	\$ 152,640
<b>Net Assets:</b>		
Common stock, par value \$0.001 per share (100,000,000 shares authorized; 13,775,101 shares issued and outstanding, actual; 15,931,577 <sup>(1)</sup> shares issued and outstanding, as adjusted)	\$ 14	\$ 16
Additional paid-in capital <sup>(2)</sup>	\$ 206,516	\$ 238,954
Undistributed net investment income	\$ 3,716	\$ 3,716
Accumulated net realized gain on investments (net of taxes)	\$ 13,113	\$ 13,113
Accumulated net unrealized (depreciation) on investments	\$ (15,493)	\$ (15,493)
Total net assets	\$ 207,866	\$ 240,306
Total liabilities and net assets	\$ 360,506	\$ 392,946
Net asset value per common share	\$ 15.09	\$ 15.08

(1) Excludes up to 300,000 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.



**Table of Contents****PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock began trading on June 21, 2011 on NASDAQ under the symbol FDUS. Effective January 3, 2012, our common stock is included in NASDAQ. 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.

Period	NAV(1)	Closing Sales Price		Premium/ (Discount) of High Sales Price to NAV(2)	Premium/ (Discount) of Low Sales Price to NAV(2)	Distributions Per Share(3)
		High	Low			
<b><i>Year ended December 31, 2012</i></b>						
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	15.32	17.00	14.55	11.0	(5.0)	0.38
<b><i>Year ended December 31, 2013</i></b>						
First Quarter	15.46	19.15	16.52	23.9	6.9	0.38
Second Quarter	16.06	19.17	17.28	19.4	7.6	0.38
Third Quarter	15.98	19.73	18.60	23.5	16.4	0.42
Fourth Quarter	15.35	22.29	18.64	45.2	21.4	0.76
<b><i>Year ended December 31, 2014</i></b>						
First Quarter	15.22	21.99	17.86	44.5	17.3	0.38
Second Quarter	15.09	20.54	16.63	36.1	10.2	0.38
Third Quarter (through September 26, 2014)	*	20.04	17.16	*	*	0.48(4)

- (1) Net asset value per share is determined as of the last day in the relevant 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 each period.
- (2) Calculated as the difference between the respective high or low closing sales price and the quarter end net asset value divided by the quarter end net asset value.
- (3) Represents the regular and special, if applicable, 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) Represents a regular quarterly distribution of \$0.38 per share paid on September 26, 2014 to stockholders of record as of September 12, 2014 and two special dividends of \$0.05 per share with one paid on July 31, 2014 to stockholders of record as of July 25, 2014 and the other paid on August 29, 2014 to stockholders of record as of August 25, 2014.

\* Not determinable at 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. 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 any common stock offered pursuant to this prospectus supplement 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. We have elected to be taxed as a RIC under Subchapter M of the Code. As long as we qualify 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.

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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 gains in excess of our net long-term capital losses, 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 for further information regarding the consequences of our retention of 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 may 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 generally 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.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data of FIC and its subsidiaries, including the Funds, as of and for the years ended December 31, 2009, 2010, 2011, 2012 and 2013, is derived from the consolidated financial statements that have been audited by McGladrey LLP, an independent registered public accounting firm. Financial information prior to our IPO in June 2011 is that of Fund I. 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.

	Year Ended December 31,					Six Months
	2009	2010	2011	2012	2013	Ended June 30, 2014
	(Dollars in Thousands)					
<b>Statement of operations data:</b>						
Total investment income	\$ 14,184	\$ 17,985	\$ 23,387	\$ 33,849	\$ 41,792	\$ 21,140
Interest and financing expenses	3,688	4,962	5,488	6,422	7,076	3,548
Management fees, net	2,969	3,436	3,182	4,237	5,261	2,758
Incentive fees			1,609	4,839	6,792	1,695
All other expenses	431	627	1,551	2,660	3,121	2,156
Net investment income before income taxes	7,096	8,960	11,557	15,691	19,542	10,983
Income tax provision			24	4	246	30
Net investment income	7,096	8,960	11,533	15,687	19,296	10,953
Net realized gains (losses) on investments	(5,551)	(3,858)	(12,318)	1,975	30,588	1,918
Net change in unrealized appreciation (depreciation) on investments	(3,137)	(78)	16,171	1,749	(22,188)	(6,048)
Income tax (provision) on realized gains on investments					(493)	(17)
Net increase (decrease) in net assets resulting from operations	\$ (1,592)	\$ 5,024	\$ 15,386	\$ 19,411	\$ 27,203	\$ 6,806
<b>Per share data<sup>(1):</sup></b>						
Net asset value (at end of period)	n/a	n/a	\$ 14.90	\$ 15.32	\$ 15.35	\$ 15.09
Net investment income	n/a	n/a	\$ 1.22	\$ 1.54	\$ 1.43	\$ 0.80
Net gain on investments	n/a	n/a	\$ 0.40	\$ 0.37	\$ 0.58	\$ 0.13
Net increase in net assets resulting from operations	n/a	n/a	\$ 1.63	\$ 1.91	\$ 2.01	\$ 0.49
Dividends (post initial public offering)	n/a	n/a	\$ 0.64	\$ 1.46	\$ 1.94	\$ 0.76
<b>Other data:</b>						
Weighted average annual yield on debt investments <sup>(2)</sup>	15.6%	15.0%	15.3%	15.3%	14.5%	14.0%
Number of portfolio companies at period end	15	17	23	30	37	37
Expense ratios (as percentage of average net assets):						
Operating expenses	7.5%	8.6%	4.7%	7.4%	7.2%	3.2%
Interest and financing expenses	8.0%	10.5%	4.0%	4.1%	3.4%	1.7%

