FIDUS INVESTMENT Corp
Form 497
November 28, 2016
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This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

Filed Pursuant to Rule 497
Registration Statement No. 333-202531

SUBJECT TO COMPLETION, DATED November 28, 2016

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated May 2, 2016)

2,500,000 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 2,500,000 shares of our common stock.

Our common stock is listed on the Nasdaq Global Select Market under the symbol FDUS. On November 25, 2016, the last reported sale price of our common stock was $17.00 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.fdus.com or by calling us collect at (847) 859-3940. Information contained on our website is not incorporated by reference into, and you should not consider that information to be part of, this prospectus supplement or the accompanying prospectus. The Securities and Exchange Commission also maintains a website at http://www.sec.gov that contains such information.

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

	Per Share	Total
Public offering price(1)	$	$
Underwriting discount payable by us (%)(2)	$	$
Underwriting discount payable by our investment adviser (%)(2)	$	$
Proceeds, before expenses, to us(1)(2)	$	$

(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. Fidus Investment Advisers, LLC, our investment advisor, has agreed to bear $ of our offering expenses in connection with this offering. Fidus Investment Advisors, LLC also has agreed to bear $, or $ per share, of the sales load in connection with this offering, which is reflected in the above table. All payments made by our investment advisor will not be subject to reimbursement by us.

The underwriters have the option to purchase up to an additional 375,000 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 $, the total underwriting discount ( ) will be $, and the total proceeds to us, before deducting estimated expenses payable by us of $225,000, will be $.

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

Joint Bookrunning Managers

RAYMOND JAMES	**BAIRD**	**KEEFE, BRUYETTE & WOODS**
		A Stifel Company

Lead Manager

D.A. DAVIDSON & CO.

The date of this prospectus supplement is November , 2016

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Prospectus Supplement

Prospectus

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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 consolidate 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 $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.

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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; 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 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.

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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 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 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;

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- 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;
- 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.

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	2,500,000 shares of our common stock. We have granted the underwriters the option to purchase up to an additional 375,000 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)	21,712,425 shares
Use of proceeds	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 $. Fidus Investment Advisers, LLC, our investment advisor, has agreed to bear $ of our offering expenses and $ of the sales load in connection with this offering, both of which will not be subject to reimbursement by us. If the underwriters option to purchase additional shares is exercised in full, our investment advisor will bear an aggregate of $ of our offering costs and $ of the sales load in connection with this offering, both of which will not be subject to reimbursement by us. 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.
Dividends and Distributions	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.

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.

Taxation	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 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 375,000 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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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 us.

Stockholder transaction expenses:	
Sales load borne by us (as a percentage of offering price)	%(1)
Offering expenses borne by us (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	(3)
Total stockholder transaction expenses paid by us (as a percentage of offering price)	%
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Base management fee	2.9%(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 for which the calculation is adjusted. Our investment advisor has agreed to bear $ per share, or approximately % of the sales load in connection with this offering, which is not reflected in the above table and will not be subject to reimbursement by us.

(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 %. Fidus Investment Advisers, LLC, our investment advisor, has agreed to bear $ of our offering expenses in connection with this offering. All payments made by our investment advisor will not be subject to reimbursement by us.

(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 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 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, will, may, co
believes, seeks, estimates, would, should, targets, projects and variations of these words and similar expre
intended to identify forward-looking statements. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financing and investments;
- the size and use of proceeds of the offering;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of increased competition;
- the ability of our investment advisor to identify suitable investments for us and to monitor and administer our investments;

- the ability of our investment advisor to attract and retain highly talented professionals;
- our regulatory structure and tax status;
- our ability to operate as a BDC, a SBIC and a RIC;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any dividend distributions;
- the impact of fluctuations in interest rates on our business;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

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:

- an economic downturn could impair our portfolio companies ability to continue to operate, which could lead to the loss of value in of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;
- interest rate volatility could adversely affect our results, particularly because we use leverage as part of our investment strategy;
- currency fluctuations could adversely affect the results of our investments in portfolio companies with foreign operations; and,

the risks, uncertainties and other factors we identify in Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2015 and in our other filings with the SEC.

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. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in Risk Factors and elsewhere in the accompanying prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. The forward-looking statements and projections contained in this prospectus supplement and accompanying prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 2,500,000 shares of common stock we are offering will be approximately $ million, and approximately $ million if the underwriters option to purchase additional shares is exercised in full. Our investment advisor has agreed to bear $, or approximately % of the sales load and $, or approximately % of the offering expenses in connection with this offering, both of which will not be subject to reimbursement by us. We may change the size of this offering based on demand and market conditions.

We intend to use the net proceeds of this offering to invest in lower middle-market companies in accordance with our investment objective and strategies, 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. As of November 28, 2016, there were $4.0 million of outstanding borrowings under our Credit Facility that had an interest rate of 4.1% and a maturity date of June 16, 2018, which may be extended by mutual agreement.

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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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2016:

- on an actual basis as of September 30, 2016; and

- on an as-adjusted basis giving effect to the sale of 2,500,000 shares of our common stock at a price of $ per share. Our investment advisor has agreed to bear $, or approximately % of the sales load and $, or approximately % of the offering expenses in connection with this offering, both of which are not reflected in the below table and will not be subject to reimbursement by us.

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

	As of September 30, 2016	
	Actual (Unaudited)	**As Adjusted[(1)(3)] (Unaudited)**
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 42,165	$
Investments, at fair value	470,057	470,057
Other assets	5,351	5,351
Total assets	$ 517,573	$
LIABILITIES		
SBA debentures, net of deferred financing costs	$ 209,943	$ 209,943
Credit Facility, net of deferred financing costs	(549)	
Other liabilities	8,833	8,833
Total liabilities	218,227	
NET ASSETS		
Common stock, $0.001 par value (100,000,000 shares authorized, 19,212,425 shares issued and outstanding, actual; 21,712,425[(1)] shares issued and outstanding, as adjusted)	19	
Additional paid-in capital[(2)]	290,543	
Undistributed net investment income	11,465	11,465
	(13,827)	(13,827)

Accumulated net realized (loss) on investments, net of taxes and distributions		
Accumulated net unrealized appreciation on investments	11,146	11,146
Total net assets	299,346	
Total liabilities and net assets	$ 517,573	$
Net asset value per common share	$ 15.58	$

(1) Excludes up to 375,000 shares of our common stock issuable upon exercise of the underwriters option to purchase additional shares.

(2) Pro forma additional paid-in capital has been reduced by the estimated costs of the offering payable by us and the underwriting discount.

(3) As of November 28, 2016, we had $4,000 outstanding under our Credit Facility which will be repaid with proceeds from the offering.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

Period	NAV per share(1)	High Closing Sales Price	Low 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)
Year ended December 31, 2016						
First quarter	$ 15.25	$ 15.51	$ 11.91	1.7%	(21.9)%	$ 0.39
Second quarter	15.52	15.96	14.70	2.8	(5.3)	0.39
Third quarter	15.58	16.33	15.22	4.8	(2.3)	0.39
Fourth quarter (through November 25, 2016)	*	17.00	14.62	*	*	0.43
Year ended December 31, 2015						
First quarter	15.18	17.02	14.40	12.1	(5.1)	0.38
Second quarter	15.18	16.90	14.90	11.3	(1.8)	0.40
Third quarter	15.12	15.51	13.65	2.6	(9.7)	0.39
Fourth quarter	15.17	14.80	13.11	(2.4)	(13.6)	0.43
Year ended December 31, 2014						
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	0.48
Third quarter	15.18	20.04	16.51	32.0	8.8	0.38
Fourth quarter	15.16	17.10	13.71	12.8	(9.6)	0.48

(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, 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.

* Not determinable at time of filing.

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.

In addition, during 2013 we designated approximately $8.3 million, or $0.60 per share, of our net long-term capital gains as a deemed distribution to stockholders of record as of December 31, 2013. We incurred approximately $2.9 million, or $0.21 per share, of U.S. federal income taxes on behalf of stockholders related to this deemed distribution. Such taxes were paid in January of 2014. There were no deemed distributions during the years 2011, 2012, 2014 or 2015.

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We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our tax treatment as a RIC. We cannot assure stockholders that they will receive any distributions at a particular level.

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution. Under the terms of our dividend reinvestment plan, dividends will primarily be paid in newly issued shares of common stock. However, we reserve the right to purchase shares in the open market in connection with the implementation of the plan. This feature of the plan means that, under certain circumstances, we may issue shares of our common stock at a price below net asset value per share, which could cause our stockholders to experience dilution.

Distributions in excess of our current and accumulated profits and earnings would be treated first as a return of capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions will be made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of our distributions for a full year. Each year, a statement on Form 1099-DIV identifying the source of the distribution will be sent to our U.S. stockholders of record. Our board of directors presently intends to declare and pay quarterly dividends. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Fidus Investment Corporation (FIC) and its subsidiaries, including the Funds, as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, is derived from the consolidated financial statements that have been audited by RSM US LLP, our independent registered public accounting firm. The selected consolidated financial and other data for the nine months ended September 30, 2016 and other quarterly financial information is derived from our unaudited financial statements, and in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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.

	Nine Months Ended September 30, 2016 (unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
		(Dollars in Thousands)				
Statement of operations data:						
Total investment income	$ 42,954	$ 54,269	$ 46,116	$ 41,792	$ 33,849	$ 23,387
Interest and financing expenses	7,902	9,428	7,507	7,076	6,422	5,488
Management fees, net	6,043	7,545	5,899	5,261	4,237	3,182
Incentive fees	7,212	6,481	4,857	6,792	4,839	1,609
All other expenses	2,968	3,932	4,189	3,121	2,660	1,551
Net investment income before income taxes	18,829	27,386	23,664	19,542	15,691	11,557
Income tax provision	69	390	383	246	4	24
Net investment income	18,760	26,493	23,281	19,296	15,687	11,533
Net realized (losses) gains on investments	(5,698)	9,531	(17,029)	30,588	1,975	(12,318)
Net change in unrealized appreciation (depreciation) on investments	16,070	(10,086)	13,250	(22,188)	1,749	16,171
Income tax (provision) on realized gains on investments	(205)	39	(17)	(493)		
Net increase (decrease) in net assets resulting from operations	$ 28,927	$ 25,977	$ 19,485	$ 27,203	$ 19,411	$ 15,386
Per share data[(1)]:						
Net asset value (at end of period)	$ 15.58	$ 15.17	$ 15.16	$ 15.35	$ 15.32	$ 14.90

Net investment income	$ 1.06	$ 1.64	$ 1.62	$ 1.43	$ 1.54	$ 1.22
Net gain (loss) on investments	$ 0.58	$ (0.04)	$ (0.26)	$ 0.58	$ 0.37	$ 0.40
Net increase in net assets resulting from operations	$ 1.64	$ 1.60	$ 1.36	$ 2.01	$ 1.91	$ 1.63
Dividends (post initial public offering)	$ 1.17	$ 1.60	$ 1.72	$ 1.94	$ 1.46	$ 0.64
Other data:						
Weighted average annual yield on debt investments (2)	13.1%	13.3%	13.4%	14.5%	15.3%	15.3%
Number of portfolio companies at period end	54	53	42	37	30	23
Expense ratios (as percentage of average net assets):						
Operating expenses	5.9%	7.3%	6.7%	7.2%	7.4%	4.7%
Interest expense	2.9%	3.8%	3.4%	3.4%	4.1%	4.0%

(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.

