

FIDUS INVESTMENT Corp
Form 497
November 29, 2016
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Filed Pursuant to Rule 497
Registration Statement No. 333-202531

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 2, 2016)

2,800,000 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 2,800,000 shares of our common stock.

Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS. On November 28, 2016, the last reported sale price of our common stock was \$17.07 per share. We are required to determine the net asset value per share of our common stock on a quarterly basis. As of September 30, 2016, our net asset value per share was \$15.58 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 12 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

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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 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(1)	\$ 16.6500	\$ 46,620,000
Underwriting discount payable by us (4.00%)(2)	\$ 0.6660	\$ 1,864,800
Proceeds, before expenses, to us(1)(2)	\$ 15.9840	\$ 44,755,200

- (1) The public offering price and the proceeds, before expenses, to us will be reduced by our \$0.43 per share dividend to be paid in the fourth quarter for any shares sold by the underwriters pursuant to their option to purchase additional shares after the November 30, 2016 ex-dividend date.
- (2) We estimate that we will incur approximately \$225,000 in offering expenses in connection with this offering.

The underwriters have the option to purchase up to an additional 420,000 shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement. If the option is exercised in full, the total public offering price will be \$53,613,000, the total underwriting discount (4.00%) will be \$2,144,520, and the total proceeds to us, before deducting estimated expenses payable by us of \$225,000, will be \$51,468,480.

The underwriters expect to deliver the shares on or about December 2, 2016.

Joint Bookrunning Managers

RAYMOND JAMES

BAIRD

KEEFE, BRUYETTE & WOODS

A Stifel Company

Co-Lead Managers

D.A. DAVIDSON & CO.

JANNEY MONTGOMERY SCOTT

OPPENHEIMER & CO.

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The date of this prospectus supplement is November 29, 2016

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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 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' option to purchase additional shares.

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, as amended, 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

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to time opportunistically make investments in larger or smaller companies. Our investments typically range between \$5.0 million and \$25.0 million per portfolio company.

As of September 30, 2016, we had debt and equity investments in 49 active portfolio companies and five portfolio companies that have sold their underlying operations with an aggregate fair value of \$470.1 million. The weighted average yield on our debt investments as of September 30, 2016 was 13.1%. The weighted average yield was computed using the effective interest rates as of September 30, 2016, including accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any. There can be no assurance that the weighted average yield will remain at its current level.

Market Opportunity

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

Business Strategy

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

Leveraging the experience of our investment advisor;

Capitalizing on our strong transaction sourcing network;

Serving as a value-added partner with customized financing solutions;

Employing rigorous due diligence and underwriting processes focused on capital preservation;

Actively managing our portfolio; 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

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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 portfolio companies that have developed defensible and/or leading positions within their respective markets or market niches and are well positioned to capitalize on growth opportunities. We favor companies that demonstrate significant competitive advantages, which we believe helps to protect their market position and profitability.

Diversified Customer and Supplier Base. We prefer to invest in 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 Equity Value. 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 management/sponsors have provided significant equity funding and 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 steady cash flows to service our debt, ultimately repay our loans and provide working capital for 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 monetization of 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, between us and our investment advisor, our investment advisor is responsible for determining the composition of our portfolio, including sourcing potential investments, conducting research and diligence on

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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, 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 us, 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 capital gain incentive fees paid in prior years. We accrue, but do not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. For more information about how we compensate our investment advisor and the related conflicts of interest, see "Management and Other Agreements" Investment Advisory Agreement and "Certain Relationships and Related Transactions" Conflicts of Interest in the accompanying prospectus.

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. Renewal of our Investment Advisory Agreement must be approved each year by our board of directors, including a majority of our Independent Directors.

With respect to the administrative agreement with our investment advisor, our board of directors reviews the methodology employed in determining how the expenses are allocated to us. Our board of directors assesses the reasonableness of such reimbursements for expenses allocated to us based on the breadth, depth and quality of such services as compared to the estimated cost to us of obtaining similar services from third-party service providers known to be available. In addition, our board of directors considers whether any third-party service provider would be capable of providing all such services at comparable cost and quality.

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

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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 operations 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 tax treatment 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;

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;

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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;

dilution 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 12 of the accompanying prospectus, for additional discussion of factors you should carefully consider before deciding to invest in our securities.

Recent Developments

On October 4, 2016, we exited our investment in Premium Franchise Brands, LLC and recognized a gain of approximately \$1.1 million on our preferred equity investment.

On October 13, 2016, we restructured our subordinated note investment in Pinnergy, Ltd. As part of the restructuring, we converted \$3.0 million of our subordinated note investment into an equity investment in Pinnergy, Ltd. and recognized a loss of approximately \$8.9 million on our subordinated note investment. In addition, we made a \$3.0 million investment in additional equity interests of Pinnergy, Ltd.

On October 25, 2016, we restructured our debt investment in K2 Industrial Services, Inc. As part of the restructuring, we received payment in full on our existing subordinated note and reinvested \$12.0 million in new subordinated notes.

On November 1, 2016, the board of directors declared a regular quarterly dividend of \$0.39 per share payable on December 16, 2016 to stockholders of record as of December 2, 2016. In addition, on November 1, 2016, the board of directors declared a special dividend of \$0.04 per share payable on December 16, 2016 to stockholders of record as of December 2, 2016.

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On November 3, 2016, we invested \$9.9 million in senior secured notes and common equity of Palmetto Moon, LLC, a retailer of apparel, giftware, and accessories.