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

(2) Weighted average yields are computed using the effective interest rates for debt investments at cost as of the period end date, including accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any.



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### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### **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, 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.

FIC was formed as a Maryland corporation on February 14, 2011. On June 20, 2011, FIC acquired all of the limited partnership interests of Fund I, and 100% of the membership interests of FMCGP, through the Formation Transactions, resulting in Fund I becoming our wholly-owned SBIC subsidiary. Immediately following the Formation Transactions, we and Fund I elected to be treated as BDCs under the 1940 Act and our investment activities have been managed by Fidus Investment Advisors, LLC, our investment advisor, and supervised by our board of directors, a majority of whom are independent of us.

In June 2011, we closed our initial public offering, or IPO, 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 and offering costs totaling \$6.9 million. In September 2012, we 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 offering costs totaling \$1.9 million. Additionally, in February 2013, we issued 1,725,000 shares of common stock 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 \$17.60 per share resulting in net proceeds of approximately \$28.9 million after deducting underwriting commissions and offering costs totaling approximately \$1.5 million. Our shares are listed on NASDAQ under the symbol FDUS.

On March 29, 2013, we commenced operations of a second wholly-owned subsidiary, Fund II. Fund I and Fund II are collectively referred to as the Funds.

Fund I received its SBIC license on October 22, 2007 and Fund II received its SBIC license on May 28, 2013. We plan to continue to operate the Funds as SBICs, 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 FIC. We believe that utilizing FIC and the Funds 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 Funds until such time as we have met the limit for funds we can borrow under the SBIC Debenture Program. As of June 30, 2014, we had investments in 37 portfolio companies with an aggregate fair value of \$310.5 million and cost of \$324.8 million.

*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 terms of five 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 dates. 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

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cases, our investments provide for deferred interest payments or PIK 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 into 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 we expect to collect such amounts. 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. See Critical Accounting Policies and Use of Estimates Revenue Recognition. 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 a distribution of earnings 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 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 and/or its affiliates, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses allocable to personnel who provide 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 officers, including our chief compliance officer, our chief financial officer, and their respective staffs);

transfer agent, dividend agent and custodial fees and expenses;

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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;

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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 six months ended June 30, 2014, we invested \$24.7 million in two new and six existing portfolio companies. These investments consisted of subordinated notes (\$1.7 million, or 6.9%), senior secured loans (\$16.8 million, or 68.0%), equity securities (\$5.8 million, or 23.5%), and warrants (\$0.4 million, or 1.6%). During the six months ended June 30, 2014 we received proceeds from sales or repayments, including principal, return of capital dividends and realized gains, of \$20.3 million. During the six months ended June 30, 2013, we invested \$59.3 million in four new and seven existing portfolio companies. These new investments consisted of subordinated notes (\$51.5 million, or 86.9%), equity securities (\$7.5 million, or 12.7%) and warrants (\$0.3 million, or 0.4%). During the six months ended June 30, 2013 we received proceeds from repayments of principal, including return of capital dividends and realized gains, of \$36.7 million.

As of June 30, 2014, the fair value of our investment portfolio totaled \$310.5 million and consisted of 37 portfolio companies. As of June 30, 2014, our debt portfolio was entirely comprised of fixed rate investments. Overall, the portfolio had a net unrealized depreciation of \$14.3 million as of June 30, 2014. Our average portfolio company investment at amortized cost was \$8.8 million as of June 30, 2014.