	September 30, 2016 (Unaudited)	As of December 31, 2015	2014	2013	2012	2011
			(Dollars in Thousands)			
Statement of assets and liabilities data:						
Total investments at fair value	$ 470,057	$ 443,269	$ 396,355	$ 306,981	$ 274,249	$ 204,745
Total assets(1)	517,573	480,668	431,020	364,110	330,435	245,956
Borrowings	214,000	229,000	183,500	144,500	144,500	104,000
Total net assets	299,346	247,362	243,263	211,125	183,091	140,482

(1) Prior to the adoption of Accounting Standards Update (ASU) 2015-03, *Interest Imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, on January 1, 2016, we presented deferred financing costs as an asset on the consolidated statements of assets and liabilities. Upon adoption of ASU 2015-03, we reclassified these deferred costs to a direct offset of the related debt liability on the consolidated statements of assets and liabilities. The new guidance is applied retrospectively to each prior period presented. Total assets presented here exclude $4,872, $4,567, $3,152, $3,414 and $2,687 of deferred financing costs presented as an asset as of December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

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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. We completed our initial public offering, or IPO, in June 2011, and completed additional underwritten public offerings of our common stock in September 2012, February 2013, September 2014 and May 2016 providing approximately $217.8 million in net proceeds after deducting underwriting fees and offering costs.

On June 20, 2011, FIC acquired all of the limited partnership interests of Fund I and 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. On March 29, 2013, we commenced operations of a second wholly-owned subsidiary, Fund II.

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-guaranteed 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. Based on the current capitalization of the Funds, we have approximately $61.0 million of remaining borrowing capacity under the SBIC Debenture Program and intend to fully utilize such capacity over the ensuing 12-18 months.

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 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.

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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;
- federal and state registration fees;
- all costs of registration and listing our shares on any securities exchange;
- U.S. federal, state and local taxes;

Independent Directors fees and expenses;

costs of preparing and filing reports or other documents required by the SEC or other regulators including printing costs;

costs of any reports, proxy statements or other notices to stockholders, including printing and mailing costs;

our allocable portion of any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;

proxy voting expenses; and

all other expenses reasonably incurred by us or our investment advisor in connection with administering our business.

Portfolio Composition, Investment Activity and Yield

During the nine months ended September 30, 2016, we invested $104.4 million in debt and equity investments, including six new portfolio companies. These investments consisted of subordinated notes ($71.4 million, or 68.4%), senior secured loans ($27.8 million, or 26.6%), equity securities ($5.0 million, or 4.8%) and warrants ($0.2 million, or 0.2%). During the nine months ended September 30, 2016 we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of $91.9 million. During the nine months ended September 30, 2015, we invested $80.1 million in debt and equity investments, including eight new portfolio companies. These investments consisted of subordinated notes ($56.0 million, or 69.9%), senior secured loans ($18.4 million, or 23.0%), equity securities ($5.5 million, or 6.9%), and warrants ($0.2 million, or 0.2%). During the nine months ended September 30, 2015 we received proceeds from sales or repayments, including principal, return of capital dividends and net realized gains (losses), of $51.5 million.

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As of September 30, 2016, the fair value of our investment portfolio totaled $470.1 million and consisted of 49 active portfolio companies and five portfolio companies that have sold their underlying operations. As of September 30, 2016, one debt investment bore interest at a variable rate, which represented $8.3 million of our portfolio on a fair value basis, and the remainder of our debt portfolio was comprised of fixed rate investments. Overall, the portfolio had net unrealized appreciation of $11.0 million as of September 30, 2016. As of September 30, 2016, our average active portfolio company investment at amortized cost was $9.4 million, which excludes investments in the five portfolio companies that have sold their underlying operations.

As of December 31, 2015, the fair value of our investment portfolio totaled $443.3 million and consisted of 50 active portfolio companies and three portfolio companies that have sold their underlying operations. As of December 31, 2015, one debt investment bore interest at a variable rate, which represented $8.9 million of our portfolio on a fair value basis, and the remainder of our debt portfolio was comprised of fixed rate investments. Overall, the portfolio had net unrealized depreciation of $5.1 million as of December 31, 2015. As of December 31, 2015, our average active portfolio company investment at amortized cost was $9.0 million, which excludes investments in the three portfolio companies that have sold their underlying operations.

The weighted average yield on debt investments as of September 30, 2016 and December 31, 2015 was 13.1% and 13.3%, respectively. The weighted average yields were computed using the effective interest rates for debt investments at cost as of both September 30, 2016 and December 31, 2015, including the accretion of original issue discount and loan origination fees, but excluding investments on nonaccrual status, if any.

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

	Fair Value				**Cost**			
	September 30, 2016		**December 31, 2015**		**September 30, 2016**		**December 31, 2015**	
	(dollars in thousands)							
Subordinated notes	$ 327,579	69.7%	$ 300,467	67.8%	$ 338,444	73.8%	$ 309,899	69.2%
Senior secured loans	75,040	16.0	88,485	20.0	76,265	16.6	88,505	19.7
Equity	57,579	12.2	44,899	10.1	37,122	8.1	42,651	9.5
Warrants	9,643	2.1	9,233	2.1	7,040	1.5	7,098	1.6
Royalty rights	216		185		185		185	
Total	$ 470,057	100.0%	$ 443,269	100.0%	$ 459,056	100.0%	$ 448,338	100.0%

The following table shows portfolio composition by geographic region at fair value and cost and as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company s business.

	Fair Value				**Cost**			
	September 30, 2016		**December 31, 2015**		**September 30, 2016**		**December 31, 2015**	

				(dollars in thousands)				
Midwest	$ 138,757	29.5%	$ 119,291	26.8%	$ 127,893	27.8%	$ 116,015	25.9%
Southeast	102,544	21.8	107,975	24.4	116,045	25.3	113,430	25.3
Northeast	100,025	21.3	93,430	21.1	96,917	21.1	92,492	20.6
West	82,069	17.5	84,648	19.1	75,229	16.4	77,028	17.2
Southwest	46,662	9.9	37,925	8.6	42,972	9.4	49,373	11.0
Total	$ 470,057	100.0%	$ 443,269	100.0%	$ 459,056	100.0%	$ 448,338	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**	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Healthcare products	14.3%	11.4%	12.4%	10.4%
Aerospace & defense manufacturing	11.7	10.5	11.0	8.7
Transportation services	9.1	8.1	8.5	7.6
Healthcare services	8.9	11.1	9.2	11.2

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Building products manufacturing	6.4	4.0	6.0	3.6
Consumer products	5.2	5.1	4.9	5.0
Business services	4.7	5.4	5.3	5.7
Component manufacturing	3.9	3.8	4.2	4.0
Utility equipment manufacturing	3.9	4.6	4.0	4.6
Industrial cleaning & coatings	3.9	3.9	4.1	4.1
Packaging	3.7		3.8	
Capital equipment manufacturing	3.2		3.3	
Information technology services	2.8	3.0	3.1	3.2
Specialty distribution	2.8	8.0	2.7	7.7
Promotional products	2.6		2.6	
Printing services	2.3	2.2	2.3	2.3
Oil & gas services	2.1	3.7	4.4	4.5
Restaurants	2.0	2.0	2.1	2.0
Specialty chemicals	1.6	1.7	1.8	1.9
Laundry services	1.5	1.5	1.4	1.4
Apparel distribution	1.2	1.3	1.3	1.3
Vending equipment manufacturing	0.9	0.8	0.9	0.9
Electronic components supplier	0.5	0.4	0.3	0.3
Commercial cleaning	0.4	0.2	0.2	0.2
Retail	0.4	0.3	0.2	0.2
Specialty cracker manufacturing				
Safety products manufacturing		2.4		2.4
Financial services		3.1		2.8
Retail cleaning		0.1		2.7
Telecommunication services		1.4		1.3
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 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.

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The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of September 30, 2016 and December 31, 2015:

	As of September 30, 2016		As of December 31, 2015	
Investment Rating	**Investments at Fair Value**	**Percent of Total Portfolio**	**Investments at Fair Value**	**Percent of Total Portfolio**
	(dollars in thousands)			
1	$ 84,689	18.0%	$ 77,875	17.6%
2	318,447	67.8	268,285	60.4
3	42,412	9.0	95,981	21.7
4	14,196	3.0	1,128	0.3
5	10,313	2.2		
Totals	$ 470,057	100.0%	$ 443,269	100.0%

Based on our investment rating system, the weighted average rating of our portfolio as of both September 30, 2016 and December 31, 2015 was 2.0 on a fair value basis.

Non-Accrual

As of September 30, 2016, we had a debt investment in one portfolio company on nonaccrual status, which had an aggregate cost and fair value of $20.0 million and $10.0 million, respectively.

For the nine months ended September 30, 2016, we recognized unrealized depreciation on nonaccrual investments held as of September 30, 2016 of $6.5 million.

As of December 31, 2015, we had debt investments in one portfolio company on non-accrual status, which had an aggregate cost and fair value of $5.2 million and $0.6 million, respectively. For the year ended December 31, 2015, we recognized unrealized depreciation on non-accrual investments of $4.4 million.

Discussion and Analysis of Results of Operations

Comparison of nine months ended September 30, 2016 and September 30, 2015

Investment Income

For the nine months ended September 30, 2016, total investment income was $43.0 million, an increase of $3.8 million, or 9.6%, over the $39.2 million of total investment income for the nine months ended September 30, 2015. The increase was attributable to a $1.7 million increase in interest income resulting largely from higher average levels of debt investments outstanding, a $1.1 million increase in dividend income due to increased levels of distributions received from equity investments and a $0.9 million increase in fee income resulting from increased investment activity during the nine months ended September 30, 2016 compared to the prior year period.

Expenses

For the nine months ended September 30, 2016, total expenses, including income tax provision, were $24.2 million, an increase of $4.3 million or 21.7%, over the $19.9 million of total expenses, including income tax provision, for the nine months ended September 30, 2015. Interest and financing expenses for the nine months ended September 30, 2016 were $7.9 million, an increase of $1.1 million or 15.8%, compared to $6.8 million for the nine months ended September 30, 2015 as a result of higher average balances of SBA debentures and borrowings under the Credit Facility outstanding during 2016. The base management fee increased $0.5 million, or 8.4%, to $6.0 million for the nine months ended September 30, 2016 due to higher average total assets less cash and cash equivalents for the nine months ended September 30, 2016 than the nine months ended September 30, 2015. The incentive fee for the nine months ended September 30, 2016 was $7.2 million, a $2.7 million, or 59.5%, increase from the $4.5 million incentive fee for the nine months ended September 30, 2015 which was primarily the result of a $2.3 million increase in the capital gains incentive fee to $2.0 million. The administrative service fee, professional fees and other general and administrative expenses totaled $3.0 million for the nine months ended September 30, 2016 compared to $2.9 million for the nine months ended September 30, 2015.

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Net Investment Income

Net investment income for the nine months ended September 30, 2016 was $18.8 million, which was a decrease of $0.6 million, or 2.9%, compared to net investment income of $19.3 million during the nine months ended September 30, 2015 as a result of the $3.8 million increase in total investment income and the $4.3 million increase in total expenses, including income tax provision.

Net Increase in Net Assets Resulting From Operations

For the nine months ended September 30, 2016, the total net realized (loss) on investments was $(5.7) million. Significant realized gains and (losses) for the nine months ended September 30, 2016 are summarized below:

Portfolio Company	Realization Event	Net Realized Gain (Loss) (in millions)
Continental Anesthesia Management, LLC	Exit of portfolio company	$ (0.3)
Safety Products Group, LLC	Distribution related to sale of operations	0.5
National Truck Protection Co., Inc.	Exit of portfolio company	1.0
Carlson Systems Holdings, Inc.	Distribution related to sale of operations	4.0
Paramount Building Solutions, LLC	Exit of portfolio company	(12.0)
Lightning Diversion Systems, LLC	Distribution	1.0
Other		0.1
Total		$ (5.7)

For the nine months ended September 30, 2015, the total net realized gains on investments were $6.9 million. Significant realized gains (losses) for the nine months ended September 30, 2015 are summarized below:

Portfolio Company	Realization Event	Net Realized Gain (Loss) (in millions)
Connect-Air International, Inc.	Exit of portfolio company	$ 5.3
Westminster Cracker Company, Inc.	Distribution	1.5
Acentia, LLC	Exit of portfolio company	<(0.1)
Other		0.1
Total		$ 6.9

During the nine months ended September 30, 2016, we recorded a net change in unrealized appreciation on investments of $16.1 million attributable to (i) the reversal of net unrealized depreciation on investments of $12.1 million related to the exit or sale of investments, resulting in unrealized appreciation, (ii) net unrealized depreciation of $7.5 million on debt investments and (iii) net unrealized appreciation of $11.5 million on equity investments.