On November 10, 2016, we invested \$12.8 million in subordinated notes and common equity of Pugh Lubricants, LLC, a leading full-line regional distributor of automotive, commercial, and industrial lubricants.

On November 22, 2016, we invested \$15.0 million in subordinated notes of Comprehensive Logistics Co., Inc., a leading third-party logistics provider and value add assembly manufacturer serving OEMs and Tier 1 suppliers in the automotive and other end markets.

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THE OFFERING

NASDAQ Symbol	FDUS
Common stock offered by us	2,800,000 shares of our common stock. We have granted the underwriters the option to purchase up to an additional 420,000 shares on the same terms within 30 days of the date of this prospectus.
Common stock outstanding prior to this offering	19,212,425 shares
Common stock to be outstanding after this offering(1)	22,012,425 shares
Use of proceeds	<p>The net proceeds from this offering (without exercise of the underwriters' option and before deducting estimated expenses payable by us of approximately \$225,000) will be \$44,755,200.</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, to repay the outstanding indebtedness under our Credit Facility, to increase our borrowing capacity under the SBIC Debenture Program and for working capital and general corporate purposes. See "Use of Proceeds" in this prospectus supplement for more information.</p>
Dividends and Distributions	<p>We pay quarterly distributions to our stockholders out of assets legally available for distribution. Our distributions, if any, will be determined by our board of directors. Our ability to declare distributions depends on our earnings, our overall financial condition (including our liquidity position), qualification for or maintenance of our RIC status and such other factors as our board of directors may deem relevant from time to time.</p> <p>When we make distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for U.S. federal income tax purposes. In the future, our distributions may include a return of capital.</p>
Taxation	<p>We have elected to be treated as a RIC for U.S. federal income tax purposes. 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</p>

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stockholders. To maintain our tax treatment 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.

Effective trading at a discount

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See [Risk Factors](#) and [Sales of Common Stock Below Net Asset Value](#) in the accompanying prospectus.

Risk factors

See [Risk Factors](#) beginning on page 12 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 excludes 420,000 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.

Table of Contents**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear, directly or indirectly, based on the assumptions set forth below. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus 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 u

Stockholder transaction expenses:

Sales load borne by us (as a percentage of offering price)	4.0%(1)
Offering expenses borne by us (as a percentage of offering price)	0.5%(2)
Dividend reinvestment plan expenses	(3)
Total stockholder transaction expenses paid by us (as a percentage of offering price)	4.5%

Annual expenses (as a percentage of net assets attributable to common stock)(4):

Base management fee	2.9%(5)
Incentive fees payable under Investment Advisory Agreement	2.5%(6)
Interest payments on borrowed funds	3.5%(7)
Other expenses	1.4%(8)
Total annual expenses	10.3%(9)

- (1) Represents the sales load to be paid by us with respect to the shares of common stock to be sold by us in this offering.
- (2) The offering expenses of this offering are estimated to be approximately \$225,000. If the underwriters exercise their option to purchase additional shares in full, the offering expenses (as a percentage of the offering price) will be 4.5%.
- (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 nine months ended September 30, 2016.
- (5) Our base management fee is 1.75% of the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts) and are estimated by assuming the base management fee remains consistent with the fees incurred for the nine months ended September 30, 2016. 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 2.9% 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 nine months ended September 30, 2016. The estimate also assumes that the capital gains incentive fees payable at the end of the 2016 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, 2016, which we believe is consistent with no capital gains incentive fees payable as of September 30, 2016.

The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20.0% of our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets, (including interest that is accrued but not yet received in cash), subject to a 2.0% quarterly (8.0% annualized) hurdle rate and a catch-up provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our investment advisor receives no incentive fee until our pre-incentive fee net investment income equals the hurdle rate of 2.0% but then receives, as a catch-up, 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net

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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 nine months ended September 30, 2016, we accrued \$2.0 million in capital gains incentive fees in accordance with generally accepted accounting principles.

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

- (7) As of September 30, 2016, we had outstanding SBA debentures of \$214.0 million, and unfunded commitments from the SBA to purchase up to an additional of \$61.0 million SBA debentures. We did not have any outstanding borrowings under our Credit Facility as of September 30, 2016. The Credit Facility has a total commitment of \$50.0 million. Interest payments on borrowed funds is based on estimated annual interest and fee expenses on outstanding SBA debentures and borrowings under the Credit Facility as of September 30, 2016 with a weighted average interest rate of 4.2%. We have estimated the annual interest expense on borrowed funds and caution you that our actual interest expense will depend on prevailing interest rates and our rate of borrowing, which may be substantially higher than the estimate provided in this table.
- (8) Other expenses represent our estimated annual operating expenses, as a percentage of net assets attributable to common shares estimated for the current year, including professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan and payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by our administrator. See Management and Other Agreements Administration Agreement in the accompanying prospectus. Other expenses exclude interest payments on borrowed funds, and if we issue debt securities or preferred stock, interest payments on debt securities and distributions with respect to preferred stock. We currently do not have any class of securities outstanding other than common stock. Other expenses are based on actual other expenses for the nine months ended September 30, 2016.
- (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 Securities and Exchange Commission, or SEC, requires that the total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been purchased with borrowed amounts. If the total annual expenses percentage were calculated instead as a percentage of average consolidated total assets for the nine months ended September 30, 2016, our total annual expenses would be 5.7% of average consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in us. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above. 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	\$ 106	\$ 299	\$ 472	\$ 827
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return resulting entirely from net realized capital gains (all of which is subject to our incentive fee on capital gains)	\$ 113	\$ 318	\$ 498	\$ 858

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

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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