As of December 31, 2013, the fair value of our investment portfolio totaled \$307.0 million and consisted of 37 portfolio companies. As of December 31, 2013, our debt portfolio was entirely comprised of fixed rate investments. Overall, the portfolio had a net unrealized depreciation of \$8.2 million as of December 31, 2013. Our average portfolio company investment at amortized cost was \$8.5 million as of December 31, 2013.

The weighted average yields on debt investments at their cost basis at June 30, 2014 and December 31, 2013 were 14.0% and 14.5%, respectively. The weighted average yields were computed using the effective interest rates for debt investments at cost as of June 30, 2014 and December 31, 2013, including the accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any.

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

	Fair Value		Cost	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Subordinated notes	62.5%	69.8%	64.0%	69.9%
Senior secured loans	22.5	17.4	21.3	16.8
Equity	12.9	10.6	12.4	11.1
Warrants	2.1	2.2	2.3	2.2
Royalty rights				



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Total	100.0%	100.0%	100.0%	100.0%
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The following table shows the portfolio composition by geographic region at fair value and cost as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company:

	Fair Value		Cost	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
West	23.6%	24.9%	23.6%	24.0%
Southeast	21.5	17.9	20.6	17.7
Midwest	21.3	21.9	23.4	23.6
Northeast	19.6	19.4	18.3	18.9
Southwest	14.0	15.9	14.1	15.8
Total	100.0%	100.0%	100.0%	100.0%

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

	Fair Value		Cost	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Healthcare services	13.0%	10.6%	12.6%	10.1%
Healthcare products	9.1	8.8	8.4	8.5
Aerospace & defense manufacturing	8.8	11.2	7.6	9.6
Industrial cleaning & coatings	5.3	5.1	5.0	5.1
Transportation services	5.0	4.9	4.6	4.7
Financial services	4.7	4.8	4.1	4.5
Oil & gas services	4.7	4.6	4.4	4.5
Specialty distribution	4.3	4.3	3.5	3.6
Industrial products	4.0	2.0	3.8	1.9
Consumer products	3.8	3.7	3.5	3.5
Utility equipment manufacturing	3.5	3.5	3.1	3.2
Safety products manufacturing	3.5	3.5	3.3	3.4
Retail	3.3	3.3	3.1	3.2
Printing services	3.2	3.1	3.0	3.0
Furniture rental	2.9	2.8	2.5	2.6
Commercial cleaning	2.8	2.7	2.7	2.7
Specialty chemicals	2.8		2.7	
Information technology services	2.7	2.6	3.0	3.1
Components manufacturing	2.5	2.6	2.4	2.5
Business services	2.4	2.4	2.3	2.4
Retail cleaning	1.8	2.3	2.8	2.8
Laundry services	1.8	1.8	1.7	1.6
Apparel distribution	1.6	1.6	1.6	1.7
Restaurants	1.5	1.9	3.7	3.4
Specialty cracker manufacturing	0.5	0.4	0.4	0.4
Electronic components supplier	0.5	3.6	4.2	6.2
Debt collection services		1.9		1.8
Total	100.0%	100.0%	100.0%	100.0%

**Portfolio Asset Quality**

In addition to various risk management and monitoring tools, our investment advisor uses an internally developed investment rating system to characterize and monitor the credit profile and our expected level of

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returns on each investment in our portfolio. We use a five-level numeric rating scale. The following is a description of the conditions associated with each investment rating:

Investment Rating 1 is used for investments that involve the least amount of risk in our portfolio. The portfolio company is performing above expectations and the trends and risk factors are favorable, and may include an expected capital gain.

Investment Rating 2 is used for investments that involve a level of risk similar to the risk at the time of origination. The portfolio company is performing substantially within our expectations and the 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 indicates the investment's risk has increased somewhat since origination. The portfolio company requires closer monitoring, but we expect a full return of principal and collection of all interest and/or dividends.

Investment Rating 4 is used for investments performing materially below expectations and the risk has increased materially since origination. The portfolio company has the potential for some loss of investment return, but we expect no loss of principal.

Investment Rating 5 is used for investments performing substantially below our expectations and the risks have increased substantially since origination. We expect some loss of principal.

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of June 30, 2014 and December 31, 2013:

Investment Rating	June 30, 2014		December 31, 2013	
	Investments at Fair Value	Percent of Total Portfolio	Investments at Fair Value	Percent of Total Portfolio
		(dollars in thousands)		
1	\$ 48,343	15.6%	\$ 44,572	14.5%
2	236,234	76.1	229,113	74.6
3	20,301	6.5	30,322	9.9
4	5,595	1.8		
5			2,974	1.0
Totals	\$ 310,473	100.0%	\$ 306,981	100.0%

Based on our investment rating system, the weighted average rating of our portfolio as of June 30, 2014 and December 31, 2013 was 1.9 and 2.0, respectively.