During the nine months ended September 30, 2015, we recorded a net change in unrealized depreciation on investments of $8.1 million attributable to (i) the reversal of net unrealized appreciation on investments of $4.2 million related to the exit or sale of investments, resulting in unrealized depreciation, (ii) net unrealized depreciation of $7.9 million on debt investments and (iii) net unrealized appreciation of $3.9 million on equity investments.

During the nine months ended September 30, 2016, we recorded a $0.2 million income tax provision for expected income taxes due from realized gains on investments. During the nine months ended September 30, 2015, no income tax provision for realized gains on investments was recorded.

As a result of these events, our net increase in net assets resulting from operations during the nine months ended September 30, 2016 was $28.9 million, or an increase of $10.8 million, or 59.4%, compared to a net increase in net assets resulting from operations of $18.1 million during the prior year period.

Liquidity and Capital Resources

As of September 30, 2016, we had $42.2 million in cash and cash equivalents and our net assets totaled $299.3 million. We believe that our current cash and cash equivalents on hand, our continued access to SBA-guaranteed debentures, our Credit Facility and our anticipated cash flows from operations will provide adequate capital resources with which to operate and finance our investment business and make distributions to our stockholders for at least the next 12 months. We intend to generate additional cash primarily from the future offerings of securities (including the ATM Program) and future borrowings, as well as cash flows from operations, including income earned from investments in our portfolio companies. On both a short-term and long-term basis, our primary use of funds will be investments in portfolio companies and cash distributions to our stockholders.

Cash Flows

For the nine months ended September 30, 2016, we experienced a net increase in cash and cash equivalents in the amount of $10.5 million. During that period, we received $3.0 million of cash from operating activities, which included proceeds received from sales and repayments of investments of $91.9 million, which were offset by the funding of $104.4 million of investments. During the same period, we received net proceeds from a secondary offering of shares of our common stock made pursuant to our effective shelf registration statement of $43.7 million and proceeds from the issuances of SBA debenture of $0.5 million, which were partially offset by net repayment of borrowings under the Credit Facility of $15.5 million and cash dividends paid to stockholders of $20.6 million.

For the nine months ended September 30, 2015, we experienced a net decrease in cash and cash equivalents in the amount of $11.6 million. During that period, we used $16.5 million of cash for operating activities, primarily for the funding of $80.1 million of investments, which was partially offset by the proceeds from sales and repayments of investments of $51.5 million. During the same period, we received $4.9 million for financing activities resulting from proceeds received from stock offerings, net of expenses, of $3.2 million, proceeds from the issuance of SBA debentures of $16.7 million and net borrowings under the Credit Facility of $4.5 million, which were partially offset by cash dividends paid to stockholders of $18.3 million and the payment of deferred financing costs totaling $1.3 million.

Capital Resources

We anticipate that we will continue to fund our investment activities on a longterm 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 three or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $350.0 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 semiannually. The principal amount of the SBA debentures is not required to be paid before maturity but may be prepaid at any time. As of September 30, 2016, Fund I had $150.0 million of outstanding SBA debentures and cannot issue additional SBA debentures. As of September 30, 2016, Fund II had $64.0 million of outstanding SBA debentures. Fund II has the current capacity to issue up to an additional $61.0 million of SBA debentures. Subject to SBA regulatory requirements and approval, we may access up to $75.0 million of additional SBA debentures under the SBIC Debenture Program. For more information on the SBA debentures, please see Note 6 to our consolidated financial statements.

In June 2014, we entered into the Credit Facility to provide additional funding for our investment and operational activities. The Credit Facility, which matures on June 16, 2018, had 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.

On December 19, 2014, we amended the Credit Facility to (i) increase the commitment from $30.0 million to $50.0 million (ii) allow FIC to buy-back up to $10.0 million of our common stock subject to the satisfaction of specified financial covenants and conditions. The Credit Facility continues to have an accordion feature which allows for an increase in the total commitment up to $75.0 million.

Amounts available to borrow 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 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, which varies depending on the period of the borrowing under the Credit Facility, 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 plus 1.0%. We pay a commitment fee ranging from 0.5% to 1.0% per annum based on the size of the unused portion of the Credit Facility.

We have made customary representations and warranties and are required to comply with various 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 September 30, 2016, we were in compliance with all covenants of the Credit Facility and there were no borrowings outstanding under the Credit Facility.

As of September 30, 2016, the weighted average interest rate for all SBA debentures and borrowings outstanding under the Credit Facility was 4.2%.

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 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 2, 2016, 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 2, 2017 or the date of our 2017 Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our 2017 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 2, 2017 or the date of our 2017 Annual Meeting of Stockholders may not exceed 25.0% of our outstanding common stock immediately prior to each such sale.

Stock repurchase plan

We have an open market stock repurchase program (the Program) under which we may acquire up to $5.0 million of our outstanding common stock. Under the Program, we may, but are not obligated to, repurchase outstanding common stock in the open market from time to time provided that we comply with the prohibitions under our insider trading policies and the requirements of Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), including certain price, market value and timing constraints. The timing, manner, price and amount of any share repurchases will be determined by our management, in its discretion, based upon the evaluation of economic and market conditions, stock price, capital availability, applicable legal and regulatory requirements and other corporate considerations. Unless extended by the board of directors, the Company expected that the Program would have been in effect until January 22, 2017, or until the approved dollar amount has been used to repurchase shares. On November 1, 2016, the board of directors extended the Program through December 31, 2017. The Program does not require us to repurchase any specific number of shares and the Company cannot assure that any shares will be repurchased under the Program. The Program may be suspended, extended, modified or discontinued at any time. We did not make any repurchases of common stock during the three or nine months ended September 30, 2016 or 2015.

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 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.

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Valuation of Portfolio Investments

As a BDC, we report our assets and liabilities at fair value at all times consistent with GAAP and the 1940 Act. Accordingly, we are required to periodically determine the fair value of all of our portfolio investments.

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 engages one or more independent valuation firm(s) to conduct independent appraisals of a selection of our portfolio investments for which market quotations are not readily available. Each portfolio company investment is generally appraised by the valuation firm(s) at least once every calendar year and each new portfolio company investment is appraised at least once in the twelve-month period following the initial investment. In certain instances, we may determine that it is not cost-effective, and as a result it is not in our stockholders best interest, to request the independent appraisal of certain portfolio company investments. Such instances include, but are not limited to, situations where we determine that the fair value of the portfolio company investment is relatively insignificant to the fair value of the total portfolio. Our board of directors consulted with the independent valuation firm(s) in arriving at our determination of fair value for 13 and 16 of our portfolio company investments representing 27.7% and 43.0% of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended September 30, 2016 and December 31, 2015, respectively) as of September 30, 2016 and December 31, 2015, respectively;

- 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 to and supplements the valuation recommendations to reflect any comments; and our 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.

Consistent with the policies and methodologies adopted by our board of directors, we perform detailed valuations of our debt and equity investments, including an analysis on the Company s unfunded loan commitments, 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.

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

For our debt investments, including senior secured loans and subordinated notes, the primary valuation technique used to estimate the fair value is the discounted cash flow method. However, if there is deterioration in credit quality or a debt investment is in workout status, we may consider other methods in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. Our discounted cash flow models estimate a range of fair values by applying an appropriate discount rate to the future cash flow streams of our debt investments, based on future interest and principal payments as set forth in the associated loan agreements. We prepare a weighted average cost of capital for use in the discounted cash flow model for each investment, based on factors including, but not limited to: current pricing and credit metrics for similar proposed or executed investment transactions of private companies; the portfolio company s historical financial results and outlook; and the portfolio company s current leverage and credit quality as compared to leverage and credit quality as of the date the investment was made. We may also consider the following factors when determining the fair value of debt investments: the portfolio company s ability to make future scheduled payments; prepayment penalties and other fees; estimated remaining life; the nature and realizable value of any collateral securing such debt investment; 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 securities 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, 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 the sale or disposition and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation on the consolidated statements of operations includes 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, as well as reclassifications of any prior period unrealized appreciation or depreciation on exited investments to realized gains or losses on investments.

Interest and dividend income. Interest and dividend income are 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 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. Certain of our investments 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, as applicable, on the consolidated statements of operations. Generally, PIK can be paid-in-kind or all in cash. We stop accruing PIK income when there is reasonable doubt that PIK income will be collected. PIK income is included in our taxable income and, therefore, affects the amount we are required to pay to our stockholders in the form of dividends in order to maintain our tax treatment as a RIC and to avoid paying corporate federal income tax, even though we have not yet collected the cash.

Non-accrual. When there is reasonable doubt that principal, interest or dividends will be collected, loans or preferred equity investments are placed on non-accrual status and we will generally cease recognizing interest or dividend income. Interest and dividend payments received on non-accrual investments may be recognized as interest or dividend 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 debt 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 loan origination or closing fees in connection with investments. Such loan origination and closing fees are capitalized as unearned income and 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 February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which amends the criteria for determining which entities are considered variable interest entities (VIEs), amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. The Company adopted ASU 2015-02 as of January 1, 2016. The adoption of ASU 2015-02 had no material impact on the Company s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. The Company adopted ASU 2015-03 as of January 1, 2016. The adoption of ASU 2015-03 had no material impact on the Company s consolidated financial statements other than corresponding reductions to total assets and total liabilities on the consolidated statements of assets and liabilities. Prior to adoption, the Company recorded deferred financing costs as an asset on the consolidated statements of assets and liabilities. Upon adoption of ASU 2015-03, the Company reclassified these deferred costs to a direct offset of the related debt liability on the consolidated statements of assets and liabilities. The new guidance will be applied retrospectively to each prior period presented. The Company reclassified the $4,872 of deferred financing costs presented as an asset as of December 31, 2015 to a direct offset of the related debt liabilities as of such date on the consolidated statements of assets and liabilities.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017 and early application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are currently evaluating the impact this ASU will have on our consolidated financial position or disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact this ASU will have on our consolidated financial position 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. We had off-balance sheet arrangements consisting of outstanding commitments to fund various undrawn revolving loans and other credit facilities totaling $7.1 million and $10.2 million as of September 30, 2016 and December 31, 2015, respectively. Such outstanding commitments are summarized in the following table:

Portfolio Company Investment	September 30, 2016 Total Commitment	September 30, 2016 Unfunded Commitment	December 31, 2015 Total Commitment	December 31, 2015 Unfunded Commitment
FAR Research Inc. Revolving Loan	$ 1,750	$ 1,614	$ 1,750	$ 1,614
Inflexxion, Inc. Revolving Loan	500	350	1,000	850
inthinc Technology Solutions, Inc. Subordinated Note	5,000	1,000	5,000	1,000
Lightning Diversion Systems, LLC Revolving Loan	250	250	1,000	1,000
Microbiology Research Associates, Inc. Revolving Loan			500	500
Oaktree Medical Centre, P.C. Revolving Loan	2,500		500	250
Restaurant Finance Co, LLC Senior Secured Loan			10,500	1,936
Safety Products Group, LLC Common Equity	2,852	2,852		
SES Investors, LLC Revolving Loan	1,500	1,000		
			9,850	2,500

Vanguard Dealer Services, L.L.C.	Subordinated Note				
X5 Opco LLC	Revolving Loan			500	500
Total		$ 14,352	$ 7,066	$ 30,600	$ 10,150

Additional detail for each of the commitments above is provided in the Company s consolidated schedules of investments.

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 and Thomas C. Lauer, our President, are managers of Fidus Investment Advisors, LLC. In May 2015, Fidus Investment Advisors, LLC entered into a combination with Fidus Partners, LLC (the Combination), by which members of Fidus Investment Advisors LLC and Fidus Partners, LLC (Partners) contributed all of their respective membership interest in Fidus Investment Advisors LLC and Partners to a newly formed limited liability company, Fidus Group Holdings, LLC (Holdings). As a result, Fidus Investment Advisors LLC is a wholly-owned subsidiary of Holdings, which is a newly formed limited liability company organized under the laws of Delaware.