**Non-Accrual**

As of June 30, 2014, we had investments in two portfolio companies on non-accrual status, which had an aggregate cost and fair value of \$14.1 million and \$0.0 million, respectively. In addition, we had an investment in one portfolio company that was on non-accrual status only with respect to the PIK interest component of the investment, which had a cost and fair value of \$7.5 million and \$5.6 million, respectively. As of December 31, 2013, we had investments in one portfolio company on non-accrual status, which had a cost and fair value of \$7.3 million and \$3.0 million, respectively.

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For the three and six months ended June 30, 2014, we recognized unrealized depreciation on our non-accrual debt investments of \$5.1 million and \$8.4 million, respectively.

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### **Discussion and Analysis of Results of Operations**

#### ***Comparison of three months ended June 30, 2014 and June 30, 2013***

##### ***Investment Income***

For the three months ended June 30, 2014, total investment income was \$10.6 million, an increase of \$0.1 million, or 1.0%, over the \$10.5 million of total investment income for the three months ended June 30, 2013. The increase was primarily attributable to a \$0.2 million increase in dividend income and a \$0.3 million increase in fee income, which was partially offset by a \$0.3 million decrease in interest income from investments and a \$0.1 million decrease in interest on idle funds and other income. The \$0.2 million increase in dividend income is primarily due to higher average levels of income producing equity investments outstanding during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013. The fee income increase of \$0.3 million is the result of an increase in the prepayment fees during the three months ended June 30, 2014 compared to the prior year.

##### ***Expenses***

For the three months ended June 30, 2014, total expenses, including income tax provision, were \$5.1 million, a decrease of \$2.2 million or 30.6%, over the \$7.3 million of total expenses for the three months ended June 30, 2013. The capital gains incentive fee decreased \$2.5 million leading to a capital gains incentive fee reversal of \$0.4 million for the three months ended June 30, 2014 compared to a capital gains incentive fee accrual of \$2.1 million for the three months ended June 30, 2013. The \$2.5 million decrease was primarily due to the \$2.1 million net change in unrealized (depreciation) on investments recognized during the three months ended June 30, 2014 compared to the \$9.2 million net change in unrealized appreciation on investments recognized during the three months ended June 30, 2013. The administrative service fee, professional fees and other general and administrative expenses increased \$0.2 million, or 22.6%, to \$1.0 million primarily due to increased personnel.

##### ***Net Investment Income***

As a result of the \$0.1 million increase in total investment income and the \$2.2 million decrease in total expenses, net investment income for the three months ended June 30, 2014 was \$5.5 million, which was an increase of \$2.3 million, or 74.1%, compared to net investment income of \$3.2 million during the three months ended June 30, 2013.

##### ***Net Increase in Net Assets Resulting From Operations***

For the three months ended June 30, 2014, the total realized gain on investments was \$0.1 million, which consisted of realized gains on an investment in one non-control/non-affiliate portfolio company. For the three months ended June 30, 2013, the total realized gain on investments was \$1.1 million, which consisted of realized gains on an investment in a control portfolio company and realized gains on two investments in a non-control/non affiliate portfolio company.

During the three months ended June 30, 2014, we recorded a net change in unrealized depreciation on investments of \$2.1 million attributable to (i) net unrealized depreciation of \$4.1 million on debt investments and (ii) net unrealized appreciation of \$2.0 million on equity investments. During the three months ended June 30, 2013, we recorded net unrealized appreciation of \$9.2 million attributable to (i) the reversal of net unrealized appreciation on investments of \$1.0 million related to the exit or sale of investments, resulting in unrealized depreciation, (ii) net unrealized depreciation of \$1.3 million on debt investments and (iii) net unrealized appreciation of \$11.5 million on equity investments.

As a result of these events, our net increase in net assets resulting from operations during the three months ended June 30, 2014 was \$3.4 million, or a decrease of \$10.0 million, or 74.5%, compared to a net increase in net assets resulting from operations of \$13.4 million during the prior year period.

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### ***Comparison of six months ended June 30, 2014 and June 30, 2013***

#### ***Investment Income***

For the six months ended June 30, 2014, total investment income was \$21.1 million, an increase of \$0.9 million, or 4.2%, over the \$20.3 million of total investment income for the six months ended June 30, 2013. The increase was primarily attributable to a \$0.3 million increase in interest income and a \$0.5 million increase in fee income from investments. The \$0.3 million increase in interest income is primarily due to higher average levels of portfolio debt investments outstanding during the six months ended June 30, 2014, as compared to the six months ended June 30, 2013. The fee income increase of \$0.5 million is the result of an increase in the prepayment fees during the six months ended June 30, 2014 compared to the prior year.

#### ***Expenses***

For the six months ended June 30, 2014, total expenses, including income tax provision, were \$10.2 million, a decrease of \$2.0 million or 16.5%, over the \$12.2 million of total expenses for the six months ended June 30, 2013. The base management fee increased \$0.1 million, or 5.6%, due to higher average total assets less cash and cash equivalents for the six months ended June 30, 2014 than the comparable period in 2013. The capital gains incentive fee decreased \$2.8 million to a capital gains incentive fee reversal of \$0.8 million for the six months ended June 30, 2014 compared to a capital gains incentive fee accrual of \$2.0 million for the six months ended June 30, 2013. The \$2.8 million decrease was primarily due to the \$6.0 million net change in unrealized (depreciation) on investments recognized during the six months ended June 30, 2014 compared to the \$8.9 million net change in unrealized appreciation on investments recognized during the six months ended June 30, 2013. The administrative service fee, professional fees and other general and administrative expenses increased \$0.6 million, or 40.9%, to \$2.2 million primarily due to increased personnel and a change in the timing of audit related work.

#### ***Net Investment Income***

As a result of the \$0.9 million increase in total investment income and the \$2.0 million decrease in total expenses, net investment income for the six months ended June 30, 2014 was \$11.0 million, which was an increase of \$2.9 million, or 35.4%, compared to net investment income of \$8.1 million during the six months ended June 30, 2013.

#### ***Net Increase in Net Assets Resulting From Operations***

For the six months ended June 30, 2014, the total realized gain on investments was \$1.9 million, which consisted of realized gains on an investment in one affiliate portfolio company and realized gains on three investments in two non-control/non-affiliate portfolio companies. For the six months ended June 30, 2013, the total realized gain on investments was \$1.1 million, which consisted of realized gains on an investment in a control portfolio company and realized gains on two investments in a non-control/non affiliate portfolio company.

During the six months ended June 30, 2014, we recorded a net change in unrealized depreciation on investments of \$6.0 million attributable to (i) the reversal of net unrealized appreciation on investments of \$1.9 million related to the exit or sale of investments, resulting in unrealized depreciation, (ii) net unrealized depreciation of \$7.5 million on debt investments and (iii) net unrealized appreciation of \$3.4 million on equity investments. During the six months ended June 30, 2013, we recorded net unrealized depreciation of \$8.9 million attributable to (i) the reversal of net unrealized appreciation on investments of \$0.7 million related to the exit or sale of investments, resulting in unrealized depreciation, (ii) net unrealized depreciation of \$1.3 million on debt investments and (ii) net unrealized appreciation of \$10.9 million on equity investments.

As a result of these events, our net increase in net assets resulting from operations during the six months ended June 30, 2014 was \$6.8 million, a decrease of \$11.3 million, or 62.3%, compared to a net increase in net assets resulting from operations of \$18.1 million during the prior year period.

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### ***Liquidity and Capital Resources***

As of June 30, 2014, we had \$40.7 million in cash and cash equivalents and our net assets totaled \$207.9 million. We believe that our current cash and cash equivalents on hand, our available SBA leverage, our Credit Facility (as defined in Note 6 to our consolidated financial statements) 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 six months ended June 30, 2014, we experienced a net decrease in cash and cash equivalents in the amount of \$12.7 million. During that period, we generated \$0.1 million of cash from operating activities, primarily from repayments and sales proceeds received of \$20.3 million and net investment income of \$11.0 million, which was partially offset by the funding of \$24.7 million of investments. During the same period, we used \$12.9 million for financing activities, consisting of cash dividends paid to stockholders of \$10.1 million and a \$2.9 million payment for taxes related to the 2013 deemed distribution which was paid on behalf of the stockholders.

For the six months ended June 30, 2013, we experienced a net increase in cash and cash equivalents in the amount of \$4.3 million. During that period, we used \$14.9 million in cash in operating activities, primarily for the funding of \$59.3 million of investments and \$3.2 million of interest payments, which was partially offset by \$36.7 million of principal repayments received and \$8.1 million of net investment income. During the same period, we generated \$19.1 million from financing activities, consisting primarily of proceeds from a follow-on equity offering of \$28.9 million, net of expenses. This increase was partially offset by cash dividends paid to stockholders in the amount of \$9.7 million.