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, each of which has elected to be treated as a BDC, 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. Fund II has not elected to be treated as a BDC and is not party to this exemptive relief. 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 September 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 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.

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 September 30, 2016 and December 31, 2015, one debt investment bore interest at a variable rate, which represented $8.3 million and $8.9 million of our portfolio on a fair value basis, respectively, and the remainder of our debt portfolio was comprised entirely of fixed rate investments. Assuming that the consolidated statements of assets and liabilities as of September 30, 2016 and December 31, 2015 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. Our pooled 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, which varies depending on the period of the borrowing under the Credit Facility, 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 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.

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UNDERWRITING

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

Underwriter	Number of Shares
Raymond James & Associates, Inc.	
Robert W. Baird & Co. Incorporated	
Keefe, Bruyette & Woods, Inc.	
D.A. Davidson & Co.	
Total	2,500,000

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 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.

Option to Purchase Additional Securities

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 375,000 additional shares of common stock at the public offering price plus accrued dividends, if any, set forth on the cover page hereof, less the underwriting discount. 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 $ 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. In addition, our investment advisor has agreed to bear $, or $ per share, of the underwriting discounts and commissions (sales load) in this offering, which is also reflected in the following table and will not be subject to reimbursement by us. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase up to 375,000 additional shares from us.

	Per Share	Total Without Exercise of Underwriters Option	Total with Full Exercise of Underwriters Option
Underwriting discount payable by us on shares sold to the public	$	$	$
Underwriting discount payable by our investment advisor on the shares sold to the public	$	$	$

We estimate that the total expenses of the offering, excluding the underwriting discount, will be approximately $225,000. Our investment advisor has agreed to bear $ of our offering expenses in connection with this offering, which will not be subject to reimbursement by us.

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

Price Stabilization, Short Positions and Penalty Bids

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

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

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

Similar to other purchase transactions, these activities may have the effect of raising or maintaining the market price of the common stock or preventing or slowing a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. Except for the sale of shares of our common stock in this offering, the underwriters may carry out these transactions on the Nasdaq

Global Select Market, in the over-the-counter market or otherwise.

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

Passive Market Making

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

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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; Keefe, Bruyette & Woods, Inc., 787 Seventh Avenue, 4th Floor, New York, New York 10019; and D.A. Davidson & Co., 8 Third Street North Great Falls, MT 59401.

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LEGAL MATTERS

Certain legal matters will be passed upon for us by Sutherland Asbill & Brennan LLP. Sutherland Asbill & Brennan LLP also represents our investment advisor. Certain legal matters will be passed upon for the underwriters by Morrison & Foerster LLP, New York, New York.

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 the accompanying prospectus and registration statement have been audited by RSM US 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. The registration statement contains additional information about us and the securities being offered by this prospectus.

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.fdus.com* and intend to make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus supplement, 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, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

PRIVACY NOTICE

We are committed to maintaining the privacy of our stockholders and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

From time to time, we may receive nonpublic personal information relating to our stockholders. We do not disclose nonpublic personal information about our stockholders or former stockholders to anyone, except as required by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third-party administrator).

We restrict access to nonpublic personal information about our stockholders to employees of our investment advisor, its affiliates or authorized service providers that have a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FIDUS INVESTMENT CORPORATION

Consolidated Statements of Assets and Liabilities

(in thousands, except shares and per share data)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Investments, at fair value		
Control investments (cost: $0 and $12,042, respectively)	$	$ 618
Affiliate investments (cost: $105,004 and $105,930, respectively)	119,101	111,846
Non-control/non-affiliate investments (cost: $354,052 and $330,366, respectively)	350,956	330,805
Total investments, at fair value (cost: $459,056 and $448,338, respectively)	470,057	443,269
Cash and cash equivalents	42,165	31,657
Interest receivable	4,300	4,520
Prepaid expenses and other assets	1,051	1,222
Total assets	$ 517,573	$ 480,668
LIABILITIES		
SBA debentures, net of deferred financing costs (Note 6)	$ 209,943	$ 209,394
Borrowings under credit facility, net of deferred financing costs (Note 6)	(549)	14,734
Accrued interest and fees payable	731	2,840
Due to affiliates	7,780	5,762
Taxes payable	205	400
Accounts payable and other liabilities	117	176
Total liabilities	218,227	233,306
Commitments and contingencies (Note 7)		
NET ASSETS		
Common stock, $0.001 par value (100,000,000 shares authorized, 19,212,425 and 16,300,732 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively)	19	16
Additional paid-in capital	290,543	246,307
Undistributed net investment income	11,465	13,887
Accumulated net realized (loss) gain on investments, net of taxes and distributions	(13,827)	(6,145)

Accumulated net unrealized (depreciation) appreciation on investments		11,146		(6,703)
Total net assets		299,346		247,362
Total liabilities and net assets	$	517,573	$	480,668
Net asset value per common share	$	15.58	$	15.17

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Investment Income:				
Interest income				
Control investments	$	$	$	$ 220
Affiliate investments	2,476	2,668	8,083	7,509
Non-control/non-affiliate investments	9,730	10,080	30,367	29,058
Total interest income	12,206	12,748	38,450	36,787
Dividend income				
Affiliate investments	201	262	857	336
Non-control/non-affiliate investments	728	236	1,063	457
Total dividend income	929	498	1,920	793
Fee income				
Control investments		(10)		
Affiliate investments	266	143	279	301
Non-control/non-affiliate investments	987	155	2,199	1,257
Total fee income	1,253	288	2,478	1,558
Interest on idle funds and other income	43	23	106	56
Total investment income	14,431	13,557	42,954	39,194
Expenses:				
Interest and financing expenses	2,648	2,388	7,902	6,821
Base management fee	2,055	1,920	6,043	5,575
Incentive fee	2,142	1,366	7,212	4,522
Administrative service expenses	356	362	1,044	1,077
Professional fees	226	230	961	889
Other general and administrative expenses	246	227	963	983
Total expenses	7,673	6,493	24,125	19,867
Net investment income before income taxes	6,758	7,064	18,829	19,327
Income tax provision (benefit)	23	14	69	(9)
Net investment income	6,735	7,050	18,760	19,318

Net realized and unrealized gains (losses) on investments:				
Net realized gains (losses) on control investments	(12,041)		(12,041)	
Net realized gains (losses) on affiliates investments		1,531	458	1,531
Net realized gains (losses) on non-control/non-affiliate investments	6,083	86	5,885	5,363
Net change in unrealized appreciation (depreciation) on investments	7,817	(3,234)	16,070	(8,124)
Income tax benefit (provision) from realized gains on investments		54	(205)	54
Net gain (loss) on investments	1,859	(1,563)	10,167	(1,176)
Net increase in net assets resulting from operations	$ 8,594	$ 5,487	$ 28,927	$ 18,142
Per common share data:				
Net investment income per share-basic and diluted	$ 0.35	$ 0.43	$ 1.06	$ 1.19
Net increase in net assets resulting from operation per share basic and diluted	$ 0.45	$ 0.34	$ 1.64	$ 1.12
Dividends declared per share	$ 0.39	$ 0.39	$ 1.17	$ 1.17
Weighted average number of shares outstanding basic and diluted	19,201,024	16,268,328	17,616,540	16,172,454

See Notes to Consolidated Financial Statements (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Statements of Changes in Net Assets (unaudited)

(in thousands, except shares)

	Common Stock						
	Number of shares	**Par value**	**Additional paid in capital**	**Undistributed net investment income**	**Accumulated net realized (loss) on investments, net of taxes and distributions**	**Accumulated net unrealized (depreciation) appreciation on investments**	**Total net assets**
Balances at December 31, 2014	16,051,037	$ 16	$ 243,008	$ 12,433	$ (15,999)	$ 3,805	$ 243,263
Public offerings of common stock, net of expenses	190,623		3,170				3,170
Shares issued under dividend reinvestment plan	43,468		678				678
Net increase in net assets resulting from operations				19,318	7,369	(8,545)	18,142
Dividends declared				(18,945)			(18,945)
Balances at September 30, 2015	16,285,128	$ 16	$ 246,856	$ 12,806	$ (8,630)	$ (4,740)	$ 246,308
Balances at December 31, 2015	16,300,732	$ 16	$ 246,307	$ 13,887	$ (6,145)	$ (6,703)	$ 247,362
Public offerings of common stock, net of expenses (Note 8)	2,875,000	3	43,667				43,670
Shares issued under dividend reinvestment plan	36,693		569				569
Net increase in net assets resulting from operations				18,760	(7,682)	17,849	28,927
Dividends declared				(21,182)			(21,182)
Balances at September 30, 2016	19,212,425	$ 19	$ 290,543	$ 11,465	$ (13,827)	$ 11,146	$ 299,346

See Notes to Consolidated Financial Statements (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Statements of Cash Flows (unaudited)

(in thousands)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	$ 28,927	$ 18,142
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used for) operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(16,070)	8,124
Net realized loss (gain) on investments	5,698	(6,894)
Interest and dividend income paid-in-kind	(3,503)	(3,968)
Accretion of original issue discount	(181)	(450)
Accretion of loan origination fees	(843)	(507)
Purchase of investments	(104,379)	(80,127)
Proceeds from sales and repayments of investments	91,936	51,490
Proceeds from loan origination fees	554	445
Amortization of deferred financing costs	824	740
Changes in operating assets and liabilities:		
Interest receivable	220	(1,006)
Prepaid expenses and other assets	171	(242)
Accrued interest and fees payable	(2,109)	(1,609)
Due to affiliates	2,018	(198)
Taxes payable	(195)	(328)
Accounts payable and other liabilities	(59)	(75)
Net cash provided by (used for) operating activities	3,009	(16,463)
Cash Flows from Financing Activities:		
Proceeds from stock offerings, net of expenses	43,670	3,170
Proceeds received from SBA debentures	500	16,700
Net (repayments of) proceeds received from borrowings under credit facility	(15,500)	4,500
Payment of deferred financing costs	(558)	(1,250)
Dividends paid to stockholders, including expenses	(20,613)	(18,267)
Net cash provided by (used for) financing activities	7,499	4,853
Net increase (decrease) in cash and cash equivalents	10,508	(11,610)
Cash and cash equivalents:		
Beginning of period	31,657	29,318
End of period	$ 42,165	$ 17,708

Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 9,187	$ 7,690
Cash payments for taxes, net of tax refunds received	$ 469	$ 283
Non-cash financing activities:		
Shares issued under dividend reinvestment plan	$ 569	$ 680

See Notes to Consolidated Financial Statements (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited)

September 30, 2016

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Aerospace & Defense Manufacturing						
FDS Avionics Corp.						
(dba Flight Display Systems)						
Subordinated Note	12.3%/0.0%	4/1/2020	$ 5,200	$ 5,183	$ 4,214	
Common Equity (200 units) [(i)]				2,000	386	
				7,183	4,600	2%
Lightning Diversion Systems, LLC						
Senior Secured Loan [(j)]	10.5%/0.0%	9/16/2021	21,204	21,111	21,205	
Revolving Loan ($250 commitment) [(h)]	10.5%/0.0%	9/16/2021		(1)	(1)	
Common Equity (600,000 units)					2,347	
				21,110	23,551	8%
Malabar International [(k)]						
Subordinated Note [(j)]	11.3%/2.0%	11/13/2021	7,578	7,568	7,578	
Preferred Equity (1,494 shares) [(f)]	6.0%/0.0%	5/12/2022		1,996	4,302	
				9,564	11,880	4%
Simplex Manufacturing Co.						
Subordinated Note	14.0%/0.0%	12/9/2016	4,050	4,050	4,050	
Warrant (27 shares)				928	2,874	
				4,978	6,924	2%
Steward Holding LLC [(k)]						
(dba Steward Advanced Materials)						
Subordinated Note	12.0%/2.3%	5/12/2021	7,141	7,111	7,141	
Common Equity (1,000,000 units)				1,000	789	
				8,111	7,930	3%
Apparel Distribution						
Jacob Ash Holdings, Inc.						
Subordinated Note [(j)]	13.0%/4.0%	6/30/2018	4,000	3,996	4,000	