### ***Capital Resources***

We anticipate that we will continue to fund our investment activities on a long-term basis through a combination of additional debt and equity capital. The Funds are licensed SBICs, and have the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment 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 SBA regulations currently limit the amount that is available to be borrowed by any SBIC and guaranteed by the SBA to 200.0% of an SBIC's regulatory capital or \$150.0 million, whichever is less. For two or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed \$225.0 million. SBA debentures 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 June 30, 2014, Fund I had \$144.5 million of outstanding SBA debentures. Based on its \$75.0 million of regulatory capital as of June 30, 2014, Fund I has the current capacity to issue up to an additional \$5.5 million of SBA debentures. As of June 30, 2014, Fund II had \$1.0 million of outstanding SBA debentures. Based on its \$25.0 million of regulatory capital as of June 30, 2014, Fund II has the current capacity to issue up to an additional \$49.0 million of SBA debentures. As of June 30, 2014, the weighted average interest rate of the SBA debentures was 4.5%. For more information on the SBA debentures, please see Note 6 to our consolidated financial statements.

In June 2014, we entered the Credit Facility to provide additional funding for our investment and operational activities. The Credit Facility, which matures on June 16, 2018, has an initial commitment of \$30.0 million and an accordion feature that allows for an increase in the total commitments up to \$75.0 million, subject to certain customary conditions. The Credit Facility is secured primarily by our assets, excluding the assets of the Funds.



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Borrowings under the Credit Facility are subject to a minimum borrowing/collateral base that applies an advance rate to certain portfolio investments. We are subject to additional limitations with respect to the investments securing the Credit Facility, including, but not limited to, restrictions on sector concentrations, loan size, payment frequency and status and collateral interests, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow.

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable LIBOR rate plus 3.5%. The alternate base rate is equal to the greater of (i) prime rate, (ii) the federal funds rate plus 0.5% or (iii) the three-month LIBOR rate plus 1.0%. We pay a commitment fee ranging from 0.5% to 1.0% per annum on undrawn amounts.

We have made customary representations and warranties and are required to comply with various affirmative, negative and financial covenants, reporting requirements and other customary requirements for similar credit facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the Credit Facility. As of June 30, 2014, we are in compliance with all covenants of the Credit Facility and there were no amounts outstanding under the Credit Facility.

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 have received exemptive relief from the Securities and Exchange Commission, or the SEC, to allow us to exclude any indebtedness guaranteed by the SBA and issued by the Funds from the 200.0% asset coverage requirements, which, in turn, will enable us to fund more investments with debt capital.

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 of directors, including Independent Directors, determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale. On June 4, 2014, our stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June 4, 2015 or the date of our 2015 Annual Meeting of Stockholders. Our stockholders will be asked to vote on a similar proposal at our 2015 Annual Meeting of Stockholders. Our stockholders specified that the cumulative number of shares sold in each offering during the one-year period ending on the earlier of June 4, 2015 or the date of our 2015 Annual Meeting of Stockholders may not exceed 25.0% of our outstanding common stock immediately prior to each such sale.

### *Current Market Conditions*

Though global credit and other financial market conditions have improved and stability has increased throughout the international financial system, the uncertainty surrounding the United States rapidly increasing national debt 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 follow-on stock offerings and leverage available through the SBIC program and Credit Facility, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

### **Critical Accounting Policies and Use of Estimates**

The preparation of financial statements in accordance with GAAP 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

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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 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 of directors 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 of directors 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 of directors 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 of directors 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 of directors 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. 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.



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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.

The fair value of our royalty rights are calculated based on projected future cash flows and the specific provisions contained in the pertinent royalty agreement. The determination of the fair value of such royalty rights is not a significant component of our valuation process.

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

### ***Revenue Recognition***

*Investments and related investment income.* Realized gains or losses on investments are recorded upon the sale or disposition of a portfolio investment and are calculated as the difference between the net proceeds from

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the sale or disposition and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Changes in the fair value of investments from the prior period, as determined by our board of directors through the application of our valuation policy, are included as net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

*Interest 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 daily based on the outstanding principal amount and the contractual terms of the debt or preferred equity investment. Dividend income is recorded on the declaration date or at the point an obligation exists for the portfolio company to make a distribution. Distributions from portfolio companies are evaluated to determine if the distribution is a distribution of earnings or a return of capital.

*Payment-in-kind interest.* We have investments in our portfolio that contain a PIK income provision. The PIK income, computed at the contractual rate specified in the applicable investment agreement, is added to the principal balance of the investment, rather than being paid in cash, and recorded as interest or dividend income on the consolidated statements of operations. Generally, PIK can be paid-in-kind or all in cash. We stop accruing PIK income when it is determined that PIK income is no longer collectible. In addition, to maintain our status as a RIC and to avoid paying corporate federal income tax, 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.

*Non-accrual.* Loans or preferred equity investments are placed on non-accrual status and we will generally cease recognizing interest or dividend income 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 investments may be recognized as income or applied to the investment principal balance based on management's judgment. Non-accrual investments are restored to accrual status when past due principal, interest or dividends are paid and, in management's judgment, are likely to remain current.

*Warrants.* In connection with our debt investments, we will sometimes receive warrants or other equity-related securities, or 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, or OID, and accreted into interest income using the effective interest method over the term of the investment.

*Fee income.* All transaction fees earned in connection with our investments are recognized as fee 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 earned. 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 investment cost basis on our consolidated statements of assets and liabilities and accreted into income over the life of the investment.

## **Recently Issued Accounting Standards**

In June 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2013-08, *Financial Services - Investment Companies (Topic 946) Amendments to the Scope, Measurement and Disclosure Requirements* ( ASU 2013-08 ), containing new guidance on assessing whether an

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entity is an investment company, requiring noncontrolling ownership interest in investment companies to be measured at fair value and requiring certain additional disclosures. This guidance is effective for annual and interim periods beginning on or after December 15, 2013. The adoption of ASU 2013-08 did not have a material impact on our consolidated financial statements or disclosures.

### **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 June 30, 2014, we had off-balance sheet arrangements consisting of four unfunded revolving loan commitments totaling \$3.6 million to portfolio companies, one unfunded loan commitment totaling \$3.0 million to portfolio companies, and one unfunded capital commitment of \$0.3 million related to a portfolio company. As of December 31, 2013, we had off-balance sheet arrangements consisting of two unfunded revolving loan commitments totaling \$1.5 million, two unfunded loan commitments totaling \$4.6 million to portfolio companies, and one unfunded capital commitment of \$0.3 million related to a portfolio company.

### **Related Party Transactions**

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

In connection with the Formation Transactions, Fund I 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.

Edward H. Ross, our Chairman and Chief Executive Officer, Shelby E. Sherard, our Chief Financial Officer and Chief Compliance Officer, 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.

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 the IPO 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 FIC and Fund I 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 Fund I from the 200.0% asset coverage requirements applicable to us. Effective June 30, 2014, any SBA debentures issued by Fund II are not considered senior securities for purposes of the 200.0% asset coverage requirements.

In addition, we, Fund I and our investment advisor have each adopted a joint code of ethics pursuant to Rule 17j-1 under the 1940 Act that governs the conduct of our and our investment advisor's officers, directors and employees. Additionally, our investment advisor has adopted a code of ethics pursuant to rule 240A-1 under the

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1940 Act and in accordance with Rule 17j-1(c). We, and Fund I, have also adopted a code of business conduct that is applicable to all officers, directors and employees of Fidus and our investment advisor. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

### **Recent Developments**

On July 3, 2014, we invested \$10.5 million in the subordinated notes and common equity of US GreenFiber, LLC, a leading manufacturer of recycled fiber insulation products for use in residential property applications across the U.S.

On July 21, 2014, we purchased a \$1.0 million loan participation in the senior secured loan of Paramount Building Solutions, LLC, a leading provider of outsourced janitorial and floor care services to big box retailers nationwide.

On July 24, 2014, we funded \$0.4 million of the senior secured loan commitment to Restaurant Finance Co., LLC. On July 31, 2014, we increased the senior secured loan commitment to Restaurant Finance Co., LLC to \$10.5 million. On August 5, 2014, we funded an additional \$0.1 million of the senior secured loan commitment to Restaurant Finance Co., LLC.

On August 5, 2014, the Board declared a regular quarterly dividend of \$0.38 per share, which is payable on September 26, 2014 to stockholders of record as of September 12, 2014.

On August 7, 2014, we invested \$20.0 million in the subordinated notes of Pinnergy, Ltd., a leading provider of fluid management and drilling services for oil and gas wells located throughout Texas and Louisiana.

On August 8, 2014 we funded \$0.3 million of the revolving loan commitment to Oaktree Medical Centre, P.C., an operator of healthcare clinics and toxicology laboratories in the Southeastern U.S. focused on the treatment of patients suffering from chronic pain or acute pre/post-operative conditions.

### **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 LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. As of June 30, 2014, all of our debt investments bore interest at fixed rates. Assuming that the consolidated statements of assets and liabilities as of June 30, 2014 and December 31, 2013 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.