Subordinated Note	13.0%/0.0%	6/30/2018	778	773	755	
Preferred Equity (66,138 shares) [(f)]	0.0%/15.0%	6/30/2018		1,031	905	
Warrant (63,492 shares)				67		
				5,867	5,660	2%
Building Products Manufacturing						
SES Investors, LLC [(k)]						
(dba SES Foam)						
Revolving Loan ($1,500 commitment) [(i)]	6.0%/0.0%	3/8/2022	500	493	493	
Senior Secured Loan	11.0%/0.0%	3/8/2022	10,500	10,448	10,448	
Common Equity (6,000 units) [(g)(i)]				600	600	
				11,541	11,541	4%
The Wolf Organization, LLC						
Common Equity (175 shares)				1,750	3,764	1%
US GreenFiber, LLC						
Subordinated Note [(j)]	12.5%/0.0%	1/2/2019	14,000	13,964	14,000	
Common Equity (1,667 units) [(g)(i)]				500	655	
				14,464	14,655	5%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2016

(In thousands, except shares)

Industry Portfolio Company [(a)(b)] Investment Type [(c)]	Rate [(d)] Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Business Services						
Inflexxion, Inc. [(k)]						
Senior Secured Loan	7.0%/6.0%	12/16/2019	$ 4,133	$ 4,118	$ 3,448	
Revolving Loan ($500 commitment) [(i)]	7.0%/6.0%	12/16/2019	157	154	131	
Preferred Equity (252,046 units)				252	140	
Preferred Equity (308,987 units)				309	172	
Preferred Equity (1,400 units)				1,400		
				6,233	3,891	1%
Plymouth Rock Energy, LLC						
Senior Secured Loan	11.8%/0.0%	5/14/2017	6,000	5,992	6,000	2%
Vanguard Dealer Services, L.L.C.						
Subordinated Note	12.3%/0.0%	1/30/2021	11,450	11,402	11,450	
Common Equity (6,000 shares)				600	908	
				12,002	12,358	4%
Capital Equipment Manufacturing						
Thermoforming Technology Group LLC						
Subordinated Note	12.5%/0.0%	9/14/2021	14,700	14,633	14,699	
Common Equity (3,500 units) [(g)(i)]				350	350	
				14,983	15,049	5%
Commercial Cleaning						
Premium Franchise Brands, LLC						
Preferred Equity (1,054,619 shares)				832	1,885	1%
Component Manufacturing						
Channel Technologies Group, LLC						
Preferred Equity (612 units) [(g)(i)]				875		
Common Equity (612,432 units) [(g)(i)]						
				875		0%

Hilco Plastics Holdings, LLC						
(dba Hilco Technologies)						
Subordinated Note	11.5%/1.0%	7/15/2022	8,002	7,962	7,962	
Common Equity (72,507 units) (g)(i)				500	500	
				8,462	8,462	3%
Toledo Molding & Die, Inc.						
Subordinated Note (i)	10.5%/0.0%	12/18/2018	10,000	9,917	10,000	3%
Consumer Products						
Grindmaster Corporation						
Subordinated Note	11.5%/0.0%	10/31/2019	10,500	10,472	10,500	4%
World Wide Packaging, LLC (k)						
Subordinated Note (i)	12.0%/1.0%	10/26/2018	10,343	10,324	10,343	
Common Equity (1,517,573 units) (g)(i)				1,518	3,631	
				11,842	13,974	5%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2016

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Electronic Components Supplier						
Apex Microtechnology, Inc. [(k)]						
Warrant (2,293 shares)				$ 220	$ 376	
Common Equity (11,690 shares)				1,169	2,034	
				1,389	2,410	1%
Healthcare Products						
Allied 100 Group, Inc.						
Subordinated Note [(j)]	11.5%/0.0%	5/26/2020	$ 13,000	12,957	13,000	
Common Equity (1,250,000 units) [(i)]				1,250	1,109	
				14,207	14,109	5%
Anatrace Products, LLC						
Subordinated Note	13.0%/1.3%	6/23/2021	6,500	6,483	6,500	
Common Equity (360,000 shares) [(i)]					218	
				6,483	6,718	2%
MedPlast, LLC						
Subordinated Note [(i)]	11.0%/1.5%	3/31/2019	10,455	10,420	10,455	
Preferred Equity (188 shares) [(f)(i)]	0.0%/8.0%	3/31/2019		236	237	
Common Equity (3,728 shares) [(i)]				61	203	
				10,717	10,895	4%
OMC Investors, LLC *(dba Ohio Medical Corporation)*						
Subordinated Note	12.0%/0.0%	7/15/2021	10,000	9,913	10,000	
Common Equity (5,000 shares)				500	444	
				10,413	10,444	3%
Pfanstiehl, Inc. [(k)]						
Subordinated Note	10.5%/0.0%	9/29/2018	6,208	6,187	6,208	
Common Equity (8,500 units) [(i)]				850	11,083	

				7,037	17,291	6%
Six Month Smiles Holdings, Inc.						
Subordinated Note (i)	12.0%/1.8%	7/31/2020	8,340	8,315	7,762	3%
Healthcare Services						
Medsurant Holdings, LLC (k)						
Subordinated Note	12.3%/0.0%	6/18/2021	6,267	6,219	6,267	
Preferred Equity (126,662 units) (g)				1,346	1,567	
Warrant (505,176 units) (g)				4,516	5,425	
				12,081	13,259	4%
Microbiology Research Associates, Inc. (k)						
Subordinated Note	11.0%/1.5%	3/13/2022	8,506	8,483	8,506	
Common Equity (1,000,000 units) (i)				1,939	2,157	
				10,422	10,663	4%
Oaktree Medical Centre, P.C.						
(dba Pain Management Associates)						
Senior Secured Loan (i)	11.5%/0.0%	1/1/2018	571	606	616	
Senior Secured Loan (i)	7.0%/12.0%	1/1/2018	5,898	6,163	5,373	
Revolving Loan ($2,500 commitment) (i)	11.5%/0.0%	1/1/2018	2,500	2,518	2,594	
				9,287	8,583	3%
United Biologics, LLC						
Subordinated Note	12.0%/2.0%	3/5/2017	8,653	8,590	8,653	
Preferred Equity (98,377 units) (g)(i)				1,069	116	
Warrant (57,469 units)				566	414	
				10,225	9,183	3%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2016

(In thousands, except shares)

Industry **Portfolio Company** (a)(b) **Investment Type** (c)	**Rate** (d) **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Industrial Cleaning & Coatings						
K2 Industrial Services, Inc.						
Subordinated Note	11.8%/2.8%	5/23/2017	$ 17,490	$ 17,476	$ 17,490	
Common Equity (1,673 shares)				1,268	709	
				18,744	18,199	6%
Information Technology Services						
FTH Acquisition Corp. VII						
Subordinated Note	13.0%/0.0%	3/9/2017	8,221	8,221	8,152	
Preferred Equity (887,122 shares)				887	444	
				9,108	8,596	3%
inthinc Technology Solutions, Inc.						
Subordinate Note ($5,000 commitment)	12.5%/0.0%	4/24/2020	4,000	3,983	3,552	
Subordinated Note	0.0%/12.5%	4/24/2020	1,141	993	784	
Royalty Rights		4/24/2020		185	216	
				5,161	4,552	2%
Laundry Services						
Caldwell & Gregory, LLC						
Subordinated Note	11.5%/1.0%	11/30/2018	1,551	1,539	1,551	
Subordinated Note	0.0%/12.0%	5/31/2019	4,450	4,313	4,450	
Common Equity (500,000 units) (g)				500	599	
Warrant (242,121 units) (g)				242	290	
				6,594	6,890	2%
Oil & Gas Services						
IOS Acquisitions, Inc. (m)						
Common Equity (2,152 units) (i)				103	17	0%
Pinnergy, Ltd.						
Subordinated Note (j)(l)	10.5%/1.8%	1/24/2020	20,089	20,035	10,001	3%
Packaging						

Rohrer Corporation						
Subordinated Note [j]	11.0%/1.5%	1/18/2022	16,551	16,472	16,472	
Common Equity (389 shares)				750	750	
				17,222	17,222	6%
Printing Services						
Brook & Whittle Limited						
Subordinated Note	12.0%/4.8%	6/30/2017	7,936	7,936	8,093	
Subordinated Note	12.0%/2.0%	6/30/2017	2,330	2,330	2,330	
Warrant (1,161 shares)				285	124	
Common Equity - Series A (148 shares)				109	18	
Common Equity - Series D (527 shares)				52	117	
				10,712	10,682	4%
Promotional Products						
Hub Acquisition Sub, LLC						
(dba Hub Pen)						
Subordinated Note [j]	12.3%/0.0%	9/23/2021	11,350	11,299	11,350	
Common Equity (7,500 units)				750	869	
				12,049	12,219	4%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2016

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Restaurants						
ACFP Management, Inc. [(m)]						
Common Equity (1,000,000 units) [(i)]				$	$	0%
Cardboard Box LLC (dba Anthony s Coal Fired Pizza)						
Common Equity (521,021 units) [(i)]				520	439	0%
Restaurant Finance Co, LLC						
Senior Secured Loan [(j)]	12.0%/4.0%	7/31/2020	$ 9,062	9,033	9,062	3%
Retail						
EBL, LLC (EbLens)						
Common Equity (750,000 units) [(g)(i)]				750	1,880	1%
Safety Products Manufacturing						
Safety Products Group, LLC [(k)(m)]						
Preferred Equity (749 units) [(g)(i)]					22	
Common Equity (676 units) ($2,852 commitment) [(g)(i)]						
					22	0%
Specialty Chemicals						
FAR Research Inc. [(k)]						
Senior Secured Loan [(j)]	11.8%/1.0%	3/31/2019	7,253	7,233	7,196	
Revolving Loan ($1,750 commitment) [(i)]	11.8%/1.0%	3/31/2019	138	133	136	
Common Equity (10 units)				1,000	351	
				8,366	7,683	3%
Specialty Cracker Manufacturing						
Westminster Cracker Company, Inc. [(k)(m)]						
Common Equity (1,307,262 units)					191	0%

Specialty Distribution						
Carlson Systems Holdings, Inc. [(n)]						
Common Equity (15,000 units) [(i)]					163	
					163	0%
Virginia Tile Company, LLC						
Subordinated Note [(j)]	12.3%/0.0%	10/1/2021	12,000	11,959	12,000	
Common Equity (20 shares)				250	850	
				12,209	12,850	4%
Transportation Services						
Cavallo Bus Lines Holdings, LLC						
Subordinated Note	12.0%/3.0%	4/26/2021	8,250	8,216	8,250	3%
US Pack Logistics LLC						
Subordinated Note	12.0%/1.8%	9/27/2020	10,437	10,400	10,437	
Common Equity (5,357 units) [(g)(i)]				583	544	
				10,983	10,981	4%
Worldwide Express Operations, LLC						
Subordinated Note	11.5%/1.0%	8/1/2020	17,425	17,317	17,425	
Common Equity (2,500,000 units) [(g)(i)]				2,500	6,081	
				19,817	23,506	8%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (unaudited) (continued)

September 30, 2016

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Utility Equipment Manufacturing						
Mirage Trailers LLC [(k)]						
Senior Secured Loan [(j)(e)]	12.5%/0.0%	11/25/2020	$ 8,339	$ 8,264	$ 8,339	
Common Equity (2,500,000 shares)				2,479	2,669	
				10,743	11,008	4%
Trantech Radiator Products, Inc. [(k)]						
Subordinated Note [(i)]	12.0%/1.8%	5/4/2017	6,994	6,987	6,994	
Common Equity (6,875 shares) [(i)]				688	364	
				7,675	7,358	2%
Vending Equipment Manufacturing						
Ice House America, LLC						
Subordinated Note [(i)]	12.0%/3.0%	1/1/2020	4,205	4,046	4,205	
Warrant (1,957,895 units) [(g)(i)]				216	140	
				4,262	4,345	1%
Total Investments				$ 459,056	$ 470,057	157%

(a) See Note 3 to the consolidated financial statements for portfolio composition by geographic location.
(b) Equity ownership may be held in shares or units of companies related to the portfolio companies.
(c) All debt investments are income producing, unless otherwise indicated. Equity investments are non-income producing unless otherwise noted.
(d) Rate includes the cash interest or dividend rate and paid-in-kind interest or dividend rate, if any, as of September 30, 2016. Generally, payment-in-kind interest can be paid-in-kind or all in cash.
(e) The investment bears interest at a variable rate that is determined by reference to one-month LIBOR, which is reset monthly. The interest rate is set as one-month LIBOR + 11.5% and is subject to a 12.5% interest rate floor. The Company has provided the interest rate in effect as of September 30, 2016.

(f) Income producing. Maturity date, if any, represents mandatory redemption date.
(g) Investment is held by a wholly-owned subsidiary of the Company.
(h) The entire commitment was unfunded at September 30, 2016. As such, no interest is being earned on this investment.
(i) Investment pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).
(j) The portion of the investment not held by the Funds is pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).
(k) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of this portfolio company because it owns 5% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was an Affiliated Person are detailed in Note 3 to the consolidated financial statements.
(l) Investment was on non-accrual status as of September 30, 2016, meaning the Company has ceased recognizing interest income on the investment.
(m) Investment in portfolio company that has sold its operations and is in the process of winding down.

See Notes to Consolidated Financial Statements (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments

December 31, 2015

(In thousands, except shares)

Industry **Portfolio Company [a][b]** **Investment Type [c]**	**Rate [d]** **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Aerospace & Defense Manufacturing						
FDS Avionics Corp.						
(dba Flight Display Systems)						
Subordinated Note	12.3%/0.0%	4/1/2020	$ 5,200	$ 5,180	$ 5,200	
Common Equity (200 units) [i]				2,000	1,468	
				7,180	6,668	3%
Lightning Diversion Systems, LLC						
Senior Secured Loan	9.5%/0.0%	12/20/2018	9,198	9,165	9,198	
Revolving Loan ($1,000 commitment) [h]	9.5%/0.0%	12/20/2018		(1)	(1)	
Common Equity (600,000 units)					2,429	
				9,164	11,626	5%
Malabar International [k]						
Subordinated Note [j]	12.5%/2.5%	5/21/2017	7,450	7,436	7,450	
Preferred Equity (1,494 shares) [f]	6.0%/0.0%	11/21/2017		1,994	4,808	
				9,430	12,258	5%
Simplex Manufacturing Co.						
Subordinated Note	14.0%/0.0%	5/1/2016	4,550	4,550	4,550	
Warrant (24 shares)				710	3,359	
				5,260	7,909	3%
Steward Holding LLC [k]						
(dba Steward Advanced Materials)						
Subordinated Note	12.0%/2.3%	5/12/2021	7,022	6,987	6,987	
Common Equity (1,000,000 units)				1,000	1,000	
				7,987	7,987	3%
Apparel Distribution						

Jacob Ash Holdings, Inc.						
Subordinated Note [j]	13.0%/4.0%	6/30/2018	4,000	3,994	4,000	
Subordinated Note	13.0%/0.0%	6/30/2018	963	956	963	
Preferred Equity (66,138 shares) [f]	0.0%/15.0%	6/30/2018		924	926	
Warrant (63,492 shares)				67		
				5,941	5,889	2%
Building Products Manufacturing						
The Wolf Organization, LLC						
Common Equity (175 shares)				1,750	2,514	1%
US GreenFiber, LLC						
Subordinated Note [j]	12.5%/0.0%	1/2/2019	14,000	13,952	14,000	
Common Equity (1,667 units) [g][i]				500	1,170	
				14,452	15,170	6%
Business Services						
Inflexxion, Inc. [k]						
Senior Secured Loan	12.5%/0.0%	12/16/2019	3,950	3,931	3,470	
Revolving Loan ($1,000 commitment) [i]	12.5%/0.0%	12/16/2019	150	146	132	
Preferred Equity (1,400 units)				1,400		
				5,477	3,602	1%
Plymouth Rock Energy, LLC						
Senior Secured Loan	11.8%/0.0%	5/14/2017	6,000	5,984	6,000	2%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2015

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Stagnito Partners, LLC (dba Stagnito Business Information)						
Senior Secured Loan [(i)]	12.0%/0.0%	6/30/2018	$ 6,361	$ 6,290	$ 6,361	3%
Vanguard Dealer Services, L.L.C.						
Subordinated Note ($9,850 commitment) [(j)]	12.3%/0.0%	1/30/2021	7,350	7,310	7,310	
Common Equity (6,000 shares)				600	600	
				7,910	7,910	3%
Commercial Cleaning						
Premium Franchise Brands, LLC						
Preferred Equity (1,054,619 shares)				832	717	0%
Component Manufacturing						
Channel Technologies Group, LLC						
Subordinated Note	11.0%/1.8%	4/10/2019	7,000	6,963	6,253	
Preferred Equity (612 units) [(g)(i)]				1,139	548	
Common Equity (612,432 units) [(g)(i)]						
				8,102	6,801	3%
Toledo Molding & Die, Inc.						
Subordinated Note [(i)]	10.5%/0.0%	12/18/2018	10,000	9,889	10,000	4%
Consumer Products						
Grindmaster Corporation						
Subordinated Note	11.5%/0.0%	10/31/2019	10,500	10,465	10,500	4%
World Wide Packaging, LLC [(k)]						
Subordinated Note [(i)]	12.0%/1.0%	10/26/2018	10,265	10,239	10,277	
Common Equity (1,517,573 units) [(g)(i)]				1,518	2,043	
				11,757	12,320	5%
Electronic Components Supplier						

Apex Microtechnology, Inc. [k]						
Warrant (2,293 shares)				220	274	
Common Equity (11,690 shares)				1,169	1,425	
				1,389	1,699	1%
Financial Services						
National Truck Protection Co., Inc.						
Senior Secured Loan	13.5%/2.0%	9/13/2018	11,989	11,944	11,989	
Common Equity (1,109 shares)				758	1,705	
				12,702	13,694	6%
Healthcare Products						
Allied 100 Group, Inc.						
Subordinated Note [j]	11.5%/0.0%	5/26/2020	13,000	12,948	13,000	
Common Equity (1,250,000 units) [i]				1,250	1,223	
				14,198	14,223	6%
Anatrace Products, LLC						
Subordinated Note	13.0%/1.3%	6/23/2021	6,500	6,480	6,480	
Common Equity (360,000 shares) [i]					148	
				6,480	6,628	3%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2015

(In thousands, except shares)

Industry **Portfolio Company [(a)(b)]** **Investment Type [(c)]**	**Rate [(d)]** **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
MedPlast, LLC						
Subordinated Note [(i)]	11.0%/1.5%	3/31/2019	$ 10,338	$ 10,294	$ 10,338	
Preferred Equity (188 shares) [(f)(i)]	0.0%/8.0%	3/31/2019		223	223	
Common Equity (3,728 shares) [(i)]				62	103	
				10,579	10,664	4%
Pfanstiehl, Inc. [(k)]						
Subordinated Note	12.0%/2.0%	9/29/2018	6,208	6,178	6,208	
Common Equity (8,500 units) [(i)]				850	4,280	
				7,028	10,488	4%
Six Month Smiles Holdings, Inc.						
Subordinated Note [(i)]	12.0%/1.8%	7/31/2020	8,106	8,077	8,106	3%
Healthcare Services						
Continental Anesthesia Management, LLC						
Senior Secured Loan	10.0%/4.0%	4/15/2016	10,676	10,676	10,676	
Warrant (263 shares)				276		
				10,952	10,676	4%
Medsurant Holdings, LLC [(k)]						
Subordinated Note	12.3%/0.0%	6/18/2021	6,267	6,211	6,211	
Preferred Equity (126,662 units) [(g)]				1,346	1,515	
Warrant (505,176 units) [(g)]				4,516	5,237	
				12,073	12,963	5%
Microbiology Research Associates, Inc. [(k)]						
Senior Secured Loan	6.0%/0.0%	5/13/2020	3,750	3,734	3,750	
Revolving Loan ($500 commitment) [(h)(i)]	6.0%/0.0%	5/13/2020		(2)		
Subordinated Note	12.5%/0.0%	11/13/2020	6,250	6,222	6,250	
Common Equity (1,000,000 units) [(i)]				1,000	1,444	

				10,954	11,444	5%
Oaktree Medical Centre, P.C.						
(dba Pain Management Associates)						
Senior Secured Loan [(i)]	8.5%/0.0%	1/1/2018	560	570	589	
Senior Secured Loan [(i)]	16.0%/0.0%	1/1/2018	5,379	5,458	5,454	
Revolving Loan ($500 commitment) [(i)]	8.5%/0.0%	1/1/2018	250	257	263	
				6,285	6,306	3%
United Biologics, LLC						
Subordinated Note	12.0%/2.0%	3/5/2017	8,523	8,360	7,932	
Preferred Equity (98,377 units) [(g)(i)]				1,069		
Warrant (57,469 units)				566		
				9,995	7,932	3%
Industrial Cleaning & Coatings						
K2 Industrial Services, Inc.						
Subordinated Note	8.8%/6.4%	5/23/2017	17,118	17,086	16,718	
Preferred Equity - Series A (1,200 shares)				1,200	271	
Preferred Equity - Series B (74 shares)				68	78	
				18,354	17,067	7%
Information Technology Services						
FTH Acquisition Corp. VII						
Subordinated Note	13.0%/0.0%	2/28/2017	8,352	8,352	8,236	
Preferred Equity (887,122 shares)				887		
				9,239	8,236	3%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2015

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
inthinc Technology Solutions, Inc.						
Subordinated Note ($5,000 commitment)	12.5%/0.0%	4/24/2020	$ 4,000	$ 3,979	$ 3,979	
Subordinated Note	0.0%/12.5%	4/24/2020	1,039	861	861	
Royalty Rights		4/24/2020		185	185	
				5,025	5,025	2%
Laundry Services						
Caldwell & Gregory, LLC						
Subordinated Note	11.5%/1.0%	11/30/2018	1,539	1,523	1,539	
Subordinated Note	0.0%/12.0%	5/31/2019	4,072	3,897	4,072	
Common Equity (500,000 units) [(g)]				500	651	
Warrant (242,121 units) [(g)]				242	316	
				6,162	6,578	3%
Oil & Gas Services						
IOS Acquisitions, Inc. [(n)]						
Common Equity (2,152 units) [(i)]				109	21	0%
Pinnergy, Ltd.						
Subordinated Note [(j)]	10.5%/1.8%	1/24/2020	20,000	19,945	16,440	7%
Printing Services						
Brook & Whittle Limited						
Subordinated Note	12.0%/4.8%	12/31/2016	7,655	7,655	7,361	
Subordinated Note	12.0%/2.0%	12/31/2016	2,296	2,296	2,151	
Warrant (1,051 shares)				285		
Common Equity - Series A (148 shares)				110		
Common Equity - Series D (527 shares)				53	77	
				10,399	9,589	4%
Restaurants						
ACFP Management, Inc. [(n)]						