Our SBA debentures bear interest at fixed rates. Our Credit Facility bears interest, subject to our election, on a per annum basis equal to (i) the alternate base rate plus 2.5% or (ii) the applicable LIBOR rate plus 3.5%. The alternate base rate is equal to the greater of (i) prime rate, (ii) the federal funds rate plus 0.5% or (iii) the three-month LIBOR rate plus 1.0%.

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.

**Table of Contents****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.

<b>Underwriter</b>	<b>Number of Shares</b>
Raymond James & Associates, Inc.	935,000
Robert W. Baird & Co. Incorporated	515,000
BB&T Capital Markets, a division of BB&T Securities, LLC	275,000
Oppenheimer & Co. Inc.	275,000
<b>Total</b>	<b>2,000,000</b>

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 300,000 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.

**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 \$0.4080 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.



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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 300,000 additional shares from us.

	<b>Per Share</b>	<b>Total without Exercise of Over- allotment</b>	<b>Total with Full Exercise of Over- allotment</b>
Underwriting discount payable by us on shares sold to the public	\$ 0.6800	\$ 1,360,000	\$ 1,564,000

We estimate that the total expenses of the offering payable by us, excluding the underwriting discount, will be approximately \$200,000.

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

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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; 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; Oppenheimer & Co. Inc., 85 Broad Street, New York, New York 10004.

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**LEGAL MATTERS**

Certain legal matters and the legality of the securities offered by us will be passed upon for us by Morrison & Foerster LLP. Morrison & Foerster LLP also represents our investment advisor. Certain legal matters will be passed upon for the Underwriters by Sutherland Asbill & Brennan LLP.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements, the related senior securities table and the effectiveness of internal control over financial reporting appearing in this prospectus and registration statement have been audited by McGladrey LLP, an independent registered public accounting firm located at One South Wacker Drive, Suite 800, Chicago, Illinois 60606, as stated in their reports appearing elsewhere herein, and are included in reliance upon such reports and upon the authority of such firm as experts in accounting and auditing.

**AVAILABLE INFORMATION**

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the securities offered by this prospectus supplement. The registration statement contains additional information about us and the securities 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 Exchange Act. 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.fidus.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, and you should not consider information on our website to be part of this prospectus supplement. 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](mailto: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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SF-1

**Table of Contents****FIDUS INVESTMENT CORPORATION****Consolidated Statements of Assets and Liabilities****(In thousands, except shares and per share data)**

	<b>June 30, 2014 (unaudited)</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Investments, at fair value		
Affiliate investments (cost: \$93,483 and \$88,983, respectively)	\$ 82,091	\$ 82,444
Non-control/non-affiliate investments (cost: \$231,271 and \$226,231, respectively)	228,382	224,537
Total investments, at fair value (cost: \$324,754 and \$315,214, respectively)	310,473	306,981
Cash and cash equivalents	40,687	53,418
Interest receivable	3,884	2,487
Deferred financing costs (net of accumulated amortization of \$2,375 and \$2,102, respectively)	3,796	3,152
Prepaid expenses and other assets	1,666	1,224
Total assets	360,506	367,262
<b>LIABILITIES</b>		
SBA debentures	145,500	144,500
Accrued interest and fees payable	2,212	2,198
Due to affiliates	4,422	5,582
Taxes payable		3,571
Accounts payable and other liabilities	506	286
Total liabilities	152,640	156,137
<b>Net assets</b>	<b>\$ 207,866</b>	<b>\$ 211,125</b>
<b>ANALYSIS OF NET ASSETS</b>		
Common stock, \$0.001 par value (100,000,000 shares authorized, 13,775,101 and 13,755,232 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively)	\$ 14	\$ 14
Additional paid-in capital	206,516	206,123
Undistributed net investment income	3,716	3,221
Accumulated net realized gain on investments (net of taxes)	13,113	11,212
Accumulated net unrealized (depreciation) on investments	(15,493)	(9,445)
<b>Total net assets</b>	<b>\$ 207,866</b>	<b>\$ 211,125</b>
<b>Net asset value per common share</b>	<b>\$ 15.09</b>	<b>\$ 15.35</b>

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

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**FIDUS INVESTMENT CORPORATION**

**Consolidated Statements of Operations (unaudited)**

**(In thousands, except shares and per share data)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Investment income:				
Interest income				
Control investments	\$	\$ 784	\$	\$ 1,522
Affiliate investments	2,280	2,277	4,757	4,238
Non-control/non-affiliate investments	7,026	6,529	14,100	12,840
Total interest income	9,306	9,590	18,857	