Common Equity (1,000,000 units) (i)						0%
Cardboard Box LLC						
(dba Anthony s Coal Fired Pizza)						
Common Equity (521,021 units) (i)				521	521	0%
Restaurant Finance Co, LLC						
Senior Secured Loan ($10,500 commitment) (j)	12.0%/4.0%	7/31/2020	8,443	8,410	8,443	3%
Retail						
EBL, LLC (EbLens)						
Common Equity (750,000 units) (g)(i)				750	1,389	1%
Retail Cleaning						
Paramount Building Solutions, LLC (l)						
Subordinated Note (m)	0.0%/18.0%	12/31/2017	625	625	618	
Subordinated Note (m)	0.0%/15.0%	12/31/2017	275	275		
Subordinated Note (m)	0.0%/10.0%	12/31/2017	1,376	1,376		
Subordinated Note (m)	0.0%/14.0%	12/31/2017	2,927	2,927		
Warrant (1,086,035 units) (g)						
Preferred Equity (5,000,000 units) (g)				5,339		
Common Equity (107,143 units) (g)				1,500		
				12,042	618	0%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2015

(In thousands, except shares)

Industry **Portfolio Company** [(a)(b)] **Investment Type** [(c)]	**Rate** [(d)] **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Safety Products Manufacturing						
Safety Products Group, LLC [(k)]						
Subordinated Note	12.0%/1.5%	12/30/2018	$ 10,000	$ 9,974	$ 10,000	
Preferred Equity (749 units) [(g)(i)]				749	834	
Common Equity (676 units) [(g)(i)]				1		
				10,724	10,834	4%
Specialty Chemicals						
FAR Research Inc. [(k)]						
Senior Secured Loan [(j)]	11.8%/1.0%	3/31/2019	7,448	7,423	7,448	
Revolving Loan ($1,750 commitment) [(i)]	11.8%/1.0%	3/31/2019	137	131	136	
Common Equity (10 units)				1,000	161	
				8,554	7,745	3%
Specialty Cracker Manufacturing						
Westminster Cracker Company, Inc. [(k)(n)]						
Common Equity (1,307,262 units)					191	0%
Specialty Distribution						
Carlson Systems Holdings, Inc.						
Subordinated Note [(j)]	12.0%/0.0%	5/20/2020	21,000	20,912	21,000	
Common Equity (15,000 units) [(i)]				1,500	2,079	
				22,412	23,079	9%
Virginia Tile Company, LLC						
Subordinated Note [(j)]	12.3%/0.0%	5/19/2020	12,000	11,952	12,000	
Common Equity (20 shares)				250	559	
				12,202	12,559	5%
Telecommunication Services						
X5 Opco LLC						

Senior Secured Loan	12.0%/0.0%	3/24/2020	5,500	5,477	5,665	
Revolving Loan ($500 commitment) (h)	12.0%/0.0%	3/24/2020				
Preferred Equity (5,000 units) (f)(g)(i)	0.0%/8.0%			531	350	
				6,008	6,015	2%
Transportation Services						
Cavallo Bus Lines Holdings, LLC						
Subordinated Note	12.0%/3.0%	4/26/2021	8,250	8,210	8,210	3%
US Pack Logistics LLC						
Subordinated Note	12.0%/1.8%	9/27/2020	10,299	10,255	10,299	
Common Equity (5,357 units) (g)(i)				536	483	
				10,791	10,782	4%
Worldwide Express Operations, LLC						
Subordinated Note	11.5%/1.0%	8/1/2020	12,805	12,723	12,806	
Common Equity (2,500,000 units) (g)(i)				2,500	4,036	
				15,223	16,842	7%
Utility Equipment Manufacturing						
Mirage Trailers LLC (k)						
Senior Secured Loan (j)(e)	12.5%/0.0%	11/25/2020	9,000	8,912	8,912	
Common Equity (2,500,000 shares)				2,475	2,475	
				11,387	11,387	5%

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FIDUS INVESTMENT CORPORATION

Consolidated Schedule of Investments (continued)

December 31, 2015

(In thousands, except shares)

Industry **Portfolio Company [(a)(b)]** **Investment Type [(c)]**	**Rate [(d)]** **Cash/PIK**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**	**Percent of Net Assets**
Trantech Radiator Products, Inc. [(k)]						
Subordinated Note [(i)]	12.0%/1.8%	5/4/2017	$ 8,494	$ 8,482	$ 8,494	
Common Equity (6,875 shares) [(i)]				688	434	
				9,170	8,928	4%
Vending Equipment Manufacturing						
Ice House America, LLC						
Subordinated Note [(i)]	12.0%/3.5%	1/1/2020	4,098	3,903	3,668	
Warrant (1,957,895 units) [(g)(i)]				216	47	
				4,119	3,715	2%
Total Investments				$ 448,338	$ 443,269	179%

(a) See Note 3 to the consolidated financial statements for portfolio composition by geographic location.
(b) Equity ownership may be held in shares or units of companies related to the portfolio companies.
(c) All debt investments are income producing, unless otherwise indicated. Equity investments are non-income producing unless otherwise noted.
(d) Rate includes the cash interest or dividend rate and paid-in-kind interest or dividend rate, if any, as of December 31, 2015. Generally, payment-in-kind interest can be paid-in-kind or all in cash.
(e) The investment bears interest at a variable rate that is determined by reference to LIBOR, which is reset monthly. The interest rate is set as LIBOR + 11.5% and is subject to a 12.5% interest rate floor. The Company has provided the interest rate in effect as of December 31, 2015.
(f) Income producing. Maturity date, if any, represents mandatory redemption date.
(g) Investment is held by a wholly-owned subsidiary of the Company.
(h) The entire commitment was unfunded at December 31, 2015. As such, no interest is being earned on this investment.
(i) Investment pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).

(j) The portion of the investment not held by the Funds is pledged as collateral for the Credit Facility and, as a result, is not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company s obligations under the Credit Facility (see Note 6 to the consolidated financial statements).

(k) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of this portfolio company because it owns 5% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was an Affiliated Person are detailed in Note 3 to the consolidated financial statements.

(l) As defined in the 1940 Act, the Company is deemed to be both an Affiliated Person of and Control this portfolio company because it owns 25% or more of the portfolio company s outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company. Transactions in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are detailed in Note 3 to the consolidated financial statements.

(m) Investment was on non-accrual status as of December 31, 2015, meaning the Company has ceased recognizing interest income on the investment.

(n) Investment in portfolio company that has sold its operations and is in the process of winding down.

See Notes to Consolidated Financial Statements (unaudited).

FIDUS INVESTMENT CORPORATION

Notes to Consolidated Financial Statements (unaudited)

(In thousands, except shares and per share data)

Note 1. Organization and Nature of Business

Fidus Investment Corporation, a Maryland corporation (FIC, and together with its subsidiaries, the Company), was formed on February 14, 2011 for the purposes of (i) acquiring 100% of the limited partnership interests of Fidus Mezzanine Capital, L.P. and its consolidated subsidiaries (collectively, Fund I) and 100% of the membership interests of Fund I s general partner, Fidus Mezzanine Capital GP, LLC (FMCGP), (ii) raising capital in an initial public offering that was completed in June 2011 (the IPO) and (iii) thereafter operating as an externally managed, closed-end, non-diversified management investment company, within the meaning of the Investment Company Act of 1940, as amended (the 1940 Act), that has elected to be regulated as a business development company (BDC) under the 1940 Act.

On June 20, 2011, FIC acquired 100% of the limited partnership interests in Fund I and 100% of the equity interests in FMCGP, in exchange for 4,056,521 shares of common stock in FIC (the Formation Transactions). Fund I became FIC s wholly-owned subsidiary, retained its license to operate as a Small Business Investment Company (SBIC), and continues to hold investments and make new investments. The IPO consisted of the sale of 5,370,500 shares of the Company s common stock, including shares purchased by the underwriters pursuant to their exercise of the over-allotment option, at a price of $15.00 per share resulting in net proceeds of $73,626, after deducting underwriting fees and commissions and offering costs totaling $6,932.

The Company provides customized debt and equity financing solutions to lower middle-market companies. Fund I commenced operations on May 1, 2007, and on October 22, 2007, was granted a license to operate as a SBIC under the authority of the U.S. Small Business Administration (SBA). On March 29, 2013, the Company commenced operations of a second wholly-owned subsidiary, Fidus Mezzanine Capital II, L.P. (Fund II) and on May 28, 2013, was granted a second license to operate Fund II as an SBIC. Collectively, Fund I and Fund II are referred to as the Funds. The SBIC licenses allow the Funds to obtain leverage by issuing SBA-guaranteed debentures (SBA debentures), subject to the issuance of leverage commitments by the SBA and other customary procedures. As SBICs, the Funds are subject to a variety of regulations and oversight by the SBA under the Small Business Investment Act of 1958, as amended (the SBIC Act), concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments.

Fund I has also elected to be regulated as a BDC under the 1940 Act. Fund II is not registered under the 1940 Act and relies on the exclusion from the definition of investment company contained in Section 3(c)(7) of the 1940 Act. In addition, for federal income tax purposes, the Company elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code), commencing with its taxable year ended December 31, 2011.

For all periods subsequent to the consummation of the Formation Transactions and the IPO, the Company pays a quarterly base management fee and an incentive fee to Fidus Investment Advisors, LLC (the Investment Advisor) under an investment advisory agreement (the Investment Advisory Agreement). The initial investment professionals of the Investment Advisor were previously employed by Fidus Capital, LLC, who was the investment advisor to Fund

I prior to consummation of the Formation Transactions.

Note 2. Significant Accounting Policies

Basis of presentation: The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) pursuant to the requirements for reporting on Form 10-Q, Accounting Standards Codification (ASC) 946, *Financial Services Investment Companies* (ASC 946), and Articles 6 or 10 of Regulation S-X. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the periods presented. Certain prior period amounts have been reclassified to conform to the current period presentation. The current period s results of operation are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2015.

Use of estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation: Pursuant to Article 6 of Regulation S-X and ASC 946, the Company will generally not consolidate its investments in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. As a result, the consolidated financial statements of the Company include only the accounts of the Company and its wholly-owned subsidiaries, including the Funds. All significant intercompany balances and transactions have been eliminated.

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FIDUS INVESTMENT CORPORATION

Notes to Consolidated Financial Statements (unaudited)

(In thousands, except shares and per share data)

Fair value of financial instruments: The Company measures and discloses fair value with respect to substantially all of its financial instruments in accordance with ASC Topic 820 *Fair Value Measurements and Disclosures* (ASC Topic 820). ASC Topic 820 defines fair value, establishes a framework used to measure fair value, and requires disclosures for fair value measurements, including the categorization of financial instruments into a three-level hierarchy based on the transparency of valuation inputs. See Note 4 to the consolidated financial statements for further discussion regarding the fair value measurements and hierarchy.

Investment classification: The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, Control Investments are defined as investments in those companies where the Company owns more than 25% of the voting securities of such company or has rights to maintain greater than 50% of the board representation. Under the 1940 Act, Affiliate Investments are defined as investments in those companies where the Company owns between 5% and 25% of the voting securities of such company. Non-Control/Non-Affiliate Investments are those that neither qualify as Control Investments nor Affiliate Investments.

Segments: In accordance with ASC Topic 280 *Segment Reporting*, the Company has determined that it has a single reporting segment and operating unit structure.

Cash and cash equivalents: Cash and cash equivalents are highly liquid investments with an original maturity of three months or less at the date of acquisition. The Company places its cash in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company does not believe its cash balances are exposed to any significant credit risk.

Deferred financing costs: Deferred financing costs consist of fees and expenses paid in connection with the Credit Facility (as defined in Note 6) and SBA debentures. Deferred financing costs are capitalized and amortized over the term of the debt agreement using the effective interest method. Unamortized deferred financing costs are presented as an offset to the corresponding debt liabilities on the consolidated statements of assets and liabilities.

Deferred equity financing costs: Deferred equity financing costs include registration expenses related to shelf filings, including expenses related to the launch of the ATM Program. These expenses primarily consist of Securities and Exchange Commission (SEC) registration fees, legal fees and accounting fees incurred. These expenses are included in prepaid assets and are charged to additional paid in capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed.

Realized gains or losses and unrealized appreciation or depreciation on investments: 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 the sale or disposition and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation on the consolidated statements of operations includes changes in the fair value of investments from the prior period, as determined in good faith by the Company s board of directors (the Board) through the application of the Company s valuation policy, as well as reclassifications of any prior period unrealized appreciation or depreciation on exited investments to realized gains or losses on investments.

Interest, fee and dividend income: Interest and dividend income is recorded on the accrual basis to the extent that the Company expects to collect such amounts. Interest and dividend income is accrued daily based on the outstanding principal amount and the contractual terms of the debt or preferred equity investment. Dividend income is recorded 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.

Certain of the Company s investments contain a payment-in-kind (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, as applicable, on the consolidated statements of operations. Generally, PIK can be paid-in-kind or all in cash. The Company stops accruing PIK income when there is reasonable doubt that PIK income will be collected. PIK income is included in the Company s taxable income and, therefore, affects the amount the Company is required to pay to shareholders in the form of dividends in order to maintain the Company s tax treatment as a RIC and to avoid corporate federal income tax, even though the Company has not yet collected the cash.

When there is reasonable doubt that principal, interest or dividends will be collected, loans or preferred equity investments are placed on non-accrual status and the Company will generally cease recognizing interest or dividend income. Interest and dividend payments received on non-accrual investments may be recognized as interest or dividend income or may be 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, payments are likely to remain current.

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FIDUS INVESTMENT CORPORATION

Notes to Consolidated Financial Statements (unaudited)

(In thousands, except shares and per share data)

In connection with the Company s debt investments, the Company will sometimes receive warrants or other equity-related securities from the borrower (Warrants). The Company determines 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 is treated as original issue discount (OID), and accreted into interest income using the effective interest method over the term of the debt investment.

Transaction fees earned in connection with the Company s investments are recognized as fee income. Such fees typically include fees for services, including structuring and advisory services, provided to portfolio companies. The Company recognizes 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, the Company historically recorded transaction fees provided in connection with its investments as a direct offset to management fee expense.

The Company also typically receives loan origination or closing fees in connection with investments. Such loan origination and closing fees are capitalized as unearned income and offset against investment cost basis on the consolidated statements of assets and liabilities and accreted into income over the life of the investment.

Partial loan sales: The Company follows the guidance in ASC 860, *Transfers and Servicing,* when accounting for loan participations and other partial loan sales. Such guidance requires a participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest should remain on the Company s consolidated statement of assets and liabilities and the proceeds recorded as a secured borrowing until the definition is met. Management has determined that all participations and other partial loan sale transactions entered into by the Company have met the definition of a participating interest. Accordingly, the Company uses sale treatment in accounting for such transactions.

Income taxes: The Company has elected to be treated as a RIC under Subchapter M of the Code, which will generally relieve the Company from U.S. federal income taxes with respect to all income distributed to stockholders. To maintain the tax treatment of a RIC, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by Subchapter M of the Code, each year. Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year; however, the Company will pay a 4.0% excise tax if it does not distribute at least 98.0% of the current year s ordinary taxable income. Any such carryover taxable income must be distributed through a dividend declared prior to the later of the date on which the final tax return related to the year in which the Company generated such taxable income is filed or the 15th day of the 9th month following the close of such taxable year. In addition, the Company will be subject to federal excise tax if it does not distribute at least 98.2% of its net capital gains realized, computed for any one year period ending October 31.

In the future, the Funds may be limited by provisions of the SBIC Act and SBA regulations governing SBICs from making certain distributions to FIC that may be necessary to enable FIC to make the minimum distributions required to maintain the tax treatment of a RIC.

The Company has certain wholly-owned taxable subsidiaries (the Taxable Subsidiaries), each of which generally holds one or more of the Company s portfolio investments listed on the consolidated schedules of investments. The Taxable Subsidiaries are consolidated for financial reporting purposes, such that the Company s consolidated financial statements reflect the Company s investment in the portfolio companies owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit the Company to hold equity investments in portfolio companies that are taxed as partnerships for U.S. federal income tax purposes (such as entities organized as limited liability companies (LLCs) or other forms of pass through entities) while complying with the source-of-income requirements contained in the RIC tax provisions. The Taxable Subsidiaries are not consolidated with the Company for U.S. federal corporate income tax purposes, and each Taxable Subsidiary will be subject to U.S. federal corporate income tax on its taxable income. Any such income or expense is reflected in the consolidated statements of operations.

U.S. federal income tax regulations differ from GAAP, and as a result, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized under GAAP. Differences may be permanent or temporary. Permanent differences may arise as a result of, among other items, a difference in the book and tax basis of certain assets and nondeductible federal income taxes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* (ASC Topic 740) provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company s tax returns to determine whether the tax positions are more-likely-than-not to be respected by the applicable tax authorities. Tax benefits of positions not deemed to meet

FIDUS INVESTMENT CORPORATION

Notes to Consolidated Financial Statements (unaudited)

(In thousands, except shares and per share data)

the more-likely-than-not threshold would be recorded as a tax expense in the current year. It is the Company s policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax provision, if any. There were no material uncertain income tax positions at September 30, 2016 and December 31, 2015. The 2013 through 2015 tax years remain subject to examination by U.S. federal and most state tax authorities.

Distributions to stockholders: Distributions to stockholders are recorded on the record date with respect to such distributions. The amount, if any, to be distributed to stockholders, is determined by the Board each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, may be distributed at least annually, although the Company may decide to retain such capital gains for investment.

The determination of the tax attributes for the Company s distributions is made annually, and is based upon the Company s taxable income and distributions paid to its stockholders for the full year. Ordinary dividend distributions from a RIC do not qualify for the preferential tax rate on qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax characterization of the Company s distributions generally includes both ordinary income and capital gains but may also include qualified dividends or return of capital.

The Company has adopted a dividend reinvestment plan (DRIP) that provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if the Company declares a cash dividend, the Company s stockholders who have not opted out of the DRIP at least three days prior to the dividend payment date will have their cash dividend automatically reinvested into additional shares of the Company s common stock. The Company has the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly issued shares are valued based upon the final closing price of the Company s common stock on a date determined by the Board. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased by the DRIP plan administrator before any associated brokerage or other costs. See Note 9 to the consolidated financial statements regarding dividend declarations and distributions.

Earnings and net asset value per share: The earnings per share calculations for the three months ended September 30, 2016 and 2015, as well as the nine months ended September 30, 2016 and 2015, are computed utilizing the weighted average shares outstanding for the period. Net asset value per share is calculated using the number of shares outstanding as of the end of the period.

Stock repurchase plan: The Company has an open market stock repurchase program (the Program) under which the Company may acquire up to $5.0 million of its outstanding common stock. Under the Program, the Company may, but is not obligated to, repurchase outstanding common stock in the open market from time to time provided that the Company complies with the prohibitions under its insider trading policies and the requirements of Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market value and timing constraints. The timing, manner, price and amount of any share repurchases will be determined by Fidus management, in its discretion, based upon the evaluation of economic and market conditions, stock price, capital availability, applicable legal and regulatory requirements and other corporate considerations. Unless extended by the Board, the Company expected that the Program would have been in effect until January 22, 2017, or until the approved dollar amount has been used to repurchase shares. On November 1, 2016, the Board extended the Program through December 31, 2017. The Program does not require the Company to repurchase any specific number of shares and the Company cannot assure that any shares will be repurchased under the Program. The Program may be suspended, extended, modified or discontinued at any time. The Company did not make any repurchases of common stock during the nine months ended September 30, 2016 or 2015.

Recent accounting pronouncements: In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which amends the criteria for determining which entities are considered variable interest entities (VIEs), amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. The Company adopted ASU 2015-02 as of January 1, 2016. The adoption of ASU 2015-02 had no material impact on the Company s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. The Company adopted ASU 2015-03 as of January 1, 2016. The adoption of ASU 2015-03 had no material impact on the Company s consolidated financial statements other than corresponding reductions to total assets and total liabilities on the consolidated statements of assets and liabilities. Prior to adoption, the Company recorded deferred financing costs as an asset on the consolidated statements of assets and liabilities. Upon adoption of ASU 2015-03, the

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Company reclassified these deferred costs to a direct offset of the related debt liability on the consolidated statements of assets and liabilities. The new guidance will be applied retrospectively to each prior period presented. The Company reclassified the $4,872 of deferred financing costs presented as an asset as of December 31, 2015 to a direct offset of the related debt liabilities as of such date on the consolidated statements of assets and liabilities.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017 and early application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact this ASU will have on the Company s consolidated financial position or disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact this ASU will have on the Company s consolidated financial position or disclosures.

Note 3. Portfolio Company Investments

The Company s portfolio investments principally consist of secured and unsecured debt, equity warrants and direct equity investments in privately held companies. The debt investments may or may not be secured by either a first or second lien on the assets of the portfolio company. The debt investments generally bear interest at fixed rates, and generally mature between five and seven years from the original investment. In connection with a debt investment, the Company also may receive nominally priced equity warrants and/or make a direct equity investment in the portfolio company. The Company s warrants or equity investments may be investments in a holding company related to the portfolio company. In addition, the Company periodically makes equity investments in its portfolio companies through Taxable Subsidiaries. In both situations, the investment is generally reported under the name of the operating company on the consolidated schedules of investments.

As of September 30, 2016, the Company had active investments in 49 portfolio companies and residual investments in five portfolio companies that have sold their underlying operations. The aggregate fair value of the total portfolio was $470,057 and the weighted average effective yield on the Company s debt investments was 13.1% as of such date. As of September 30, 2016, the Company held equity investments in 85.2% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 7.7%. As of December 31, 2015, the Company had active investments in 50 portfolio companies and residual investments in three portfolio companies that have sold their underlying operations. The aggregate fair value of the total portfolio was $443,269 and the weighted average effective yield on the Company s debt investments of 13.3% as of such date. As of December 31, 2015, the Company held equity investments in 83.0% of its portfolio companies and the average fully diluted equity ownership in those portfolio companies was 8.3%. The weighted average yields were computed using the effective interest rates for debt investments at cost as of September 30, 2016 and December 31, 2015, including accretion of original issue discount and loan origination fees, but excluding investments on non-accrual status, if any.

Purchases of debt and equity investments for the nine months ended September 30, 2016 and 2015, totaled $104,379 and $80,127, respectively. Proceeds from sales and repayments, including principal, return of capital distributions and realized gains, of portfolio investments for the nine months ended September 30, 2016, and 2015 totaled $91,936 and $51,490, respectively.

Investments by type with corresponding percentage of total portfolio investments consisted of the following:

	Fair Value				**Cost**			
	September 30, 2016		**December 31, 2015**		**September 30, 2016**		**December 31, 2015**	
Subordinated notes	$ 327,579	69.7%	$ 300,467	67.8%	$ 338,444	73.8%	$ 309,899	69.2%
Senior secured loans	75,040	16.0	88,485	20.0	76,265	16.6	88,505	19.7
Equity	57,579	12.2	44,899	10.1	37,122	8.1	42,651	9.5
Warrants	9,643	2.1	9,233	2.1	7,040	1.5	7,098	1.6
Royalty rights	216		185		185		185	
Total	$ 470,057	100.0%	$ 443,269	100.0%	$ 459,056	100.0%	$ 448,338	100.0%

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All investments made by the Company as of September 30, 2016 and December 31, 2015 were made in portfolio companies headquartered in the U.S. The following table shows portfolio composition by geographic region at fair value and cost and as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company s business.

	Fair Value				Cost			
	September 30, 2016		December 31, 2015		September 30, 2016		December 31, 2015	
Midwest	$ 138,757	29.5%	$ 119,291	26.8%	$ 127,893	27.8%	$ 116,015	25.9%
Southeast	102,544	21.8	107,975	24.4	116,045	25.3	113,430	25.3
Northeast	100,025	21.3	93,430	21.1	96,917	21.1	92,492	20.6
West	82,069	17.5	84,648	19.1	75,229	16.4	77,028	17.2
Southwest	46,662	9.9	37,925	8.6	42,972	9.4	49,373	11.0
Total	$ 470,057	100.0%	$ 443,269	100.0%	$ 459,056	100.0%	$ 448,338	100.0%